

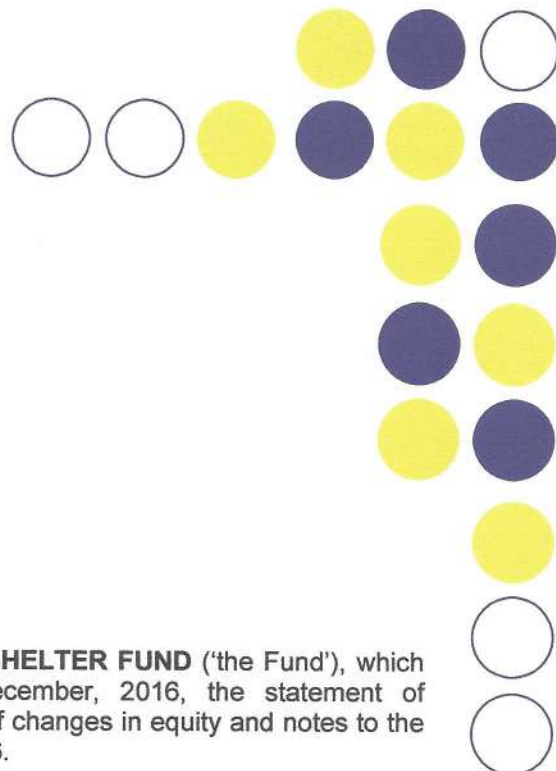
**SKYE SHELTER FUND  
FINANCIAL STATEMENTS:  
31ST DECEMBER, 2016**

SKYE SHELTER FUND  
2016 FINANCIAL STATEMENTS

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CORPORATE INFORMATION

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



**REPORT OF THE INDEPENDENT AUDITORS  
TO THE UNIT HOLDERS OF SKYE SHELTER FUND  
FINANCIAL STATEMENTS: 31ST DECEMBER, 2016**

**Report on the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of **SKYE SHELTER FUND** ('the Fund'), which comprise of the statement of financial position as at 31<sup>st</sup> December, 2016, 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, 2016.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Fund's financial position as at 31 December 2016 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.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. In this report, the matter (as stated below) was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on it.

We draw attention to note 11 to the financial statements which describes the fact that one of the investment properties was to be demolished because it was found to be structurally defective. Even though the vendor has accepted responsibility for the replacement of the property, the Fund faces the risk of possible loss in future income in view of the uncertainty of the exact time the property is replaced. Our opinion is not qualified in respect of this matter.



### **Information Other than the Financial Statements and Audit Report thereon**

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Fund Manager's Responsibility**

The fund manager is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies and Allied Matters Act, the Trustees Investment Act, the Investment and Securities Act, the Financial Reporting Council of Nigeria Act 2011 and for such internal control, as the fund manager determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Managers are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Managers either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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



## DELE OLUFON & CO

Chartered Accountants

...the diligent will stand before kings.

disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

### Report on other legal requirements

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

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

Ikeja, Lagos  
March , 2017.

  
Mrs. O. Olufon

FRC/2012/ICAN/00000000530

For: DELE OLUFON & CO  
Chartered Accountants




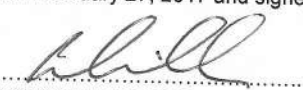
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2016 FINANCIAL STATEMENTS

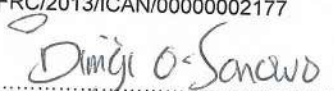
STATEMENT OF FINANCIAL POSITION  
AS AT 31ST DECEMBER, 2016

	Notes	2016 N'000	2015 N'000
<b>ASSETS</b>			
Cash and Cash Equivalents	8	340,434	9,374
Trading Portfolio Assets	9	303,363	595,514
Receivables	10	40,800	-
Prepaid Expenses		1,340	1,340
Investment Properties	11	1,930,390	2,007,261
<b>Total Assets</b>		<b>2,616,327</b>	<b>2,613,489</b>
<b>LIABILITIES</b>			
Payables & Accruals	12	(225,527)	(212,910)
Deferred Income	13	(57,300)	(72,887)
<b>NET ASSETS</b>		<b>2,333,500</b>	<b>2,327,692</b>
<b>Represented By:</b>			
Unitholders' Equity	14	2,000,000	2,000,000
Revenue Reserve	15	333,500	327,693
<b>UNITHOLDERS' FUNDS</b>		<b>2,333,500</b>	<b>2,327,693</b>
Net assets per unit (N)	17	116.7	116.4

The full financial statements were approved by the Board of Directors on February 27, 2017 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 11 to 26 form an integral part of these financial statements.

