

SKYE SHELTER FUND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2012

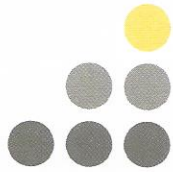
SKYE SHELTER FUND**FINANCIAL STATEMENTS 31ST DECEMBER, 2012**

CONTENT	PAGE
CORPORATE INFORMATION	2
AUDITORS' REPORT	3 & 4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF CASH FLOWS	7
STATEMENT OF CHANGE IN EQUITY	8
NOTES TO THE FINANCIAL STATEMENTS	9 to 27

FINANCIAL STATEMENTS 31ST DECEMBER, 2012

CORPORATE INFORMATION

FUND MANAGER:	SFS Capital 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)
FUND CUSTODIAN	Stanbic IBTC Bank PLC Idejo Street. Victoria Island Lagos.
TRUSTEES:	PHB Capital & Trust Limited 1st Floor, Old Niger House, 163/164, Broad Street, Lagos
AUDITORS:	Dele Olufon & Co. Chartered Accountants 788, Somide Odujinrin Avenue, Omole Phase 2, Ikeja, Lagos
REGISTRARS	Sterling Registrars 24 Campbell Street. Lagos
REAL ESTATE SURVEYORS & VALUERS	Ubosi Eleh & Co NUJ Lighthouse 3/5 Adeyemo Alakija Street Victoria Island , Lagos



Dele Olufon & Co (Chartered Accountants)

Dele Olufon & Co (Chartered Accountants)

...the diligent will stand before kings.

REPORT OF THE INDEPENDENT AUDITOR TO THE UNIT HOLDERS OF SKYE SHELTER FUND FINANCIAL STATEMENTS: 31ST DECEMBER, 2012

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, 2012, 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, 2012.

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 Act and the provisions of the Trust Deed 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.

Auditors' responsibility

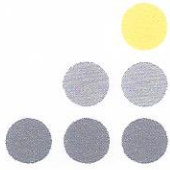
Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted the audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatements.

An Audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the financial statements 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the fund manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the Fund's financial position as at 31 December 2012 and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Trustees Investment Act, the Investment and Securities Act, the Financial Reporting Council Act and the provisions of the Trust Deed.



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Dele Olufon & Co (Chartered Accountants)

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:

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

Ikeja, Lagos
April 24, 2013.


DELE OLUFON & CO
Chartered Accountants
FRC/2012/ICAN/0000000530

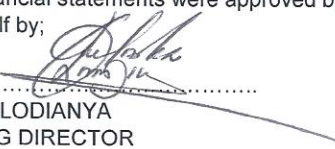


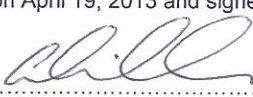
SKYE SHELTER FUND

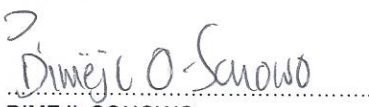
**STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2012**

	Notes	2012 N'000	2011 N'000	January 1, 2011 N'000
ASSETS				
Cash and Cash Equivalent	8	89	31,848	9,740
Development Fund Deposit	9	554,112	300,000	380,944
Trading Portfolio Assets	10	544,483	261,870	564,023
Deferred Expenses		0		7,354
Investment Properties	11	1,199,090	1,689,747	1,555,810
Property, Plant and Equipment	12	176	86	129
Total Assets		2,297,950	2,283,551	2,518,000
LIABILITIES				
Payables & Accruals	13	(31,427)	(48,990)	(255,789)
Deferred Income	14	(20,133)	(17,958)	(22,127)
NET ASSETS		2,246,391	2,216,602	2,240,083
Represented By:				
Unitholders' Equity	15	2,000,000	2,000,000	2,000,000
Revenue Reserve	16	246,391	216,602	240,083
UNITHOLDERS' FUNDS		2,246,391	2,216,602	2,240,083
Net assets per unit (N)	17	112.3	110.8	112.0

The full financial statements were approved by the Board of Directors on April 19, 2013 and signed on its behalf by;


.....
PATRICK ILODIANYA
MANAGING DIRECTOR


.....
AKINYEMI GBENRO
DIRECTOR


.....
DIMEJI SONOWO
EXECUTIVE DIRECTOR

The notes on pages 9 to 27 form an integral part of these financial statements.

