



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



Managed by



**20** ANNUAL  
**19** REPORT &  
ACCOUNTS

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# Corporate Information

<b>FUND MANAGER:</b>	<b>SFS Capital Nigeria Limited</b> Plot 287 Ajose Adeogun Street Victoria Island Lagos
<b>DIRECTORS OF FUND MANAGER:</b>	<b>Dr. Layi Fatona</b> (Chairman) <b>Dr. Yemi Kale</b> (Director) <b>Mr. Yemi Gbenro</b> (Director) <b>Mr. Patrick Ilodiana</b> ( Managing Director) <b>Mr. Dimeji Sonowo</b> (Executive Director)
<b>TRUSTEES:</b>	<b>Apel Capital and Trust Limited</b> ( formerly PHB Capital Trust Limited) 8 Alhaji Bashorun Street Off Norman Williams Crescent South - West Ikoyi Lagos
<b>CUSTODIAN:</b>	<b>Stanbic IBTC Nominees</b> Walter Carington Crescent Victoria Island Lagos
<b>AUDITORS:</b>	<b>Dele Olufon &amp; Co</b> Chartered Accountants 788 Somide Odujinrin Avenue Omole Phase 2 Ikeja Lagos
<b>REGISTRARS:</b>	<b>Pace Registrars Limited</b> (formerly Sterling Registrars Limited) 8th Floor, Knight Frank Building 24 Campbell Street, Lagos
<b>REAL ESTATE SURVEYORS &amp; VALUERS:</b>	<b>Ubosi Eleh &amp; Co</b> NUJ Lighthouse 3/5 Adeyemo Alakija Street Victoria Island Lagos

# Fund Managers Report

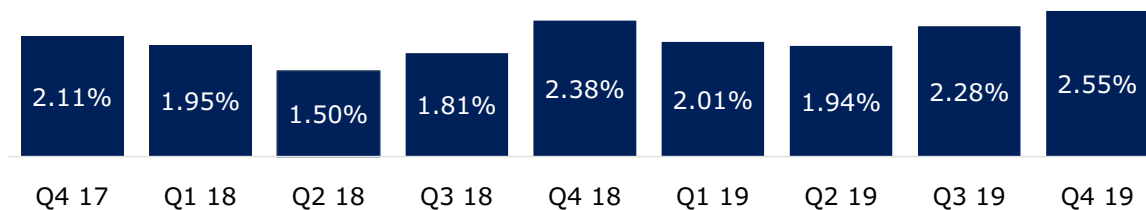
## ECONOMIC REVIEW

The Nigerian economy's growth trajectory remained positive throughout 2019, with ten consecutive quarters of growth from Q3 2017.

In the first half of 2019, there was slow momentum within the Nigerian economy, with Q1 growth at 2.01% and Q2 growth slowing to 1.94%. Growth in the first half of the year was driven by the non-oil sector, specifically Information and Communications Technology (ICT) and Construction sectors growing 11.81% and 7.9% respectively.

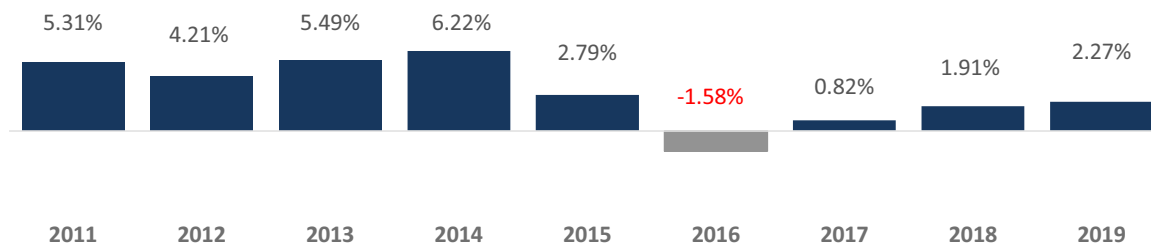
In the second half of 2019, economic performance in Q4 2019 was driven primarily by the Oil sector (which is only 8.78% of GDP), which grew 4.59% in 2019 compared to 0.97% in 2018. The performance of the sector was due to steady production which reached a three-year high of 2.04million barrels per day in the Q3 2019.