**SKYE SHELTER FUND**  
**2016 FINANCIAL STATEMENTS**

*STATEMENT OF COMPREHENSIVE INCOME*  
*FOR THE YEAR ENDED 31ST DECEMBER, 2016*

	Notes	2016 N'000	2015 N'000
Interest Income		89,381	122,424
Profit on Disposal of Investment Property		13,629	7,294
Rental Income		<u>100,043</u>	<u>77,122</u>
<b>Total Income</b>		<b>203,053</b>	<b>206,840</b>
Total Operating Expenses	5	<u>(54,246)</u>	<u>(48,324)</u>
<b>Net Income</b>		<b><u>148,807</u></b>	<b><u>158,516</u></b>
Net income per unit (Naira)		7.44	7.93
Proposed Final Distribution		140,000	143,000
Proposed Final Distribution per unit (Naira)		7.00	7.15

The notes on pages 11 to 26 form an integral part of these financial statements.



SKYE SHELTER FUND  
2016 FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31ST DECEMBER, 2016

	2016 N'000	2015 N'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest Received	89,381	122,424
Rental Income Received	84,456	100,609
Operating Cash Payments	(17,031)	(7,349)
Cash Payments to Creditors	(47,820)	(39,557)
<b><i>Net cash from operating activities</i></b>	<b><u>108,986</u></b>	<b><u>176,127</u></b>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investment Properties		(360,000)
Proceeds on disposal of property	54,800	60,288
Development Fund Deposit	-	100,899
Trading Portfolio Assets	292,151	(65,957)
Unclaimed distribution	18,123	187,352
<b><i>Net cash from/(used) in investing activities</i></b>	<b><u>365,074</u></b>	<b><u>(77,418)</u></b>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distribution Paid	(143,000)	(116,000)
<b><i>Net cash used in financing activities</i></b>	<b><u>(143,000)</u></b>	<b><u>(116,000)</u></b>
<b><i>Net increase/(decrease) in cash and cash equivalents</i></b>	<b>331,060</b>	<b>(17,291)</b>
Cash & cash equivalents at the beginning of the year	9,374	26,665
<b>Cash &amp; cash equivalents at the end of the year</b>	<b><u><u>340,434</u></u></b>	<b><u><u>9,374</u></u></b>

The notes on pages 11 to 26 form an integral part of these financial statements.

**SKYE SHELTER FUND  
2016 FINANCIAL STATEMENTS**

*STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER, 2016*

	Unitholders' Equity N'000	Revenue Reserve N'000	Total N'000
Balance as at January 1, 2015	2,000,000	285,177	2,285,177
Write back of over provision			-
Net income for the year		158,516	158,516
Distribution paid		(116,000)	(116,000)
<b>Balance as at December 31, 2015</b>	<b>2,000,000</b>	<b>327,693</b>	<b>2,327,693</b>
Balance as at January 1, 2016	2,000,000	327,693	2,327,693
Net income for the year		148,807	148,807
Distribution paid		(143,000)	(143,000)
<b>Balance as at December 31, 2016</b>	<b>2,000,000</b>	<b>333,500</b>	<b>2,333,500</b>

The notes on pages 11 to 26 form an integral part of these financial statements.

