



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



2018

**ANNUAL REPORT
& ACCOUNTS**

Managed by



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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 6th Annual General Meeting of Skye Shelter Fund will hold as follows:

Date: Friday, October 25, 2019

Venue: The Ivory Victoria Island
226A, Muri Okunola Street
Victoria Island, Lagos.

Time: 1:00 p.m.

The following businesses will be transacted at the meeting as ordinary business:

1. To receive, consider and adopt the Audited Financial Statements for the year ended December 31, 2018 and the reports of the Fund Managers thereon.
2. To declare a coupon of ₦7:00 per unit of Skye Shelter Fund.
3. To consider and if thought fit authorize the Fund Manager to fix the remuneration of the Auditors for the ensuing year.

The following business will be transacted at the meeting as special business:

4. To approve the Supplemental Trust Deed with the following amendments.
 - a. **Amendment of the Name of the Fund Manager under the Definition and Interpretation clause.**
The name of the fund manager Skye Bank Plc shall now read;
The Fund Managers shall be known and called SFS Capital Nigeria Limited.
 - b. **Amendment of the Name of the Fund under the Definition and Interpretation clause**
The new name of the Skye Shelter Fund shall now read;
The Fund Managers established that the fund be known and called SFS REAL ESTATE INVESTMENT TRUST (SFS REIT) FUND.



Notice of Annual General Meeting

- c. **Amendment of the Name of the Trustee of the Fund under the Definition and Interpretation clause**
The new name of the trustees of the Fund PHB Capital & Trust Limited shall now read;
The Fund Managers established that the trustee of the Fund be known and called APEL CAPITAL AND TRUST LIMITED.

Dated this 23rd day of August, 2019
BY ORDER OF THE MANAGER

TOLG NOMINEES

TOLG NOMINEES
Company Secretary



Note

Proxies

1. Only Unit holders are entitled to be represented at the Meeting. A Unit holder entitled to attend and vote may appoint a proxy to attend and vote in his stead. A Proxy need not be a Unit holder.
2. A Proxy Form is attached herewith. All Proxy Forms should be assessed and stamped at the Stamp Duties Commission and should be deposited at the office of the Fund Manager, SFS Capital Nigeria Limited located at Plot 287, Ajose Adeogun Street, Victoria Island, Lagos or at the Office of the Registrar, Pace Registrars Limited, located at Akuro House, [8th Floor], 24 Campbell Street, Lagos not less than 48 hours before the time of the Meeting.

Coupon

If the Coupon of N7:00 per unit proposed by the Fund Manager is approved at the Meeting, coupon will be payable on Friday, October 25, 2019 to unit holders whose names appear in the Register of Unit Holders at the close of business on Friday, October 11, 2019. Unit holders who have completed the e-coupon Mandate forms will receive a direct credit of the coupon into their bank accounts

Closure of the Register

The Register of Unit holders and Transfer Books of Skye Shelter Fund will be closed on **Monday October 14th, 2019 to Friday October 18th, 2019** for the purpose of ascertaining the Unit holders that qualify for the proposed Distribution for the period ended December 31, 2018.

E-Coupon Mandate

Unit holders are kindly requested to update their records and advise Pace Registrars Limited of their updated records and relevant bank accounts for payment of their coupons. Detachable forms in respect of mandate for e-coupon payment and unit holder's data update are attached to the Annual Report for convenience. The forms can also be downloaded from the Fund's website at www.skyeshelterfund.com or from Pace Registrars Limited's website at www.paceregistrars.com.

Right of Unitholders to ask questions

Unit holders of the Fund have a right to ask questions not only at the Annual General Meeting but also in writing prior to the meeting, and such questions must be submitted to the Company Secretary TOLG Nominees at Plot 1963B, Buraimoh Kenku Street, Off Oyin Jolayemi Street, Victoria Island, Lagos.



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	Ubosi Eleh & Co NUJ Lighthouse 3/5 Adeyemo Alakija Street Victoria Island Lagos



Fund Managers Report

We are pleased to present the Report and Accounts for the Skye Shelter Fund for the Year Ended December 31, 2018

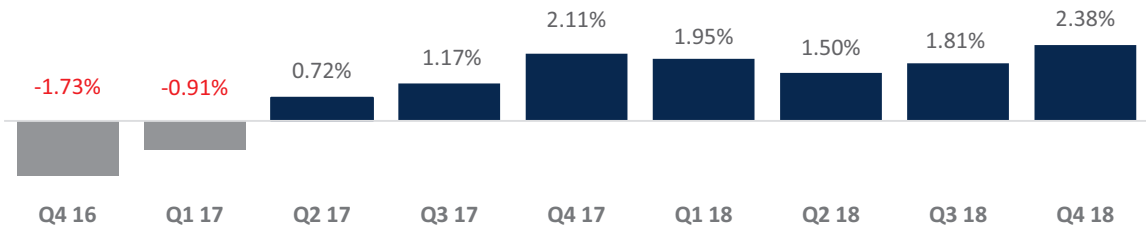
ECONOMIC REVIEW

The Nigerian economy's growth trajectory remained positive throughout 2018, with seven consecutive quarters of growth from Q2 2017.

In the first half of 2018, there was slow momentum within the Nigerian economy, with Q1 growth at 1.95% and Q2 growth slowing to 1.50%. Growth in the half of the year was driven by the Information and Communications Technology (ICT) and Construction sectors growing 11.81% and 7.9% respectively.