## QUARTERLY GDP GROWTH (Q4 2017 – Q4 2019)



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

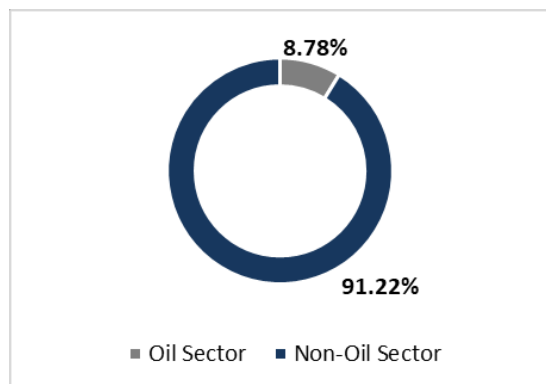
## ANNUAL GDP GROWTH (2011 – 2019)



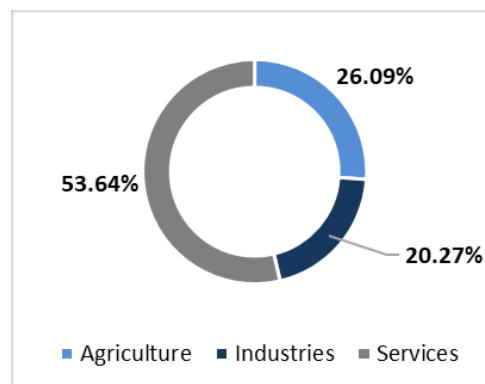
Source: National Bureau of Statistics (NBS), SFS Capital Research

# Fund Managers Report

## CONTRIBUTION OF OIL AND-NON OIL SECTORS



## CONTRIBUTION TO REAL GDP 2019



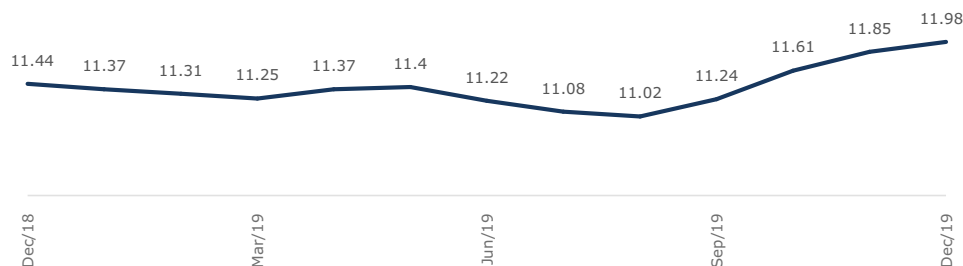
### NON-OIL SECTOR

The Non-Oil sector's contribution to GDP in Q4 2019 was 92.68% in contrast to 92.94% in 2018. The annual contribution however was 91.22%. There were developments across all the sub-sectors, driven mainly by the Information and Communication sector (telecommunications). Other drivers were Financial Institutions, Agriculture, Mining and Quarrying, Transportation and Storage, and Manufacturing. 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 8.78% of annual GDP in 2019. In Q4 2019, Nigeria recorded average daily oil production of 2.00 million barrels per day (mbpd), remaining above 2 mbpd throughout 2019. This output was 0.04mbpd lower than the daily average production recorded in Q3 2019 but 0.09mbpd higher than the daily average production in Q4 2018.

### INFLATION RATE % (DECEMBER 2018 – DECEMBER 2019)



# Fund Managers Report

Between January and December, headline inflation increased from 11.44% to 11.98%. The year started with headline inflation at 11.44% yoy in January, lowering to 11.25% in March. This slow-down occurred until August, before the rate gradually increased month on month to 11.98% in December. This was due to the impact of the land border closure which affected key commodities in December such as rice and turkey. The average inflation rate for 2019 was lower at 11.39% compared to 12.15% in 2018.

## 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 2019 into the economy and is one of the strategic instruments projected to support and stabilise the Naira against other currencies. On the back of falling FX reserves, together with the success of the I&E window, the average exchange rate of Naira to US dollar in 2019 was N361.93.