SKYE SHELTER FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2012**

		2012 N'000	2011 N'000
Interest Income		114,178	68,680
Profit on Disposal of Investment Property		28,343	61,200
Rental Income		<u>16,525</u>	<u>26,169</u>
Total Income		<u>159,046</u>	<u>156,049</u>
Depreciation	12	(46)	(43)
Other Operating Expenses	5	<u>(48,411)</u>	<u>(51,487)</u>
Total Operating Expenses		<u>(48,457)</u>	<u>(51,530)</u>
Net Income		<u>110,589</u>	<u>104,519</u>
Net income per unit (Naira)		5.53	5.23
Proposed Final Distribution		100,000	80,800
Proposed Final Distribution per unit (Naira)		5	4.04

The notes on pages 9 to 27 form an integral part of these financial statements.

SKYE SHELTER FUND

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2012**

	2012 N'000	2011 N'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	114,178	68,680
Rental Income Received	18,700	22,000
Other Cash Receipts		7,353
Operating Cash Payments	(35,955)	(29,881)
Cash Payments to Creditors	(30,020)	(228,403)
	<hr/>	<hr/>
<i>Net cash from/(used in) operating activities</i>	<i>66,903</i>	<i>(160,251)</i>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Properties		(194,658)
Purchase of fixed asset	(136)	
Proceeds on disposal of property	518,999	121,920
Development Fund Deposit	(254,112)	80,944
Trading Portfolio Assets	(282,613)	302,153
	<hr/>	<hr/>
<i>Net cash (used in)/from investing activities</i>	<i>(17,862)</i>	<i>310,359</i>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distribution Paid	(80,800)	(128,000)
	<hr/>	<hr/>
<i>Net cash used in financing activities</i>	<i>(80,800)</i>	<i>(128,000)</i>
<i>Net (decrease)/increase in cash and cash equivalents</i>	<i>(31,759)</i>	<i>22,108</i>
Cash & cash equivalents at the beginning of the year	31,848	9,740
	<hr/>	<hr/>
Cash & cash equivalents at the end of the year	89	31,848
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The notes on pages 9 to 27 form an integral part of these financial statements.

SKYE SHELTER FUND PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Unitholders' Equity N'000	Revenue Reserve N'000	Revaluation Reserve N'000	Total N'000
Balance as at January 1, 2010	2,000,000	234,855	220,380	2,455,235
Net income for the year		234,930		234,930
Revaluation surplus on disposed property			(80,000)	(80,000)
Distribution paid		(200,000)		(200,000)
Convergence Adjustments		(29,702)	(140,380)	(170,082)
Balance as at January 1, 2011	2,000,000	240,083	-	2,240,083
Balance as at January 1, 2011	2,000,000	240,083	-	2,240,083
Net income for the year		104,519		104,519
Revaluation surplus on disposed property				-
Distribution paid		(128,000)		(128,000)
Balance as at December 31, 2011	2,000,000	216,602	-	2,216,602
Balance as at January 1, 2012	2,000,000	216,602	-	2,216,602
Net income for the year		110,589		110,589
Distribution paid		(80,800)		(80,800)
Balance as at December 31, 2012	2,000,000	246,391	-	2,246,391

The notes on pages 9 to 27 form an integral part of these financial statements.

SKYE SHELTER FUND

NOTES TO THE FINANCIAL STATEMENTS

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 Limited (the fund manager) while PHB Capital and Trust Limited are the Trustees.