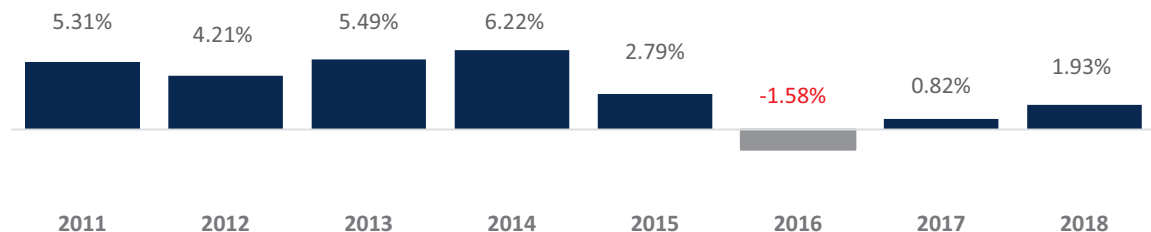
Q3 and Q4 2018 Gross Domestic Product (GDP) grew by 1.81% and 2.38% respectively, driven largely by the non-oil sector.

QUARTERLY GDP GROWTH (Q4 2016 – Q4 2018)



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

ANNUAL GDP GROWTH (2011 – 2018)

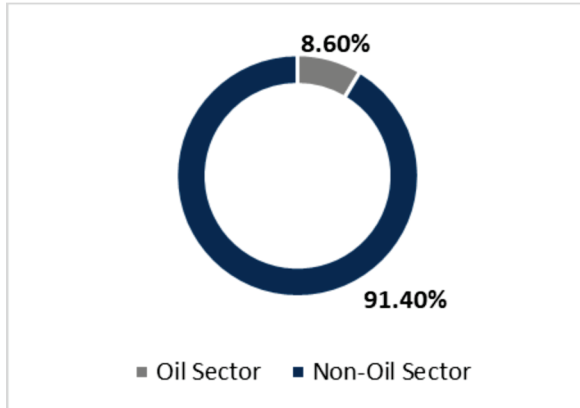


Source: National Bureau of Statistics (NBS), SFS Capital Research

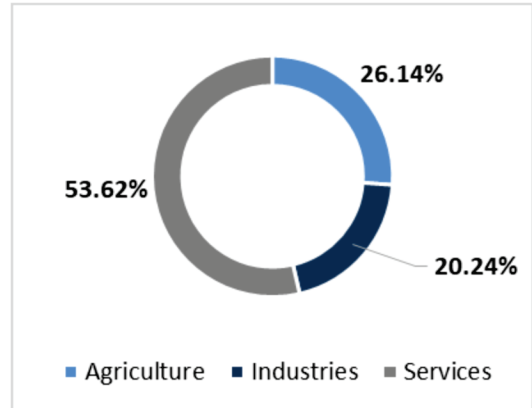


Fund Managers Report

CONTRIBUTION OF OIL AND NON-OIL SECTORS



CONTRIBUTION TO REAL GDP Q4 2018



NON-OIL SECTOR

The Non-Oil sector's contribution to GDP in 2018 was 91.40% in contrast to 91.33% in 2017. There were developments across all the sub-sectors, with Services and Agriculture spearheading the growth. Services sector output advanced by 3.8% year-on-year ("yoy"), derived from advances of 13.2% in information and communications technology as well as gains from undertakings in the transport sector, growing 9.5% yoy. Manufacturing sector also experienced advances of 2.4% yoy as a result of growth in food production, oil refining and textile production during the year. An improved exchange rate liquidity and higher fiscal spending were responsible for the growth as well as recovering crop production boosting the agricultural sector.

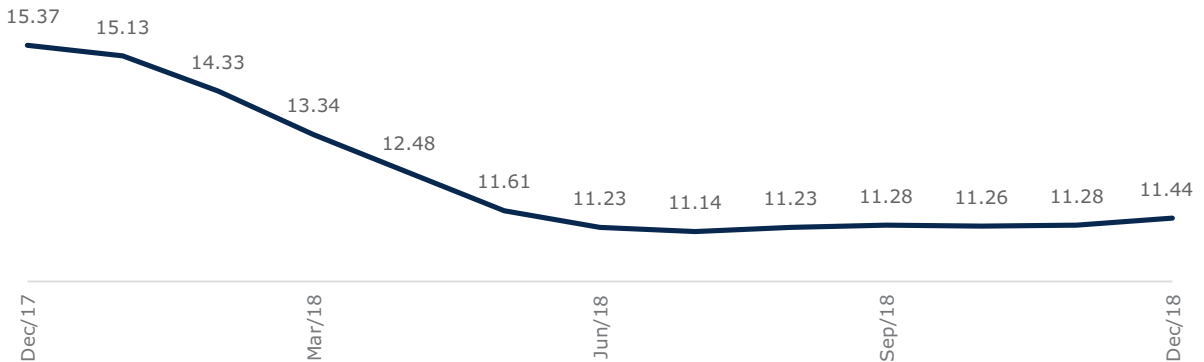
OIL SECTOR

The oil sector contributed to 8.60% of annual GDP in 2018. Growth in the sector for the year was 1.14% in contrast to 4.69% recorded in 2017. The sector accounted for 7.06% of GDP in Q4 2018. Oil production experienced a drop from an average of 1.95 millions of barrels per day ("mbpd") in Q3 2018 to 1.91 mbpd in Q4 2018. Growth in the sector contracted by 1.6% yoy from Q4 2017 to Q4 2018.