**SKYE SHELTER FUND  
2016 FINANCIAL STATEMENTS**

*PORTFOLIO STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER, 2016*

	Cost N'000	Percentage of Total Portfolio %	Percentage of Net Asset %
Real estate	1,930,390	81	83
Real estate related investments		-	-
Liquid assets	643,797		
Less unclaimed distribution	<u>(205,475)</u>	438,322	19
Total Portfolio	<u>2,368,712</u>		
Net Asset	<u>2,333,500</u>		

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

**SKYE SHELTER FUND**  
**2016 FINANCIAL STATEMENTS**

*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016*

**1. Reporting entity**

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

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

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

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

**2. Basis of preparation**

**(a) Statement of compliance**

The financial statements of the fund as at and for the year ended December 31, 2016 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 27, 2017.

**(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.

**SKYE SHELTER FUND  
2016 FINANCIAL STATEMENTS**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2016*

**(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.

**Adoption of pronouncements under IFRS**

Standards and amendments effective during the reporting period.

IFRS 10 – Consolidated Financial Statements – Amendments regarding the application of the consolidation exception

IFRS 11 - This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

IFRS 14 – Regulatory deferral accounts

Amendment to IAS 1 - 'Presentation of financial statements', disclosure initiative

Amendment to IAS 16 – Property, Plant and Equipment – Clarification of acceptable methods of depreciation and amortization and bringing bearer plants into the scope.

Amendment to IAS 27 – Separate Financial Statements – Reinstating the equity method as an accounting option for investment in subsidiaries, joint ventures and associates in an entity's separate financial statements.

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

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

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

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

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

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

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

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

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

IAS 2 – Statement of Cash Flows – Amendments as a result of disclosure initiative (effective on or after January 1, 2017).

IAS 12 – Income Taxes – Recognition of deferred tax assets for unrealized losses (effective on or after January 1, 2017).

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

The Fund did not adopt earlier any new or amended standards in 2016.

**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.

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*NOTES TO THE FINANCIAL STATEMENTS*  
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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.

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**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*



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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.

**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.

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– Level 2: valuation techniques using observable inputs: quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.

– Level 3: valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable. The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, a valuation technique is used.

**Identification and Measurement of Impairment**

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

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

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

**Cash and Cash Equivalents**

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

**Provisions**

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

**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

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**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.

**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,

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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.

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- 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.

**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

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**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.

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*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.

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4	<b>TOTAL INCOME</b>	2016 N'000	2015 N'000
	Fixed Interest Income	89,381	122,424
	Profit on investment disposal	13,629	7,294
	Rental Income	<u>100,043</u>	<u>77,122</u>
	Total Income	<u><u>203,053</u></u>	<u><u>206,840</u></u>
5	<b>OTHER OPERATING EXPENSES</b>	2016 N'000	2015 N'000
	a) Manager's Fees (Note 6)	35,003	34,915
	Other Expenses*	17,743	11,909
	Auditors' Fee	1,500	1,500
		<u>54,246</u>	<u>48,324</u>
	b) Other Expenses comprise*		
	Trustee fee	2,500	2,500
	Repairs and renovations/ service charge	4,435	2,633
	Other administrative expenses	428	461
	Valuation and other professional fees	775	650
	Stock exchange	1,143	907
	Registrars' fees	252	379
	Custodian fee	2,321	2,321
	Insurance	2,058	1,758
	CSCS eligibility fee	288	300
	Annual report publication and dividend expenses	2,743	-
	Fund rating	<u>800</u>	<u>-</u>
		<u><u>17,743</u></u>	<u><u>11,909</u></u>



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**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 N35,003,000. The fee for the year was equivalent to 17.2% of the Fund's gross income for the year.

**7 DISTRIBUTION**

The Fund Manager has proposed a distribution of N7 per unit amounting to N140million for the year ended December 31, 2016.