The Naira came under pressure in the third quarter of the year, due to a decrease in FX supply from FPIs "Foreign Portfolio Investors". Naira gradually appreciated from N365/USD in January to N360/USD in March. The naira remained stable until August, depreciating to N362/USD. The naira eventually depreciated further to N364/USD before the end of 2019.

There has been a substantial decrease in FX supply from FPIs at the I&E window in 2019 and liquidity was sourced mainly from local sources, including the CBN.

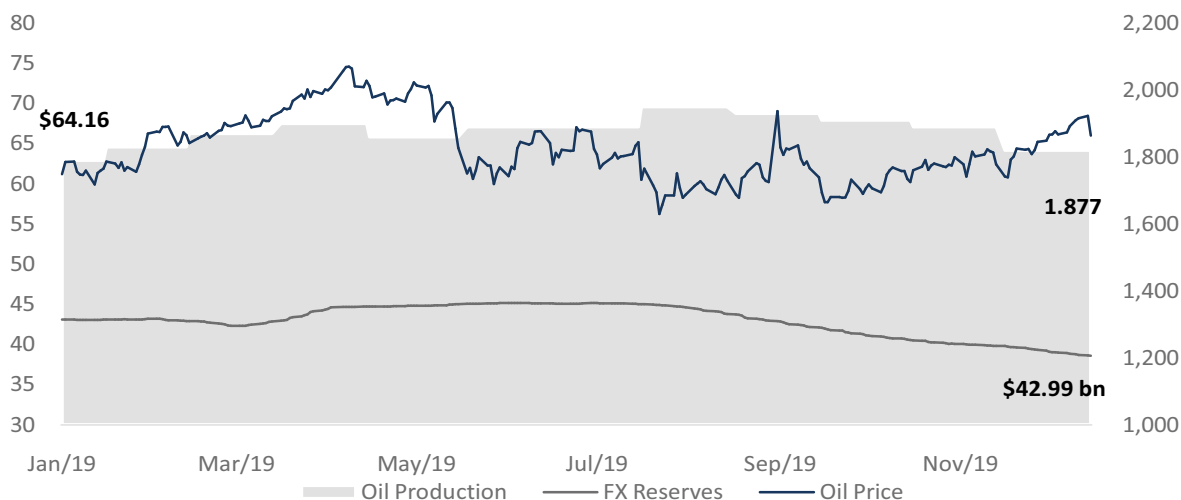
## I&E FX WINDOW RATES (USD/NGN)



Source: Bloomberg, SFS Capital Research

# Fund Managers Report

## NIGERIA CRUDE OIL PRODUCTION, BRENT PRICE & NIGERIA'S FX RESERVES (2018 - 2019)



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

Oil Production – in thousands of barrels per day

FX Reserves – US\$ Billion (bn)

Oil Price – Brent Crude US\$ per barrel

The price of Brent Crude Oil traded at an average of US\$64.16 per barrel in 2019, increasing 28% from an average of US\$54.68 per barrel in 2018. Brent prices reached an annual daily low of US\$55 per barrel in early January, rising to a daily high of US\$75 per barrel in late April. On the 16<sup>th</sup> of September 2019, the first full day of trading after an attack on key energy installations in Saudi Arabia, Brent oil prices increased by US\$9 per barrel. The price increases were relatively short lived, and prices returned to pre-attack levels by the end of the month because of Saudi Arabia's ability to bring production back online within weeks of the attack and global concerns about demand growth.

Crude oil production from major producers such as Saudi Arabia, Venezuela, and Iran declined in 2019. Total OPEC crude oil production averaged 29.8 million barrels per day in 2019, a decline from the 2018 average of 32 million barrels per day.

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.

# Fund Managers Report

## REAL ESTATE MARKET REVIEW

Land prices increased in Lagos with prime areas such as Victoria Island and Old Ikoyi increasing by 11.3% and 20% YoY. The price of land in Agungi increased by approximately 18.9%. The Sangotedo area is currently the primary beneficiary of the current development in the Lagos Free Trade Zone and is projected to have increased in value by 21% in 2018. It has continued to grow in value with the completion of gated communities and medium sized retail stores.