Changes on the board

In compliance with regulatory requirements, Skye Bank Plc, which used to be the fund manager withdrew from this position. The fund management is now handled by SFS Capital Limited.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the fund as at and for the year ended December 31, 2012 have been prepared in accordance with International Financial Reporting Standards (IFRSs). This is the first time that the fund has prepared its financial statements in accordance with IFRS having previously prepared its financial statements in accordance with Nigeria Generally Accepted Accounting Principles (Nigeria GAAP). Details of how the transition from Nigeria GAAP to IFRS had affected the financial position, financial performance and cash flows are disclosed in Notes 20.

The financial statements are authorised for issue by the board of directors of the fund manager on April 19, 2013.

(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, which is the fund's functional currency. All financial information presented in naira has been rounded to the nearest naira.

(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.

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.

Standards and interpretations effective during the reporting period

Amendments to the following standards which became effective in 2011, the preceding year to the reporting date, did not have any material impact on the accounting policies, financial position or performance of the Fund during the financial year:

- Amendment to IAS 24 – Related Party Disclosure (Disclosure on Entities that are controlled, jointly controlled or significantly influenced by Government). The Fund is neither controlled nor significantly influenced by Government.
- Amendment to IFRS 7 - Financial Instruments Disclosure (Transfer of Financial Assets). The Fund did not transfer any financial asset during the financial year.
- Amendment to IFRS 1 – First Time Adoption of International Financial Reporting Standards (Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters).
- IAS 1 Presentation of Financial Statements 1 July 2012

Standards and interpretations issued but not yet effective

Standard Content Effective Year

IAS 27 Separate Financial Statements (2011) 1 January 2013

IAS 19 Employee Benefits 1 January 2013

IFRS 10 Consolidated Financial Statements 1 January 2013

IFRS 11 Joint Arrangements 1 January 2013

IFRS 12 Disclosure of Interest in Other Entities 1 January 2013

IFRS 13 Fair Value Measurement 1 January 2013

IAS 32 Financial Instruments: Presentation 1 January 2014

IFRS 9 Financial Instruments 1 January 2015

Standards which were issued but will become effective after 2012 will not have material impact on the Fund.

3. Significant accounting policies

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

(a) Foreign Currency

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

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

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

(b) Investment Property

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

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its

disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized as income or expense in the income statement.

Financial 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.

De-recognition

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

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

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

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

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Sale and repurchase agreements

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

Financial assets at fair value through profit or loss

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

Held-to-maturity financial assets

If the fund has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the fund from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

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

Available-for-sale financial assets

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

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.

**Property, plant and equipment
Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after 1 January 2011

Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the fund, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Derecognition

An asset is derecognized on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is the difference between the proceeds and the carrying amount and should be recognized in the income statement.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the asset's estimated useful lives

The estimated useful lives (cum depreciation rates) for the current and comparative periods are as follows:

 • Computer equipment 3 years (331/3%)

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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.

Interest Income

Interest income are 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.

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:

- 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

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.

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 an 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.

SKYE SHELTER FUND

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER, 2012

4 INCOME

	2012 N'000	2011 N'000
Fixed Interest Income	114,178	68,680
Profit on investment disposal	28,343	61,200
Rental Income	16,525	26,169
Income	159,046	156,049

5 OTHER OPERATING EXPENSES

	2012 N'000	2011 N'000
a) Manager's Fees (Note 5)	33,696	34,808
AGM & Other Expenses*	12,842	14,442
Auditors Fee	1,250	1,250
Others	623	987
	48,411	51,487

b) AGM and Other Expenses comprise*

AGM	2,500	5,053
Trustee fee	2,500	2,500
Architects fees/service charge	1,931	213
Other administrative expenses	1,244	1509
Valuation and other professional fee	1,000	1,620
Stock exchange	1,043	892
Registrars' fees	969	1810
Custodian fee	967	
CSCS eligibility fee	577	
Other expenses	111	845
	12,842	14,442

SKYE SHELTER FUND

**NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER, 2012**

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 Balance Sheet date, this amounted to N33,695,852. The fee for the year was equivalent to 30.5% of the Fund's gross income for the year.