Fund Managers Report

INFLATION RATE % (DECEMBER 2017 – DECEMBER 2018)



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

Inflation rate declined significantly in response to monetary tightening and exchange rate stability. The headline inflation continued to fall from 2017. Between January and December, headline inflation reduced from 15.1% to 11.4%. The year started with headline inflation dropping to 15.13% yoy in January 2018 from a high of 18.72%. This slow-down occurred until July due to the base effect of Q3 2018 which was widely caused by the moderate month-on-month rise in headline inflation in Q3 2018 contrary to Q3 2017.

I&E FX WINDOW

The Investor and Exporters' (I&E) FX window introduced in April 2017, has attracted nearly USD\$60 billion as at December 2018 into the economy and is one of the strategic instruments projected to support and stabilise the Naira against other currencies. On the back of stronger FX reserves, together with the success of the I&E window, the average exchange rate of Naira to US dollar in 2018 was N362.

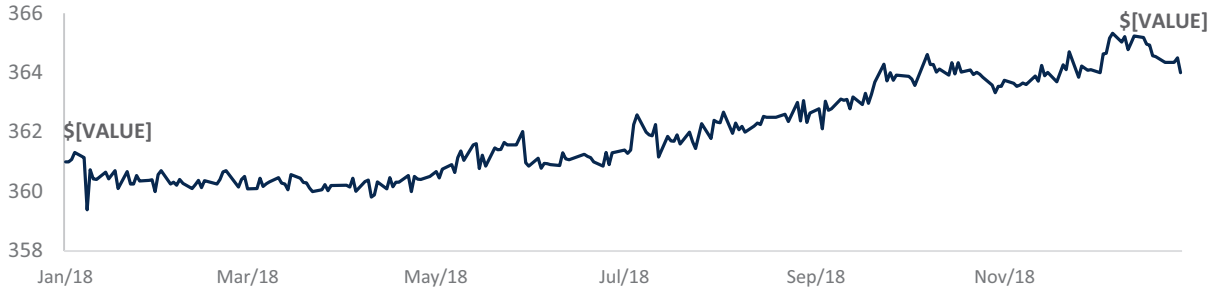
The Naira came under pressure in the second half of the year, due to Foreign Portfolio Investor ("FPI") outflows from the system. Naira gradually fell from N360/USD to N364/USD in the H2 2018, representing a depreciation of circa 1.1%.

The CBN remains the main supplier of liquidity at the window, therefore its long-term sustainability has been called into question.



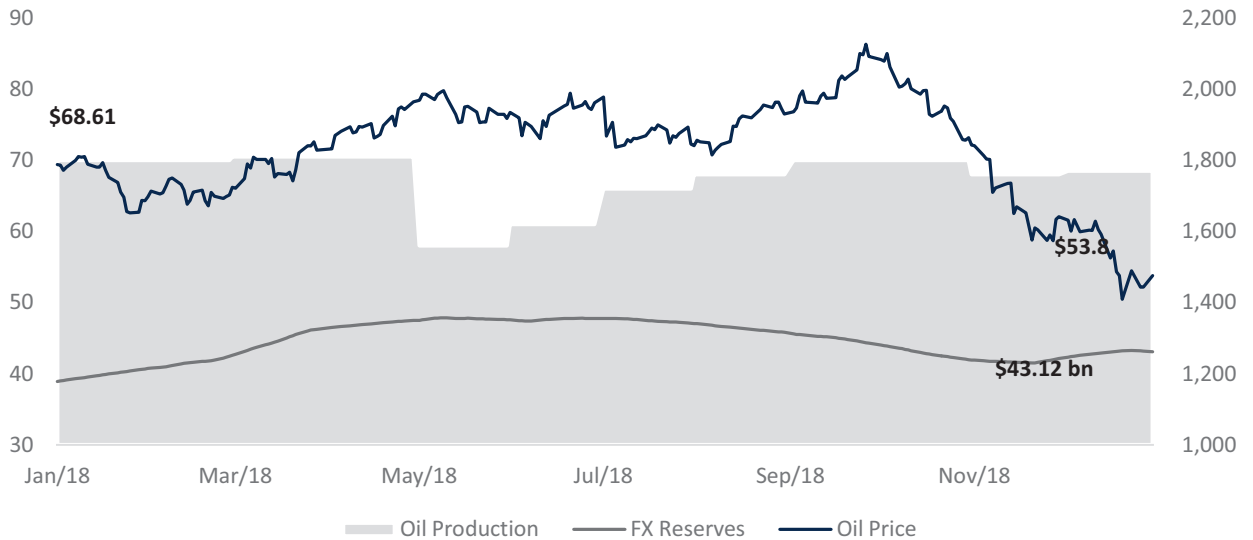
Fund Managers Report

I&E FX WINDOW RATES (USD/NGN)



Source: Bloomberg, SFS Capital Research

NIGERIA CRUDE OIL PRODUCTION, BRENT PRICE & NIGERIA'S FX RESERVES (2017 – 2018)



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

Oil Production- in thousands of barrels per day

FX Reserves- US\$ Billion (b)

Oil Price- Brent Crude US\$ per barrel



Fund Managers Report

The price of Brent Crude Oil traded at an average of US\$71.69 per barrel in 2018, rising by 28% from an average of US\$54.68 per barrel in 2017. Prices dropped to a low of US\$50.47 per barrel in December 2018 after reaching an annual high of US\$86.29 in September 2018. Following the production cap of 1.65mbpd placed on Nigeria by the OPEC, and the relatively lower oil prices, Nigeria's foreign currency earnings will come under pressure. This has further implications for the country, as a drop in foreign currency earnings could hamper the CBN's ability to defend the Naira.