To benefit from the current high demand for 1 bed apartments in Lekki Phase 1 and Victoria Island, landlords have begun to remodel larger houses, typically with 4 rooms and above, and leasing them out as studios and 1-beds. Affordable housing, student housing and rent-to-buy schemes with Flexible payment terms are likewise in high demand as consumers pass through the tough economy (Northcourt Real Estate, 2020).

To develop, communal living, an arrangement where tenants stay in multi-room apartments are becoming more popular. They meet the convenience needs of young, single tenants. Co-living is growing fast due to developers not being able to respond to the demand for Studios, 1 and 2 Beds.

Vacancy rates for Yaba, Magodo II and Ikeja GRA in the last quarter of 2019, were 5%, 4%, and 10% respectively an increase from 2%, 1% and 4% respectively recorded in the first half of 2019. Surulere and Lekki Phase 1 had vacancy rates of 10% and 16%, a decline from 22% and 18% reflecting the conversions to from residential to commercial use(Northcourt Real Estate, 2020).

### Average Residential Vacancy Rates in Abuja and Lagos

Location	Vacancy Rate	Location	Vacancy Rate
<b>Abuja</b>		<b>Lagos</b>	
Gwarimpa	5%	Old Ikoyi	35%
Apo	15%	Lekki 1	16%
Utako	10%	Victoria Island	20%
Lugbe	8%	Oniru	13%
Katampe	30%	Yaba	5%
Wuse 2	8%	Surulere	10%
Jabi	8%	Ikeja GRA	10%
Maitama	5%	Magodo II	4%

Source: Northcourt Real Estate (2020)



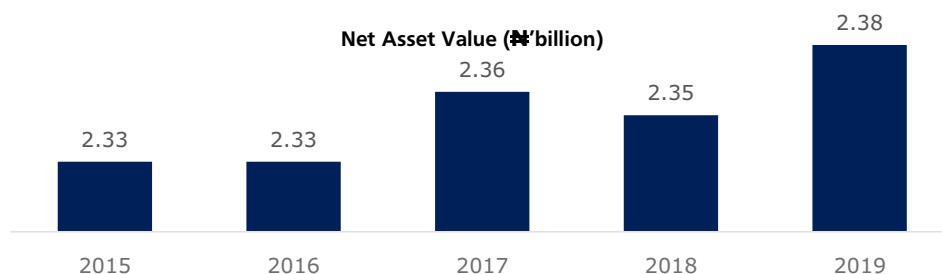
# Fund Managers Report

Global investment in property technology has grown from \$1.4 billion in 2011 to \$13.7 billion in 2019. Developers are leveraging technology in the construction and management of buildings, to meet up with security and sustainability requirements as well as to reduce both costs and construction times.

Security has grown as a critical selector tool in the residential market. Secure gated communities are priced higher than estates perceived to be less so. Investment thinking in property is shifting as some expect the new administration to devalue the currency with the uncertainty around this delaying property purchasing decisions. Investors are opting to buy assets out of the country. Many are looking to sell local assets. On this backdrop is the migration of young and middle-aged professionals to Western economies, a fact not lost on the balance sheets of local agents. The residential real estate market is gradually picking up. Tenants pushed for better deals with Landlords making little or no reductions. Mini flats, 1 and 2 Bed flats remain favorites. (Northcourt Real Estate, 2020).

## FUND PERFORMANCE

The SFS Real Estate Investment Trust Fund ("SFS REIT" or "the Fund") generated gross revenue of N224.2 million in 2019 from N215.3 million in 2018, split between interest income, rental income and profit on disposal of investment property, 57%, 41% and 2% respectively. The revenue increased due to increased interest income and the disposal of investment properties. Operating expense decreased slightly by 0.6% to close at N62.05 million largely due to a fall in the cost of Annual General Meeting (AGM) expense, to be held for the financial year end December 2019. Net profit margin remains healthy at 72.3%.



For the year ended December 2019, a dividend of N7.30 per share is proposed for distribution. This distribution represents a highly competitive dividend yield of 7.68%, when compared to the Nigerian equities market.



**PATRICK ILODIANYA**  
 Managing Director/CEO,  
 SFS Capital Nigeria Ltd



The Trustee hereby present their Annual Report on the SFS Real Estate Investment Trust (SFS REIT) Fund for the year ended 31 December, 2019.