7 DISTRIBUTION

The Fund Manager has proposed a distribution of N5.00 per unit amounting to N100million for the year ended December 31, 2012 .

8 CASH AND CASH EQUIVALENTS

	2012 N'000	2011 N'000
Bank Balances	89	31,848
	<u>89</u>	<u>31,848</u>

9 DEVELOPMENT FUND DEPOSIT

The Fund Manager earmarked the sum of N554 million from the Investments of the Fund for the development of property. This is invested as follows:

Discount Note - Principal of N515,000,000 at 15%
Treasury Bills - Discounted value of N39,112,017 at 15%

10 TRADING PORTFOLIO ASSETS

These are investments in treasury bills which are held as trading securities.
The Fund invested in treasury bill with a discounted value of of N498 9million and 364days tenor at 15.49%. The fair value as at December 31, 2012 is N544.5million.

The Fund's cash and cash equivalents are held mainly with Skye Bank Plc. Investment in treasury bills and discount notes are also executed with and through the same bank.

SKYE SHELTER FUND

NOTES T
31ST DECEMBER, 2012

11 INVESTMENT IN PROPERTIES

Description	2012	2011	2012	2011
	Cost N'000	Cost N'000	Value N'000	Value N'000
Properties in Ikeja GRA	277,000	277,000	280,000	280,000
Properties in Lekki- Victory Park Estate	402,900	402,900	468,000	432,000
Properties in Kabusa Gardens Abuja	51,500	51,500	71,000	71,000
Properties in Maccido Royal Estate Abuja	192,000	192,000		
Properties in Sapphire Estate Lekki	132,000	132,000	515,000	
Properties in Kabusa Gardens 2 Abuja	39,690	39,690	39,690	39,690
Properties in Northern Star Garden Abuja	104,000	104,000		
Protea Hotel Alausa Ikeja,		490,657		
	<u>1,199,090</u>	<u>1,689,747</u>	<u>1,373,690</u>	<u>822,690</u>

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

The properties were valued on an open market basis by Ubosi Eleh & Co (Estate Surveyors & Valuers) as at December 31, 2012. The fair value of the investment properties, based on the valuation certificate, as at this date was N1,373,690,000. This excludes the properties at Maccido Royal Estate and Northern Star Garden Abuja that were not valued.

Description & Title

Property in Victory Park Estate

This is covered by a deed of sublease which is yet to be perfected

Property in Ikeja GRA

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

Properties in Kabusa Gardens Abuja **

Properties in Maccido Royal Estate Abuja

Properties in Sapphire Estate Lekki

Properties in Kabusa Gardens 2 Abuja

Properties in Northern Star Garden Abuja

Covered by letters of allocation
which are yet to be perfected

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

Movement in carrying amount of investment properties

	2012 N'000	2011 N'000
Balance brought forward	1,689,747	1,555,810
Additions		194,657
Disposals	(490,657)	(60,720)
Depreciation	-	-
Impairment	-	-
Balance carried forward	<u>1,199,090</u>	<u>1,689,747</u>

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:

	2012 N'000	2011 N'000
Victory Park - Lekki	5,792	22,127
Harold Sodipo - GRA Ikeja	10,200	2,975
Victory Park - Lekki (2)	533	1,067
	<u>16,525</u>	<u>26,169</u>

SKYE SHELTER FUND

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER, 2012

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

	2012	2011
	N'000	N'000
Service Charge	1,931	213
Repairs	631	80
Electricity	-	405
Land usage charge	535	-
	<u>3,097</u>	<u>698</u>

There were no direct operating expenses on investment properties that did not generate rental income during the year.