**8 CASH AND CASH EQUIVALENTS**

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

	2016 N'000	2015 N'000
Cash at bank	15,333	9,374
Short term treasury bill	325,101	-
	<u>340,434</u>	<u>9,374</u>

**9 TRADING PORTFOLIO ASSETS**

These are investments in bonds and other financial instruments which are held as trading securities. The details are as follows:

	Discounted Value N'000	Face Value N'000	Value Date	Maturity Date	Rate
FB- FGN-Bond	100,000			14-March-24	14.20%
CRSG Bond	43,501	50,000		26-May-22	17.00%
Treasury bill	30,623	36,149	16-Aug-16	27-Jul-17	16.19%
Treasury bill	53,174	58,153	8-Sep-16	9-Mar-17	17.20%
Treasury bill	42,463	48,205	13-Oct-16	29-Jun-17	16.80%
	20,436	23,066	27-Oct-16	29-Jun-17	17.00%

**10 RECEIVABLES**

	2016 N'000	2015 N'000
Grant Properties Ltd**	37,500	-
SFS Capital Nigeria Ltd	2,100	-
Balance due on property disposed off.	1,200	-
	<u>40,800</u>	<u>-</u>

\*\*Grant Properties Limited , the vendor of one of units of Victory Park , which was found to be scrutorially defective was charged with its cost .

11 INVESTMENT IN PROPERTIES

Description	2016	2015
	Cost N'000	Cost N'000
Investment in property in Ikeja GRA	277,990	277,990
Investment in property in Victory Park Estate Lekki	365,400	402,900
Investment in Property in Kabusa Gardens Abuja		39,371
Investment in property- Maccido Estate	192,000	192,000
Investment in properties Sapphire	132,000	132,000
Properties in North Star Garden Abuja	78,000	78,000
Properties in Boudillon Court, Lekki	360,000	360,000
Properties in Milverton, Lekki	525,000	525,000
	<u>1,930,390</u>	<u>2,007,261</u>

The cost model is used in the measurement of investment properties.  
The properties were valued at N2,238,000,000 by Ubosi Eleh & Co ( Estate Surveyors & Valuers). Valuation was based on market value and dated 6th of January 2017.

Description & Title

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

Property in Ikeja GRA  
It is covered by a deed of assignment which is yet to be perfected

Properties in Maccido Royal Estate Abuja	} Covered by letters of allocation
Properties in Sapphire Estate Lekki	
Properties in Northern Star Garden Abuja	
Properties in Milverton, Lekki	

Properties in Bourdillon Court are covered by provisional allocation letters.

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

Movement in carrying amount of investment properties

	2016	2015
	N'000	N'000
Balance brought forward	2,007,261	1,700,255
Additions		360,000
Capitalised expenses	-	-
Disposals	(39,371)	(52,994)
Transfer to vendor**	(37,500)	
Depreciation	-	-
Impairment	-	-
Balance carried forward	<u>1,930,390</u>	<u>2,007,261</u>

\*\*One of the units owned by the fund at Victory Park Estate was found to be structurally defective. The Lagos State Government issued a demolition notice for the property. The original vendor who sold the property to the fund, accepted liability for the lost. The vendor was debited with the cost of the unit.

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

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Rental income on investment properties were as follows:

	2016 N'000	2015 N'000
Victory Park - Lekki	24,741	25,842
Harold Sodipo - GRA Ikeja	12,000	12,000
Saphire Garden	7,235	8,400
Bourdillion Court	25,600	
Milverton	30,467	32,525
	<u>100,043</u>	<u>78,767</u>

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

	2016 N'000	2015 N'000
Service Charge	90	90
Renovation/Repairs	3,133	1,494
Preparation of lease agreement	725	300
Land usage charge	649	502
Consultancy	50	
Others	-	
	<u>4,647</u>	<u>2,386</u>

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

	2016 N'000	2015 N'000
Renovation/Repairs expenses	563	549
	<u>563</u>	<u>549</u>

**12 PAYABLES AND ACCRUALS**

	2016 N'000	2015 N'000
Payables	14,898	16,989
Unclaimed distribution**	205,475	187,352
Accruals	5,154	8,569
	<u>225,527</u>	<u>212,910</u>

\*\* In line with the rule of the Securities and Exchange Commission, the sum of N205,474,729 was returned to the fund by the Registrars as unclaimed distribution.