## 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. At the Annual General Meeting of the Unit Holders of Skye Shelter Fund duly convened and held on 25 October, 2019, the following resolutions were proposed and duly passed:

1. The name of the Fund Manager, Skye Bank Plc be known and called SFS Capital Nigeria Limited;
2. That the name of the Skye Shelter Fund be known and called SFS Real Estate Investment Trust (SFS REIT) Fund and
3. That the name of the Trustee, PHB Capital & Trust Limited be known and called Apel Capital & Trust Limited.

## FUND PERFORMANCE

The performance of the Fund is as follows:

	2019	2018
	₦ '000	₦ '000
<b>NET ASSET VALUE</b> :	2,376,446	2,354,331

There was a marginal increase on the Net Asset Value by 0.94%.

	2019	2018
	₦ '000	₦ '000
<b>NET INCOME:</b>	162,115	152,818

There was a marginal increase on the Net income by 6.08%.

# Report of Trustee

## 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, 2019 was 75% in Real Estate investments, 16% in Real Estate related assets and 9% in liquid assets (less unclaimed distribution).

The Trustee is of the opinion that during the period ended December 31, 2019, 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).

## 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

20 April, 2020



**Joel Okeodion**

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**

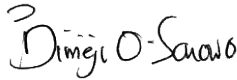
The Fund Manager shall render periodic returns and projections to the office of the Chief Executive of the Nigerian Stock Exchange.

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  
FRC/2013/ICAN/00000002177



**PATRICK ILODIANYA**  
**MANAGING DIRECTOR**

# Report of the Independent Auditors to the Unit Holders of SFS Real Estate Investment Trust Fund (formerly Skye Shelter Fund) 31st December, 2019

## Report on the Financial Statements

### Opinion

We have audited the accompanying financial statements of **SFS REAL ESTATE INVESTMENT TRUST FUND** ('the Fund'), which comprise of the statement of financial position as at 31<sup>st</sup> December, 2019, 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, 2019.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Fund's financial position as at 31 December 2019 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 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.

## **Report of the Independent Auditors to the Unit Holders of SFS Real Estate Investment Trust Fund (formerly Skye Shelter Fund) 31st December, 2019**

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.
- 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.



## Report of the Independent Auditors to the Unit Holders of SFS Real Estate Investment Trust Fund (formerly Skye Shelter Fund) 31st December, 2019

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 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/0000000530

For: DELE OLUFON & CO  
Chartered Accountants



Ikeja, Lagos  
March 17, 2020.

# Statement of Financial Position 31st December, 2019

	Notes	2019 N'000	2018 N'000
<b>ASSETS</b>			
Cash and cash equivalents	8	53,605	48,531
Trading portfolio assets	9	818,622	792,422
Prepaid expenses		1,273	2,266
Investment properties	10	1,846,390	1,878,390
<b>Total Assets</b>		<b>2,719,889</b>	<b>2,721,609</b>
<b>LIABILITIES</b>			
Payables & accruals	11	(284,235)	(319,948)
Deferred income	12	(59,208)	(47,330)
<b>NET ASSETS</b>		<b>2,376,446</b>	<b>2,354,331</b>
<b>Represented By:</b>			
Unitholders' equity	13	2,000,000	2,000,000
Revenue reserve	14	376,446	354,331
<b>UNITHOLDERS' FUNDS</b>		<b>2,376,446</b>	<b>2,354,331</b>
Net assets per unit (N)	16	118.8	117.7

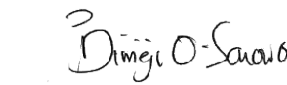
The full financial statements were approved by the Board of Directors on February 28, 2020 and signed on its behalf by;



**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 23 to 39 form an integral part of these financial statements.

# Statement of Comprehensive Income (31st December, 2019)

	Notes	2019 N'000	2018 N'000
Interest income		128,391	122,438
Profit on disposal of investment property		2,825	-
Rental income		92,948	92,838
<b>Total Income</b>		<b>224,164</b>	<b>215,276</b>
Total operating expenses	5	(62,048)	(62,458)
<b>Net Income</b>		<b>162,115</b>	<b>152,818</b>
Net income per unit (Naira)		8.11	7.64
Proposed final distribution		146,000	140,000
Proposed final distribution per unit (Naira)		7.30	7.00

The notes on pages 23 to 39 form an integral part of these financial statements.