FIXED INCOME MARKET REVIEW

In 2018, debt was mostly raised via Commercial Papers ("CP") than any other instrument - even bonds. In 2018, four issuers raised circa N197 billion through CP issuances. The growth in CPs is buoyed by higher risk aversion by banks as well as high lending rates. Also, the relatively lower rates on money market instruments in 2018, made for bolder fund-raising outings by issuers.

There were 6 bond issuances in the year, raising a total of N65 billion. Flour Mills of Nigeria was the most active issuing CPs worth N8 billion as well as Bonds of N20 billion. There were no State Bond issuances in 2018 due to poor IGR making it difficult for them to access the bond market.

On the innovation front, the Federal Government of Nigeria issued the first ever Green bond in Africa, raising a total of N10.69 billion.

NIGERIAN FEDERAL GOVERNMENT (FGN) BOND YIELDS

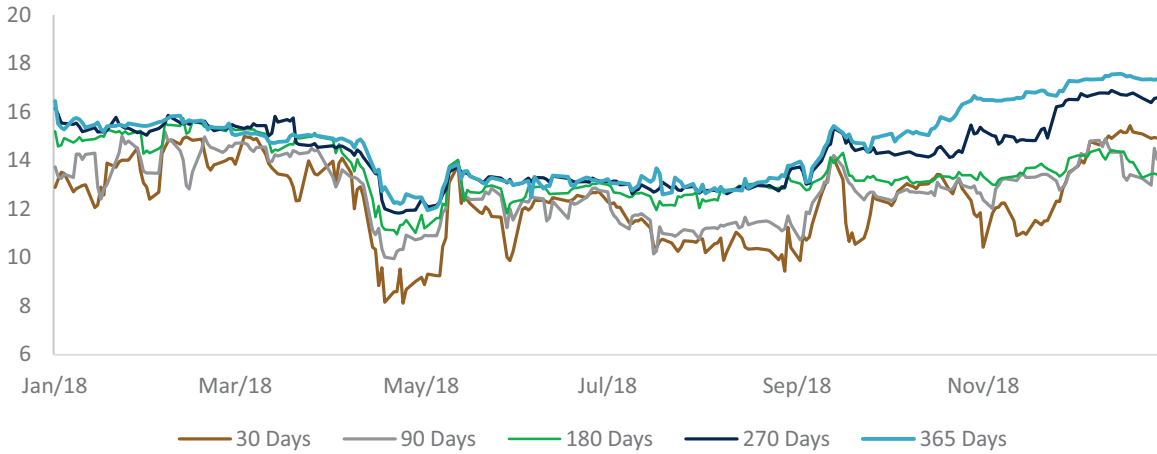


Source: Bloomberg, FMDQ, SFS Capital Research



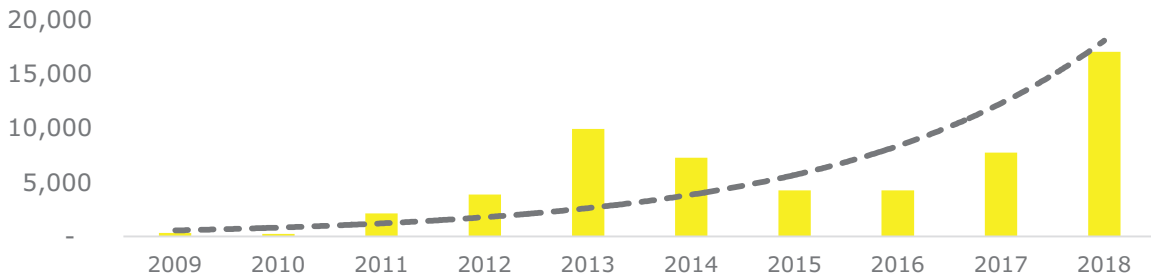
Fund Managers Report

NIGERIA TREASURY BILLYIELDS



Source: Bloomberg, FMDQ, SFS Capital Research

Value of OMO Auctions (₦'billions)



Fund Managers Report

Open Market Operations (“OMO”) have been rising in significance overtime. OMO has become the CBN's monetary policy tool of choice. This is evident in the fact that the Monetary Policy Rate (“MPR”) has remained at 14% for over 15 months, even in the face of high inflation.

The year 2018, was a record year for OMO sales, as the CBN moped-up over N17 trillion in circa 172 transactions. OMO activities began to ramp up in Q4 of the year. OMO yields across all tenors increased from an average of 11.77% in Q2 and Q3 to an average of 13.26% in Q4 2018.

The increased OMO activity by the CBN was done to wrangle the heightened liquidity pressure in the system. The pressure from higher rates in the US and offshore investor outflows, which in turn put a strain on the external reserves drove the CBN to intervene significantly. This intervention led to relatively higher yields on the short-end of the yield curve.

At the end of 2018, rates on 30-Day, 90-Day, 180-Day, 270-Day and 365-Day T-Bills were at 12.25%, 12.81%, 13.53%, 14.33% and 14.66% respectively.

FGN bond yields began to rise in Q2 2018 due to foreign investors' withdrawing from Nigeria's fixed income market. At the end of the year, average yields on 3-Year, 5-Year, 10-Year and 20-Year FGN Bonds were 13.95%, 14.13%, 14.46% and 14.20% respectively. In Q1 2018, refinancing by the government supported decline in yields through to Q2 2018, with average yields on 5 year and 10 year bonds falling to 13.43% and 13.53% as at Q2 18 from 14.03% and 14.12% respectively in Q4 18.