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**13 DEFERRED INCOME**

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

**Analysed into:**

	2016 N'000	2015 N'000
Current	57,300	64,387
Non - Current		8,500
	<u>57,300</u>	<u>72,887</u>

**Movement in deferred income**

Balance brought forward	72,887	49,400
Transfer to income	(100,043)	(77,122)
Rental income received in the year	84,456	100,609
Deferred rental income	<u>57,300</u>	<u>72,887</u>

**14 UNITHOLDERS' EQUITY**

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

	2016 N'000	2015 N'000
Balance brought forward	327,693	285,177
Net income for the year	148,807	158,516
	476,500	443,693
Write back of unutilised provision from previous year		
Distribution paid	(143,000)	(116,000)
<b>Reserve carried forward</b>	<u>333,500</u>	<u>327,693</u>

**16 NET ASSETS VALUE PER UNIT**

The net assets value per unit of N116.7 (2015: N116.4) is based on the net assets of the Fund and the total number of units in issue at the financial position date.

**17 RECONCILIATION OF NET INCOME TO NET CASH FROM OPERATING ACTIVITIES**

	2016 N'000	2015 N'000
Net Income for the year	148,807	158,516
Profit on investment property disposed	(13,629)	(7,294)
Increase/(Decrease) in Creditors & Accruals	(26,192)	24,905
Net cash from operating activities	<u>108,986</u>	<u>176,127</u>

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*VALUE ADDED STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER, 2016*

	2016 N'000	%	2015 N'000	%
Gross Earnings	203,053		206,840	
Deduct				
Administrative overheads and payments for other services	<u>(19,243)</u>		<u>(13,409)</u>	
Value added	<u>183,810</u>	<u>100</u>	<u>193,431</u>	<u>100</u>
Applied as follows:				
Fund manager's remuneration	35,003	19	34,915	18
Retained earnings	<u>148,807</u>	<u>81</u>	<u>158,516</u>	<u>82</u>
Value added	<u>183,810</u>	<u>100</u>	<u>193,431</u>	<u>100</u>

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*FIVE YEAR FINANCIAL SUMMARY (2012 - 2016)*

	IFRS 2016 N'000	IFRS 2015 N'000	IFRS 2014 N'000	IFRS 2013 N'000	IFRS 2012 N'000
<b>ASSETS</b>					
Cash and Cash Equivalents	340,434	9,374	26,665	53,765	89
Development Fund Deposit		0	100,899	89,084	554,112
Trading Portfolio Assets	303,363	595,514	529,557	486,620	544,483
Receivables	40,800				
Prepaid Expenses	1,340	1,340	1,080	1,434	0
Investment Properties	1,930,390	2,007,261	1,700,255	1,724,090	1,199,090
Property, Plant and Equipment	0	0	0	0	176
<b>Total Assets</b>	<b>2,616,327</b>	<b>2,613,489</b>	<b>2,358,456</b>	<b>2,354,993</b>	<b>2,297,950</b>
<b>LIABILITIES</b>					
Payables & Accruals	(225,527)	(212,909)	(23,879)	(38,529)	(31,427)
Deferred Income	(57,300)	(72,887)	(49,400)	(58,090)	(20,132)
<b>NET ASSETS</b>	<b>2,333,500</b>	<b>2,327,693</b>	<b>2,285,177</b>	<b>2,258,374</b>	<b>2,246,391</b>
<b>Represented By:</b>					
Unitholders' Equity	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Revenue Reserve	333,500	327,693	285,177	258,375	246,391
<b>UNITHOLDERS' FUNDS</b>	<b>2,333,500</b>	<b>2,327,693</b>	<b>2,285,177</b>	<b>2,258,375</b>	<b>2,246,391</b>
Gross Income	203,053	206,840	180,404	159,046	159,046
Net Income	148,807	158,516	128,878	111,984	110,589
Proposed Distribution	140,000	143,000	116,000	105,000	100,000
Proposed Distribution per Unit (N)	7.00	7.15	5.80	5.25	5.00
Net Assets Value per Unit (N)	116.67	116.38	114.26	112.92	112.32