
UNION HOMES REAL ESTATE INVESTMENT TRUST

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020**

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FOR THE YEAR ENDED 31 DECEMBER, 2020**

| CONTENTS | PAGE |
|--|-------------|
| Fund Manager, Professional Advisers etc | 1 |
| Statement of Fund Manager's responsibilities | 2 |
| Statement of Trustees' responsibilities | 3 |
| Report of Fund Manager | 4 |
| Report of the Trustee | 9 |
| Certification of the Accounts by Directors of the Fund Manager | 12 |
| Report of the Independent Auditor | 13 |
| Statement of Comprehensive Income | 16 |
| Statement of Financial Position | 17 |
| Statement of Changes in Equity | 18 |
| Portfolio Statement | 19 |
| Statement of Cashflows | 20 |
| Notes to the Financial Statements | 21 |
| Statement of value Added | 42 |
| Five-Year Financial Summary | 43 |

FUND MANAGER, PROFESSIONAL ADVISERS ETC

Directors of the Fund Manager: Dr Layi Fatona - (Chairman)
 Mr. Patrick Ilodiana - (Managing Director/CEO)
 Dr. Yemi Kale - (Non-Executive Director)
 Mr. Yemi Gbenro - (Non-Executive Director)
 Mr. Dimeji Sonowo - (Executive Director)

Fund Manager: SFS Capital Nigeria Limited,
 Plot 287, Ajose Adeogun,
 Victoria Island,
 Lagos.

Trustee to the Fund: United Capital Trustees Limited,
 3rd & 4th Floor, Afriland Towers,
 97/105, Broad Street,
 Lagos.

Custodian: UBA Global Investor Services,
 UBA House (11th Floor),
 57, Marina, Lagos.

Registrar: Greenwich Registrars & Data Solution,
 274, Murtala Muhammed Way,
 Alogomeji, Yaba,
 Lagos.

Auditors: Bakertilly,
 (Chartered Accountants),
 Kresta Laurel Complex (4th Floor),
 376, Ikorodu Road,
 Maryland,
 Lagos.


Bankers: United Bank for Africa Plc
 Polaris Bank Nigeria Limited
 Sterling Bank
 Wema Bank

STATEMENT OF FUND MANAGER'S RESPONSIBILITIES

The responsibilities of the Manager to the Fund are as follows: -

1. To carry on and conduct the business of the Fund in a proper and efficient manner and in particular, to diligently carry out the purpose for which Units are issued.
2. To act with prudence in relation to all moneys and accounts kept for the purpose of the Fund.
3. To keep proper books of accounts and prepare financial statements for the Fund and therein make true and proper entries of all affairs.
4. To issue jointly with the Trustee, certificates evidencing the purchase of Units of the Fund.
5. To invest the portfolio pool in a manner consistent with the investment objective of the Fund and investment guidelines.
6. To pay out of the Fund all expenses incurred or to be met in connection with the management of the Fund.
7. To appoint, with the consent of the Trustee, the Auditor to the Fund.
8. To make periodic returns to the Securities and Exchange Commission as may be specified from time to time.
9. To periodically avail unit-holders with information relating to the performance of the Fund.
10. To convene Annual General Meeting of the Fund's unit-holders.

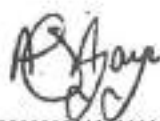

.....
Hodianya Patrick
Director
FRC/2013/ICAN/00000002177


.....
Gbenro Yemi
Director
FRC/2014/CIB/00000002190

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustee's responsibilities to the Fund are as follows: -

1. Represents the interest of investing public and therefore play an oversight role in the operations and investments of the REIT.
2. The Trustees are meant to monitor the activities of the Fund Manager on behalf of and in the interest of the Unit holders.
3. The Trustees are required to monitor the register of Unit holders.
4. The Trustees are required to ascertain the profitability rationale for investment decision-making of the Fund Manager.
5. The Trustees are required to approve all major investments from the REIT's funds.
6. The Trustees are required to ascertain that monthly and other periodic returns/reports relating to the REIT are forwarded by the Fund Manager to the Securities and Exchange Commission (SEC).
7. The Trustees are also required to report any breach of the existing Laws, Rules and Regulations or Terms of the Trust Deed to the Securities and Exchange Commission (SEC).



.....
Tokunbo Ajayi
FRC/NBA/0000008349

REPORT OF FUND MANAGER FOR THE YEAR ENDED 31 DECEMBER, 2020

ECONOMIC REVIEW 2020

Due to the effects of COVID-19 and National lockdowns both nationally and globally, the Nigerian economy's growth trajectory went negative in 2020.

In Q1 2020 there was slow momentum within the Nigerian economy, with growth at 1.87% but in Q2 growth contracted to -6.2% due to the FGN imposed widespread nationwide lockdowns to contain the virus.

The contraction in Q2 2020 was caused by both the oil and non-oil sectors, specifically Transportation falling by 41.63%. This was however driven slightly upwards by the Finance Sector growing 20.83%.

The performance of the economy in Q3 2020 reflected residual effects of the restrictions to movement and economic activity implemented across the country in early Q2 2020 in response to the pandemic. As these restrictions were lifted, businesses re-opened and international travel and trading activities resumed, some economic activities returned to growth in Q3 2020. The growth in Q4 2020 indicates that the Nigerian economy has recovered from the pandemic-induced recession which disrupted economic activities in most part of 2020.