12 PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Total
	N'000	N'000
COST		
1st Jan. 2012	129	129
Additions	136	136
Disposal	-	-
31st Dec. 2012	<u>265</u>	<u>265</u>
DEPRECIATION		
1st Jan. 2012	43	43
Charges for the year	46	46
Disposal	0	0
31st Dec. 2012	<u>89</u>	<u>89</u>
NET BOOK VALUE		
31st Dec. 2012	<u>176</u>	<u>176</u>
31st Dec. 2011	<u>86</u>	<u>86</u>

13 PAYABLES AND ACCRUALS

	2012	2011
	N'000	N'000
Payables	16,659	34,970
Accruals	<u>14,768</u>	<u>14,020</u>
	<u>31,427</u>	<u>48,990</u>

14 DEFERRED INCOME

	2012	2011
	N'000	N'000
Balance brought forward	17,958	22,127
Transfer to income	(10,358)	(22,127)
Rental income received in advance	<u>12,533</u>	<u>17,958</u>
	<u>20,133</u>	<u>17,958</u>

15 UNITHOLDERS' EQUITY

20,000,000 units of N100 each	<u>2,000,000</u>	<u>2,000,000</u>
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16 REVENUE RESERVE

	2012	2011
	N'000	N'000
Balance brought forward	216,602	240,083
Net income for the year	<u>110,589</u>	<u>104,519</u>
	<u>327,191</u>	<u>344,602</u>
Distribution paid	(80,800)	(128,000)
Reserve carried forward	<u>246,391</u>	<u>216,602</u>

17 NET ASSETS VALUE PER UNIT

The net assets value per unit of N112.3 (2011: N110.8) is based on the net assets of the Fund and the total number of units in issue at the balance sheet date.

18 RECONCILIATION OF NET INCOME TO NET CASH FROM/(USED IN) OPERATING ACTIVITIES

Net Income for the year	110,589	104,519
Profit on investment property disposed	(28,343)	(61,200)
Depreciation	46	43
Movement in Deferred Expenses	-	7,354
Decrease in Creditors & Accruals	<u>(15,389)</u>	<u>(210,967)</u>
Net cash from/(used in) operating activities	<u>66,903</u>	<u>(160,251)</u>

SKYE SHELTER FUND**NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER, 2012****19 First Time Adoption of International Reporting Standards**

IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the fund has applied IFRS was January 1, 2011 (the 'Transition Date'). IFRS requires first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the fund is December 31, 2012. Therefore, the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and the opening IFRS statement of financial position at January 1, 2011 are prepared in accordance with IFRS standards effective at the reporting date. However, IFRS also provides for certain optional exemptions and mandatory exceptions for the first time IFRS adopters.

IFRS 1 Exemptions and Exceptions

The IFRS 1 applicable exemptions and exceptions applied in the conversion from Nigerian GAAP to IFRS are as follows;

Deemed Cost

The company has elected to measure the investment properties at the transition date to IFRSs at cost in accordance with IFRS 1.

Mandatory Exceptions**Derecognition of financial Assets and Liabilities**

Measurement, prospectively from the transition date. As a result, any non-derivative financial assets and liabilities derecognised prior to the transition date in accordance with Nigerian GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the fund under Nigerian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, the fund has not used hindsight to revise estimates in accordance with IFRS1, 14-16

SKYE SHELTER FUND

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER, 2012

20 Reconciliation of financial statement from Local GAAP to IFRS

The accounting policies set out above have been applied in preparing the financial statements for the year ended December 31, 2011 and in the preparation of an opening IFRS statement of financial position at January 1, 2011 (the company's transition date).