# Statement of Cash Flows (31st December, 2019)

	2019 N'000	2018 N'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	128,391	122,438
Rental income received in the year	104,826	77,576
Cash received from debtor		37,500
Operating cash payments	(18,546)	(18,563)
Cash payments to creditors	(41,234)	(45,858)
<b>Net cash from operating activities</b>	<b>173,436</b>	<b>173,093</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds on disposal of property	37,500	
Trading portfolio assets	(26,200)	(117,117)
Unclaimed distribution	(39,663)	66,258
<b>Net cash used in investing activities</b>	<b>(28,362)</b>	<b>(50,859)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Distribution paid	(140,000)	(160,000)
<b>Net cash used in financing activities</b>	<b>(140,000)</b>	<b>(160,000)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>5,074</b>	<b>(37,766)</b>
Cash & cash equivalents at the beginning of the year	48,531	86,297
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>53,605</b>	<b>48,531</b>

The notes on pages 23 to 39 form an integral part of these financial statements.

## Statement of Changes in Equity (31st December, 2019)

	Unitholders' Equity N'000	Revenue Reserve N'000	Total N'000
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)
<b>Balance as at December 31, 2018</b>	<b>2,000,000</b>	<b>354,331</b>	<b>2,354,331</b>
Balance as at January 1, 2019	2,000,000	354,331	2,354,331
Net income for the year		162,115	162,115
Distribution paid		(140,000)	(140,000)
<b>Balance as at December 31, 2019</b>	<b>2,000,000</b>	<b>376,446</b>	<b>2,376,446</b>

The notes on pages 23 to 39 form an integral part of these financial statements.

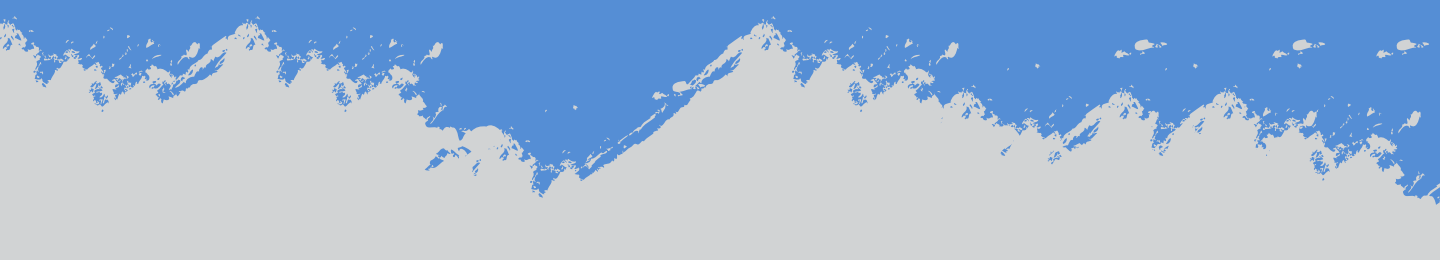
# Portfolio Statement (31st December, 2019)

	Cost N'000	Total Portfolio %	Net Asset %
Real estate	1,846,390	75	78
Real estate related investments	392,258	16	17
Liquid assets	479,968		
Less unclaimed distribution returned by the registrars	(262,670) 217,298	9	9
<b>Total portfolio</b>	<b>2,455,946</b>		
<b>Net assets</b>	<b>2,376,446</b>		

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



NOTE TO THE  
**FINANCIAL  
STATEMENT**  
(31st December, 2019)



# Note to the Financial Statements (31st December, 2019)

## 1. Reporting entity

The SFS Real Estate Investment Trust 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 SFS Real Estate Investment Trust 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, 2019 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 February 28, 2020.

### (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.



# Note to the Financial Statements (31st December, 2019)

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

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

The Fund did not adopt earlier any new or amended standards in 2019.

### **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

# Note to the Financial Statements (31st December, 2019)

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 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.

# Note to the Financial Statements (31st December, 2019)

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.

## **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.

# Note to the Financial Statements (31st December, 2019)

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.
- 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.

# Note to the Financial Statements (31st December, 2019)

– 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.