The CBN will need to continue its current intervention in the market due to depreciation pressure on the Naira. Although the 2019 budget is lower than 2018, the revenue prospects of the nation (taking account of the productions cap and lower oil prices) will most likely lead to increased borrowing. Further argument for rates to remain elevated is informed by the nation's debt maturities. The maturity profile for 2019 stands at over N14 trillion, which includes Treasury Bills, OMO and Bonds. Therefore, we expect the CBN to maintain its tight liquidity stance in 2019.

REAL ESTATE MARKET REVIEW

Savills put the 2017 value for global real estate at \$280.6Trn with the residential component accounting for a significant portion valued at \$220.6Trn. Sub Sharan Africa's residential real estate market is estimated at \$6.6Trn, unevenly distributed across its 1.12Bn inhabitants. With Nigeria's housing deficit expected to reach 20M by 2025, the World Bank approved a \$300M, 40-year loan for the financing of Nigeria's housing sector. Taking a closer look at the Nigeria real estate market, indications are that the residential market slowed. Few tenants changed their residences, renewing at current or slightly reduced rates.



Fund Managers Report

Studio apartments, 1 Bed and 2 Bed flats near the city centre continued to enjoy demand and there's also a shift by some developers in favour of the category. The office market continued to struggle as high vacancy rates and flexible lease terms remained paramount

in many lease negotiations. Still, there were new leases signed and pipeline developments made steady progress. Retail trends continue to support the growth of mid-sized shopping centres although vacancies in Grade A Malls have reduced on average with landlords demonstrating an understanding of the economy in their dealings with tenants.

High land costs, weak infrastructure and the absence of modern facilities continue to hamper the growth of Nigeria's industrial sector. These justify the current rentals, which range between \$3 - \$4 psm/month with an average yield of 7.5%. On the office markets front, there has been an increase in supply with developments predominantly owner-occupied. Nigeria became the fastest growing market in Africa for Airbnb in 2018. The platform allows property owners earn income on their residential assets, growing by over 200% in the last five years. Visitors and holiday makers can still get a good bargain from hotels as the worst days for the hospitality sector seem to be over. The sector grew by 8% YoY. International investors have taken positions, some of which include Hilton's Legend Hotel and Marriot's ongoing development (both in Ikeja) Lagos, and Hawthorne suites in Abuja.

One in two Nigerians have limited or no access to the electricity grid, the majority of which are in rural communities. This has put the government under more pressure to deliver power projects and opportunities for startups to capture Nigeria's \$2Bn solar home system market.

On the regulatory dashboard, the most noteworthy was the change in the Lagos State Land Use Charge 2011. There were changes in the tax base, as properties would now be taxed based on market values as opposed to fair values in the past. The non-compliance penalty increased from \$278 to \$694 or alternatively, 3 months' imprisonment. Also the new IFRS 15 standards mandate that real estate companies may now recognize revenue over time as they satisfy performance obligations during the construction period of the development project as opposed to the current recognition of revenue upon the transfer of risks and rewards to customers – which is practically upon completion of the project development and handover of real estate units to customers.

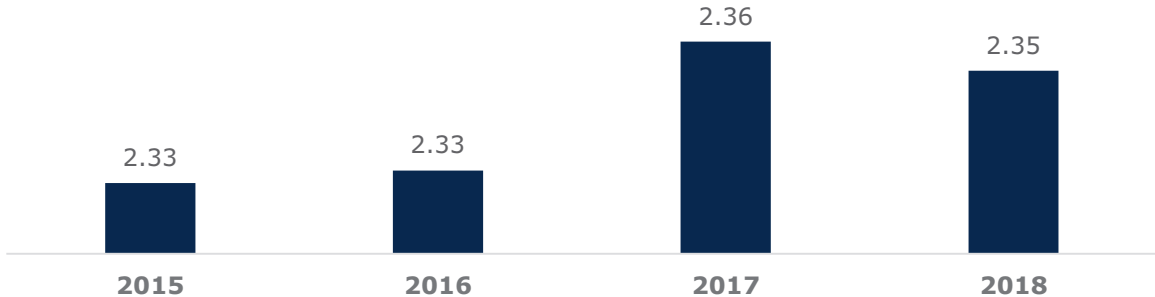
FUND PERFORMANCE

Skye Shelter Fund ("SSF" or "the Fund") is generated gross revenue of N215 million in 2018, split between interest income and rental income, 57% and 43% respectively. The revenue came in slightly lower due to marginal declines in interest income and rental income. The main culprit for the lower revenue was the drop in profit on disposal of properties year-on-year. Operating expense increased by 4% to close at N62 million largely driven by accrued cost of Annual General Meeting (AGM) expense, to be held for the financial year end December 2018. Net profit margin remains healthy at 71%.



Fund Managers Report

Fund NAV in ₦ billions



For the year ended December 2018, a dividend of N7.00 per share is proposed for distribution. This distribution represents a dividend yield of 7.37%, which is quite competitive given the situation of the broader Nigerian equities market.

PATRICK ILODIANYA
Managing Director/CEO,
SFS Capital Nigeria Ltd



Report of the Trustee

For the Year Ended 31 December 2018



The Trustee hereby present their Annual Report on the Skye Shelter Fund for the year ended 31 December, 2018.

PRINCIPAL ACTIVITIES & BUSINESS REVIEW:

The Fund commenced in January, 2008 and is registered as a close-ended Real Estate Investment Trust (REIT) in Nigeria by the Securities and Exchange Commission under the Investment and Securities Act 2007.