In preparing its opening IFRS statement of financial position, the company has adjusted amounts reported previously in financial statements prepared in accordance with Nigerian GAAP. An explanation on how the transition from previous GAAP to IFRSs has affected the fund's financial position and financial performance is set out in the following reconciliation and explanatory notes:

A Statement of financial position
As at December 31, 2010

	Sub-note	Nigerian GAAP N '000	Adjustments N'000	IFRS N'000
ASSETS				
Bank Balance		9,740		9,740
Fixed Income Investment		564,023	(564,023)	-
Trading Portfolio Assets			564,023	564,023
Development Fund Deposit		380,944		380,944
Deferred Expenses		37,056	(29,702)	7,354
Investment Properties		1,696,190	(140,380)	1,555,810
Property, Plant and Equipment		129		129
Total Assets		2,688,082	(170,082)	2,518,000
LIABILITIES				
Payables & Accruals	-	255,789		(255,789)
Deferred Income		(22,127)		22,127
NET ASSETS		2,410,166	- 170,082	2,240,084
Represented By:				
Unitholders' Equity		2,000,000		2,000,000
Revenue Reserve		269,785	(29,702)	240,083
Revaluation Reserve		140,380	- 140,380	-
UNITHOLDERS' FUNDS		2,410,165	- 170,082	2,240,083

Explanations on the adjustments are as follows:

(i) Deferred Expenses

IAS 38 defines intangible assets as identifiable, non monetary assets that are without physical substance. The deferred expenses, which relates to offer expenses being amortised over a period of 5 years, does not meet the definition of intangible assets. The balance of this offer expenses deferred of N29,702,000 is therefore derecognised in the fund's opening statement of financial position in revenue reserve.

(ii) Fixed Income Investment

This was reclassified as Trading Portfolio Assets in line with the Fund's policy.

(iii) Investment Property

The fund opted for the adoption of the cost of the investment properties as deemed cost. This was formerly measured at fair value under GAAP. Consequently, the difference between the cost and the fair value of N140,380,000, which was in revaluation reserve has been reversed to adjust the value to its cost.

(iv) Unappropriated Revenue Reserves

The adjustment to revenue reserve is as follows:

Derecognition of intangible assets	N'000 29,702
Summary of revenue reserve	
Opening balance per audited financial statements	N'000 269,785
Derecognition of intangible assets	(29,702)
	<u>240,083</u>

SKYE SHELTER FUND

NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER, 2012

(v) Unitholders' Funds

	December '31 2010 N'000	January '1 2011 N'000
Unitholders' Equity	2,000,000	2,000,000
Revenue Reserve	269,785	240,083
Revaluation Reserve	140,380	-
	<u>2,410,165</u>	<u>2,240,083</u>

B Statement of financial position
As at December 31, 2011

	Sub-note	Nigerian GAAP N'000	Adjustments N'000	IFRS N'000
ASSETS				
Bank Balance		31,848		31,848
Fixed Income Investment		261,870	(261,870)	-
Trading Portfolio Assets			261,870	261,870
Development Fund Deposit		300,000		300,000
Deferred Expenses		14,851	(14,851)	-
Investment Properties		1,778,847	(89,100)	1,689,747
Property, Plant and Equipment		86		86
Total Assets		<u>2,387,502</u>	<u>(103,951)</u>	<u>2,283,551</u>
LIABILITIES				
Payables & Accruals		(48,991)		(48,991)
Deferred Income		(17,958)		(17,958)
NET ASSETS		<u>2,320,553</u>	<u>(103,951)</u>	<u>2,216,602</u>
Represented By:				
Unitholders' Equity		2,000,000		2,000,000
Revenue Reserve		231,453	(14,851)	216,602
Revaluation Reserve		89,100	(89,100)	-
UNITHOLDERS' FUNDS		<u>2,320,553</u>	<u>(103,951)</u>	<u>2,216,602</u>

c Income Statement
For the Year Ended December 31 2011

	Nigerian GAAP N'000	Adjustments N'000	IFRS N'000
Income	156,048		156,048
Less: Total Expenses	(66,380)	14,851	(51,529)
Net Income	<u>89,668</u>	<u>14,851</u>	<u>104,519</u>