## 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

# Note to the Financial Statements (31st December, 2019)

## 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.

## 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.

# Note to the Financial Statements (31st December, 2019)

## 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

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.

# Note to the Financial Statements (31st December, 2019)

## 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 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.



# Note to the Financial Statements (31st December, 2019)

## **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

## **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.

## Note to the Financial Statements (31st December, 2019)

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.

### *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.

# Note to the Financial Statements (31st December, 2019)

## 4 TOTAL INCOME

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Fixed interest income	128,391	122,438
Profit on disposal of investment property	2,825	
Rental income	92,948	92,838
<b>Total income</b>	<b>224,164</b>	<b>215,276</b>

## 5 OTHER OPERATING EXPENSES

	<b>2019</b>	2018
	<b>N'000</b>	N'000
a) Manager's fees (Note 6)	35,647	35,315
Other expenses ( see below)*	24,714	25,455
Auditors' fee	1,688	1,688
	<b>62,048</b>	<b>62,458</b>

### b) Other Expenses comprise\*

Trustee fee	2,500	2,500
Repairs and renovations/ service charge	11,280	8,981
AGM, annual report publication expenses, etc	3,025	6,594
Custodian fee	2,321	2,321
Insurance	2,043	2,055
Valuation and other professional fees	1,290	645
Stock exchange	953	953
Registrars' fees	508	509
CSCS eligibility fee	250	275
Fund rating	500	500
Other administrative expenses	45	121
	<b>24,714</b>	<b>25,454</b>

# Note to the Financial Statements (31st December, 2019)

## 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 N35,646,695. The fee for the year was equivalent to 15.9% of the Fund's gross income for the year.

## 7 DISTRIBUTION

The Fund Manager has proposed a distribution of N7.30 per unit amounting to N146 million for the year ended December 31, 2019.

## 8 CASH AND CASH EQUIVALENTS

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

	2019 N'000	2018 N'000
Cash at bank	33,474	48,531
Short term treasury bill	20,131	
	<b>53,605</b>	<b>48,531</b>

## 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		17-Jun-16	14-March-24	14.20%
CRSG Bond	24,598	50,000	27-May-15	26-May-22	17.00%
FGN SUKUK Bond	280,000		26-Sep-17	25-Sept-24	16.47%
FGN SUKUK Bond	100,000		28-Dec-18	28 Dec 25	15,74%
Treasury bill	21,263	25,000	24-Jan-19	23-Jan-20	14.99%
Treasury bill	21,346	25,000	18-Jan-19	16-Jan-20	14.70%
Treasury bill	138,920	146,919	20-Sep-19	20-Feb-20	13.00%
Treasury bill	100,200	115,246	17-Oct-19	15-Oct-20	13.12%

# Note to the Financial Statements (31st December, 2019)

## 10 INVESTMENT IN PROPERTIES

Description	2019 Cost N'000	2018 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	160,000	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
	<b>1,846,390</b>	<b>1,878,390</b>

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

The properties were valued at N2,284,000,000 by Ubosi Eleh & Co ( Estate Surveyors & Valuers).

This is after adjusting for two units of flats sold during the year, out of twelve units in Maccido Estate Abuja. This was valued at N25million per unit.

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.

# Note to the Financial Statements (31st December, 2019)

## Movement in carrying amount of investment properties

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Balance brought forward	1,878,390	1,878,390
Disposals	(32,000)	
<b>Balance carried forward</b>	<b>1,846,390</b>	<b>1,878,390</b>

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:

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Victory Park - Lekki	16,093	19,633
Harold Sodipo - GRA Ikeja	12,000	12,000
Saphire Garden	7,980	7,505
Bourdillion Court	22,717	21,259
Milverton	34,158	32,458
	<b>92,948</b>	<b>92,855</b>

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

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Service Charge	685	437
Renovation/Repairs	7,612	3,914
Preparation of lease agreement	890	645
Land usage charge	655	728
Others		513
	<b>9,842</b>	<b>6,237</b>

# Note to the Financial Statements (31st December, 2019)

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

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Renovation/Repairs expenses	2,328	3,390
	<b>2,328</b>	<b>3,390</b>

<b>11 PAYABLES AND ACCRUALS</b>	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Unclaimed distribution**	262,670	302,333
Accruals	21,565	17,615
	<b>284,235</b>	<b>319,948</b>

\*\* In line with the rule of the Securities and Exchange Commission, the sum of N262,670,222 was returned to the fund by the Registrars as unclaimed distribution.