The principal activity of the Fund is to provide investors with long term capital appreciation and to optimize investors' returns by investing in a strategic mix of real estate properties and money market instruments as specified in the Trust Deed.

FUND PERFORMANCE

The performance of the Fund is as follows:

	2018 N'000	2017 N'000
NET ASSET VALUE:	2,354,331	2,361,513

There was a marginal decrease on the Net Asset Value by - 0.3%.

	2018 N'000	2017 N'000
NET INCOME:	152,818	167,716

There was a marginal decrease on the Net income by -8.9%.

ASSET ALLOCATION

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, 2018 was 78% in Real Estate investments, 16% in Real Estate related assets and 6% in liquid assets (less unclaimed distribution).

The Trustee is of the opinion that during the period ended December 31, 2018, 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).

8, Alhaji Bashorun Street, Off Norman Williams Crescent, South-West Ikoyi, Lagos. | P.O Box 2388, Marina, Lagos.
E.mail: info@apel.com.ng | Website : www.apel.com.ng | Tel: 07046277071, 01-2932121



Report of the Trustee For the Year Ended 31 December 2018



DIRECTORS OF THE FUND MANAGER

Dr. Layi Fatona	–	Chairman
Mr. Patrick Ilodianya	–	Managing Director
Mr. Dimeji Sonowo	–	Executive Director
Mr. Yemi Gbenro	–	Director
Mr. Yemi Kale	–	Director

PARTIES TO THE FUND

Fund Manager	–	SFS Capital Nigeria Limited
Trustees	–	Apel Capital & Trust Limited
Custodian	–	Stanbic IBTC Bank PLC
Auditors	–	Dele Olufon & Co. (Chartered Accountants)
Registrars	–	Pace Registrars Limited
Real Estate Surveyors/Valuers	–	Ubosi Eleh & Co.

BY ORDER OF THE TRUSTEES
Apel Capital & Trust Limited

16 April, 2019

Adeyinka Adegbola
Managing Director



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 of the fund and to 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 Nigerian Stock Exchange.

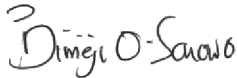
The Fund Manager shall abide by all the rules and regulations of the Nigerian Stock exchange.



Certification of Account By Directors

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 31st December, 2018

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, 2018, 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, 2018.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Fund's financial position as at 31 December 2018 and of 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.

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



Report of The independent Auditors TO THE UNIT HOLDER OF SKYE SHELTER FUND 31st December, 2018

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 Trustees Investment 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, 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 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.



Report of The independent Auditors TO THE UNIT HOLDER OF SKYE SHELTER FUND 31st December, 2018

- 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 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 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.




Report of The independent Auditors TO THE UNIT HOLDER OF SKYE SHELTER FUND 31st December, 2018

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.



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

Ikeja, Lagos
March 24, 2019.

For: DELE OLUFON & CO
Chartered Accountants



Statement of Financial Position As At 31st December, 2018

	Notes	2018 N'000	2017 N'000
ASSETS			
Cash and Cash Equivalents	8	48,531	86,297
Trading Portfolio Assets	9	792,423	675,306
Receivables	10	0	37,500
Prepaid Expenses		2,266	2,248
Investment Properties	11	1,878,390	1,878,390
Total Assets		2,721,609	2,679,741
LIABILITIES			
Payables & Accruals	12	(319,948)	(255,636)
Deferred Income	13	(47,330)	(62,592)
NET ASSETS		2,354,331	2,361,513
Represented By:			
Unitholders' Equity	14	2,000,000	2,000,000
Revenue Reserve	15	354,331	361,513
UNITHOLDERS' FUNDS		2,354,331	2,361,513
Net assets per unit (N)	17	117.7	118.1

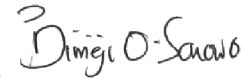
The full financial statements were approved by the Board of Directors on March 13, 2019 and signed on its behalf by;



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 29 to 48 form an integral part of these financial statements.



Statement of Comprehensive Income As At 31st December, 2018

	Notes	2018 N'000	2017 N'000
Interest Income		122,438	123,705
Profit on Disposal of Investment Property		-	8,800
Rental Income		92,838	94,868
		215,276	227,373
Total Operating Expenses	5	(62,458)	(59,657)
		152,818	167,716
Net income per unit (Naira)		7.64	8.39
Proposed Final Distribution		140,000	160,000
Proposed Final Distribution per unit (Naira)		7.00	8.00

The notes on pages 29 to 48 form an integral part of these financial statements.



Statement of Cash Flows For The Year Ended 31st December, 2018

	2018 N'000	2017 N'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	122,438	123,705
Rental Income Received	77,576	100,160
Cash Received	37,500	3,300
Operating Cash Payments	(18,563)	(24,706)
Cash Payments to Creditors	(45,858)	(39,253)
<i>Net cash from operating activities</i>	173,093	163,206
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on disposal of property		64,000
Trading Portfolio Assets	(117,117)	(371,943)
Unclaimed distribution	66,258	30,600
<i>Net cash used in investing activities</i>	(50,859)	(277,343)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distribution Paid	(160,000)	(140,000)
<i>Net cash used in financing activities</i>	(160,000)	(140,000)
<i>Net decrease in cash and cash equivalents</i>	(37,766)	(254,137)
Cash & cash equivalents at the beginning of the year	86,297	340,434
Cash & cash equivalents at the end of the year	48,531	86,297

The notes on pages 29 to 48 form an integral part of these financial statements.



Statement of Changes in Equity For The Year Ended 31st December, 2018

	Unitholders' Equity N'000	Revenue Reserve N'000	Total N'000
Balance as at January 1, 2017	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, 2017	2,000,000	361,513	2,361,513
Balance as at January 1, 2018	2,000,000	361,513	2,361,513
Net income for the year		152,818	152,818
Distribution paid		(160,000)	(160,000)
Balance as at December 31, 2018	2,000,000	354,331	2,354,331

The notes on pages 29 to 48 form an integral part of these financial statements.



Portfolio Statement For The Year Ended 31st December, 2018

		Cost N'000	Total Portfolio %	Net Asset %
Real estate		1,878,390	78	80
Real estate related investments		392,258	16	17
Liquid assets	448,695			
Less unclaimed distribution	(302,333)	146,362	6	6
Total portfolio		2,417,010		
Net assets		2,354,331		

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



As At 31st December, 2018

Notes to the Financial Statement **For The Year Ended 31st December, 2018**

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, 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, 2018 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 13, 2019.

(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,



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

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.

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.

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.



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

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

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

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

The Fund did not adopt earlier any new or amended standards in 2018.

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.



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

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 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.

Derecognition

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.



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

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 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.



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

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 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.



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

– 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 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.



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

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. 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.



Notes to the Financial Statement For The Year Ended 31st December, 2018

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 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



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

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.

Liquidity Risk

Liquidity risk is the risk that the fund does not have sufficient resources to meet its obligations when they fall 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:



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

- 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 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



Notes to the Financial Statement **For The Year Ended 31st December, 2018**

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, 2018**

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 modelling 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, 2018

4 TOTAL INCOME

	2018 N'000	2017 N'000
Fixed Interest Income	122,438	123,705
Profit on investment disposal		8,800
Rental Income	92,838	94,868
Total Income	215,276	227,373

5 OTHER OPERATING EXPENSES

	2018 N'000	2017 N'000
a) Manager's Fees (Note 6)	35,315	35,423
Other Expenses (see below)*	25,455	22,547
Auditors' Fee	1,688	1,688
	62,458	59,657
b) Other Expenses comprise*		
Trustee fee	2,500	2,500
Repairs and renovations/ service charge	8,981	9,444
Annual report publication and dividend expenses	4,094	3,909
Custodian fee	2,321	2,321
Provision for Annual General Meeting Expenses	2,500	-
Insurance	2,055	2,010
Valuation and other professional fees	645	350
Stock exchange	953	953
Registrars' fees	509	505
CSCS eligibility fee	275	288
Fund rating	500	
Other administrative expenses	121	267
	25,455	22,547



Notes to the Financial Statement For The Year Ended 31st December, 2018

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 N35,314,966. The fee for the year was equivalent to 16.4% of the Fund's gross income for the year.

7 DISTRIBUTION

The Fund Manager has proposed a distribution of N7.00 per unit amounting to N140million for the year ended December 31, 2018.

8 CASH AND CASH EQUIVALENTS

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

	2018 N'000	2017 N'000
Cash at bank	48,531	8,182
Short term placement/treasury bill	-	78,115
	48,531	86,297

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	31,950	50,000		26-May-22	17.00%
FGN SUKUK Bond	280,000			25-Sept-24	16.47%
FGN SUKUK Bond	100,000		28 Dec 18	28 Dec 25	15,74%
Treasury bill	29,733	32,000	25-Jun-18	24-Jan-19	12.14%
Treasury bill	39,126	40,916	27-Sep-18	7-Feb-19	12.00%
Treasury bill	122,000	140,321	29-Oct-18	17-Oct-19	13.50%
Treasury bill	48,450	55,000	10-Dec-18	26-Sep-19	14.99%
	17,018	20,000	14-Dec-18	12-Dec-19	14.99%



Notes to the Financial Statement For The Year Ended 31st December, 2018

10 RECEIVABLES	2018 N'000	2017 N'000
Grant Properties Ltd**	-	37,500
	-	37,500

**The proceeds from the sale of this property was used to settle this amount.

11 INVESTMENT IN PROPERTIES

Description

Description	2018 Cost N'000	2017 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	26,000
Properties in Boudillon Court, Lekki	360,000	360,000
Properties in Milverton, Lekki	525,000	525,000
	1,878,390	1,878,390

The cost model is used in the measurement of investment properties.

The properties were valued at N2,334,000,000 by Ubosi Eleh & Co (Estate Surveyors & Valuers).
The valuation was based on market value as per their valuation report dated 10th of January 2019.

Description & Title

Property in Victory Park Estate

This is covered by a deed of sublease .

Property in Ikeja GRA

It is covered by a deed of assignment.

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 Bourdillon Court are covered by provisional allocation letters.

The title documents on all properties have not yet been perfected.