## 12 DEFERRED INCOME

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

### Analysed into:

	<b>2019</b>	<b>2018</b>
	<b>N'000</b>	<b>N'000</b>
Current	50,708	47,330
Non - Current	8,500	
	<b>59,208</b>	<b>47,330</b>

### Movement in deferred income

Balance brought forward	47,330	62,592
Rental income received in the year	104,826	77,576
Transfer to income	(92,948)	(92,838)
Deferred rental income	<b>59,208</b>	<b>47,330</b>

## 13 UNITHOLDERS' EQUITY

20,000,000 units of N100 each	<b>2,000,000</b>	<b>2,000,000</b>
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# Note to the Financial Statements (31st December, 2019)

## 14 REVENUE RESERVE

	2019 N'000	2018 N'000
Balance brought forward	354,331	361,513
Net income for the year	162,115	152,818
	516,446	514,331
Write back of unutilised provision from previous year		
Distribution paid	(140,000)	(160,000)
<b>Reserve carried forward</b>	<b>376,446</b>	<b>354,331</b>

## 15 NET ASSETS VALUE PER UNIT

The net assets value per unit of N118.8 (2018: N117.7) is based on the net assets of the Fund and the total number of units in issue at the financial position date.

## 16 RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES

	2019 N'000	2018 N'000
Net Income for the year	162,115	152,818
Profit on investment property disposed	(2,825)	
Decrease in debtors	993	22,220
Increase/(Decrease) in payables & accruals	13,153	(1,946)
<b>Net cash from operating activities</b>	<b>173,436</b>	<b>173,092</b>



## Value Added Statement For the Year Ended (31st December, 2019)

	2019 N'000	%	2018 N'000	%
Gross earnings	224,164		215,276	
Deduct				
Administrative overheads and payments for other services	(26,402)		(27,143)	
Value added	197,762	100	188,133	100
Applied as follows:				
Fund manager's remuneration	35,647	18	35,315	19
Retained earnings	162,115	82	152,818	81
Value added	197,762	100	188,133	100

## Five Year Financial Summary (2015 - 2019)

	2019 N'000	2018 N'000	2017 N'000	2016 N'000	2015 N'000
<b>ASSETS</b>					
Cash and cash equivalents	53,605	48,531	86,297	340,434	9,374
Trading portfolio assets	818,622	792,422	675,306	303,363	595,514
Receivables			37,500	40,800	
Prepaid expenses	1,273	2,266	2,248	1,340	1,340
Investment properties	1,846,390	1,878,390	1,878,390	1,930,390	2,007,261
<b>Total Assets</b>	<b>2,719,889</b>	<b>2,721,609</b>	<b>2,679,741</b>	<b>2,616,327</b>	<b>2,613,489</b>
<b>LIABILITIES</b>					
Payables & accruals	(284,235)	(319,948)	(255,636)	(225,527)	(212,909)
Deferred income	(59,208)	(47,330)	(62,592)	(57,300)	(72,887)
<b>NET ASSETS</b>	<b>2,376,446</b>	<b>2,354,331</b>	<b>2,361,513</b>	<b>2,333,500</b>	<b>2,327,693</b>
<b>Represented By:</b>					
Unitholders' equity	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Revenue reserve	376,446	354,331	361,513	333,500	327,693
<b>UNITHOLDERS' FUNDS</b>	<b>2,376,446</b>	<b>2,354,331</b>	<b>2,361,513</b>	<b>2,333,500</b>	<b>2,327,693</b>
Gross Income	224,164	215,276	227,373	203,053	206,840
Net Income	162,115	152,818	167,716	148,807	158,516
Proposed Distribution	146,000	140,000	160,000	140,000	143,000
Proposed Distribution per Unit (N)	7.30	7.00	8.00	7.00	7.15
Net Assets Value per Unit (N)	118.82	117.72	118.08	116.67	116.38

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@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 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



### 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@paceregistrars.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**

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