Notes to the Financial Statement For The Year Ended 31st December, 2018

Movement in carrying amount of investment properties

	2018 N'000	2017 N'000
Balance brought forward	1,878,390	1,930,390
Disposals		(52,000)
Balance carried forward	1,878,390	1,878,390

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:

	2018 N'000	2017 N'000
Victory Park - Lekki	19,633	22,558
Harold Sodipo - GRA Ikeja	12,000	12,000
Saphire Garden	7,505	7,410
Bourdillion Court	21,259	21,600
Milverton	32,458	31,300
	92,855	94,868

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

	2018 N'000	2017 N'000
Service Charge	437	366
Renovation/Repairs	3,914	5,030
Preparation of lease agreement	645	420
Land usage charge	728	607
Others	513	63
	6,237	6,486

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

	2018 N'000	2017 N'000
Renovation/Repairs expenses	3,390	2,878
	3,390	2,878



Notes to the Financial Statement For The Year Ended 31st December, 2018

		2018 N'000	2017 N'000
12	PAYABLES AND ACCRUALS		
	Payables	8,963	14,088
	Unclaimed distribution**	302,333	236,075
	Accruals	8,652	5,473
		319,948	255,636
	** In line with the rule of the Securities and Exchange Commission, the sum of N302,332,917 was returned to the fund by the Registrars as unclaimed distribution.		
13	DEFERRED INCOME		
	This is rent received in advance from the tenants in the Fund's properties.		
	Analysed into:		
		2018 N'000	2017 N'000
	Current	47,330	62,592
		47,330	62,592
	Movement in deferred income		
	Balance brought forward	62,592	57,300
	Rental income received in the year	77,576	100,160
	Transfer to income	(92,838)	(94,868)
	Deferred rental income	47,330	62,592
14	UNITHOLDERS' EQUITY		
	20,000,000 units of N100 each	2,000,000	2,000,000



Notes to the Financial Statement For The Year Ended 31st December, 2018

15 REVENUE RESERVE

	2018 N'000	2017 N'000
Balance brought forward	361,513	333,500
Net income for the year	152,818	167,716
Write back of unutilised provision from previous year	514,331	501,216
Distribution paid	(160,000)	297 (140,000)
Reserve carried forward	354,331	361,513

16 NET ASSETS VALUE PER UNIT

The net assets value per unit of N117.7 (2017: N118.1) is based on the net assets of the Fund and the total number of units in issue at the financial position date.

17 RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES

	2018 N'000	2017 N'000
Net Income for the year	152,818	167,716
Profit on investment property disposed	-	(8,800)
Decrease in debtors	22,220	
Decrease in Creditors & Accruals	(1,946)	4,290
Net cash from operating activities	173,093	163,206



Value Added Statement For The Year Ended 31st December, 2018

	2018 N'000	%	2017 N'000	%
Gross Earnings	215,276		227,373	
Deduct				
Administrative overheads and payments for other services	(27,143)		(24,234)	
Value added	188,133	100	203,139	100
Applied as follows:				
Fund manager's remuneration	35,315	19	35,423	17
Retained earnings	152,818	81	167,716	83
Value added	188,133	100	203,139	100



Five Year Financial Summary (2014-2018)

	2018 N'000	2017 N'000	2016 N'000	2015 N'000	2014 N'000
ASSETS					
Cash and Cash Equivalents 8	48,531	86,297	340,434	9,374	26,665
Development Fund Deposit 9					100,899
Trading Portfolio Assets	792,423	675,306	303,363	595,514	529,557
Receivables		37,500	40,800		
Prepaid Expenses	2,266	2,248	1,340	1,340	1,080
Investment Properties	1,878,390	1,878,390	1,930,390	2,007,261	1,700,255
Total Assets	2,721,609	2,679,741	2,616,327	2,613,489	2,358,456
LIABILITIES					
Payables & Accruals	(319,948)	(255,636)	(225,527)	(212,909)	(23,879)
Deferred Income	(47,330)	(62,592)	(57,300)	(72,887)	(49,400)
NET ASSETS	2,354,331	2,361,513	2,333,500	2,327,693	2,285,177
Represented By:					
Unitholders' Equity	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Revenue Reserve	354,331	361,513	333,500	327,693	285,177
UNITHOLDERS' FUNDS	2,354,331	2,361,513	2,333,500	2,327,693	2,285,177
Gross Income	215,276	227,373	203,053	206,840	180,404
Net Income	152,818	167,716	148,807	158,516	128,878
Proposed Distribution	140,000	160,000	140,000	143,000	116,000
Proposed Distribution per Unit (N)	7.00	8.00	7.00	7.15	5.80
Net Assets Value per Unit (N)	117.72	118.08	116.67	116.38	114.26



Proxy Form

I/We of

being holder(s) of Units in Skye Shelter Fund hereby appoint of or

failing him/her the Chairman of the meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the

Fund to be held on and at every adjournment thereof.

As witness under my hand this day of 2019

Signature of Unit Holder

Number of Units

CSCS Account Number

S/NO	ORDINARY BUSINESS	FOR	AGAINST
1.	To receive and consider the Audited Financial Statements for the year ended December 31, 2018 and the Report of the Manager thereon		
2.	To declare a Coupon of N7:00 per unit		
3.	To consider and if thought fit authorize the Fund Manager to fix the remuneration of the Auditors for the ensuing year		
	SPECIAL BUSINESS		
4.	To approve the Supplemental Trust Deed		

Please indicate with an "X" in the appropriate box how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his / her discretion.

Dated this 23rd day of August, 2019

BY ORDER OF THE MANAGER

TOLG NOMINEES

TOLG NOMINEES

Company Secretary

Plot 1963B, Buraimoh Kenku Street
Off Oyin Jolayemi Street
Victoria Island
Lagos

PLEASE TEAR OFF AND COMPLETE



Managed by



To:



Sterling Registrars

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

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"/>	SKY 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

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

Pace
Registrars

Formerly
Sterling Registrars

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	
	SKY 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



Plot 287 Ajose Adeogun Street
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www.sfsnigeria.com



skyeshelterfund@sfsnigeria.com