QUARTERLY GDP GROWTH (Q1 2019 – Q4 2020)

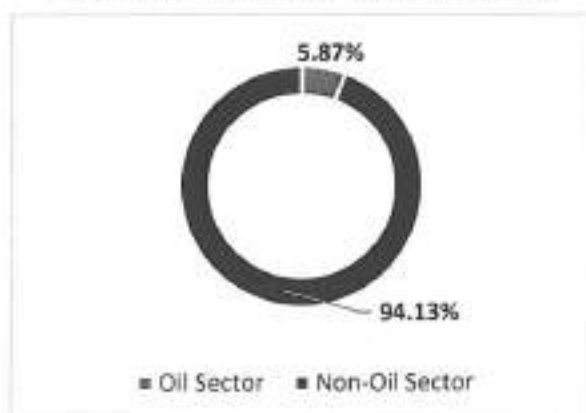
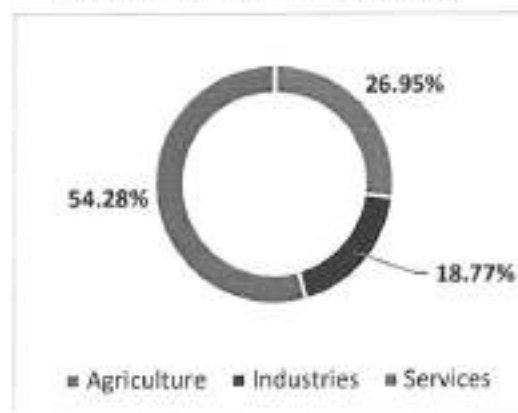


Source: National Bureau of Statistics

ANNUAL GDP GROWTH (2012 – 2020)



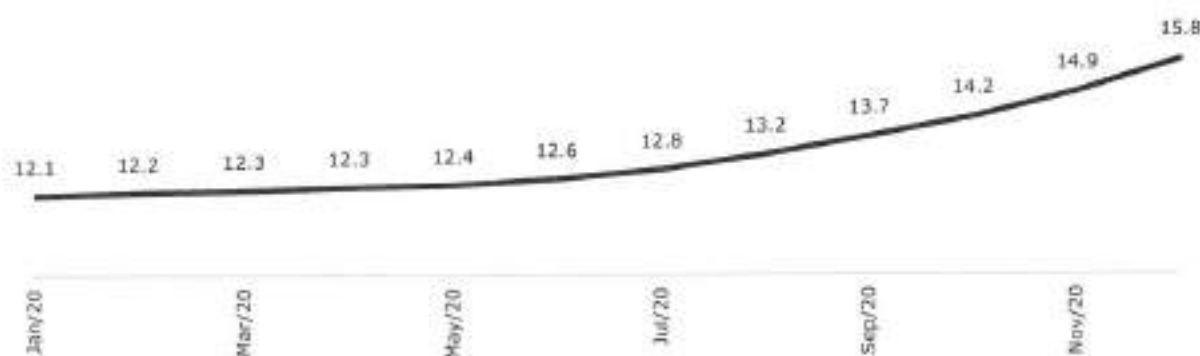
Source: National Bureau of Statistics

CONTRIBUTION OF OIL AND NON-OIL**CONTRIBUTION TO REAL GDP****NON-OIL SECTOR**

The non-oil sector contributed 94.13% to the nation's GDP in Q4 2020, higher than its share in Q4 2019 (92.68%) and the third quarter of 2020 (91.27%). The non-oil sector was driven mainly by Information and Communication Telecommunications (ICT), with other drivers being Agriculture, Real Estate, Construction and Manufacturing.

OIL SECTOR

The oil sector contributed 5.87% to total real GDP in Q4 2020, down from 9.77% recorded in Q4 2019 and 8.73% recorded in the preceding Q3 2020. In Q4 2020, the average daily oil production recorded stood at 1.56 million barrels per day (mbpd), which was 0.54mbpd lower than the average production recorded in the same quarter of 2019 and 0.11mbpd lower than production volume recorded in Q3 2020.

INFLATION RATE % (January 2020 – December 2020)

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

The headline inflation increased by 12.13% in January 2020 to 15.75% in December 2020. In August 2020, headline inflation rose to 13.22% and continued a steady increase into December 2020. The continuous increase in the headline inflation rate can be attributed to the increase in food prices and energy prices.

I&E FX WINDOW

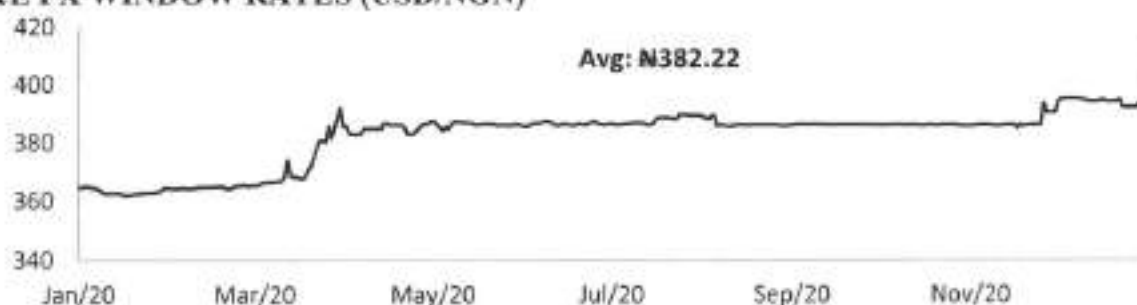
The Investor and Exporters' (I&E) FX window introduced in April 2017, is one of the strategic instruments projected to support and stabilise the Naira against other currencies.

Total foreign exchange inflows to the I&E window dropped by 88.05% percent from USD\$3.19 billion in January to USD\$381.2 million in May 2020. This however improved gradually in the Q4 2020, which was largely driven by the Central Bank of Nigeria (CBN) intervention in the I&E window.

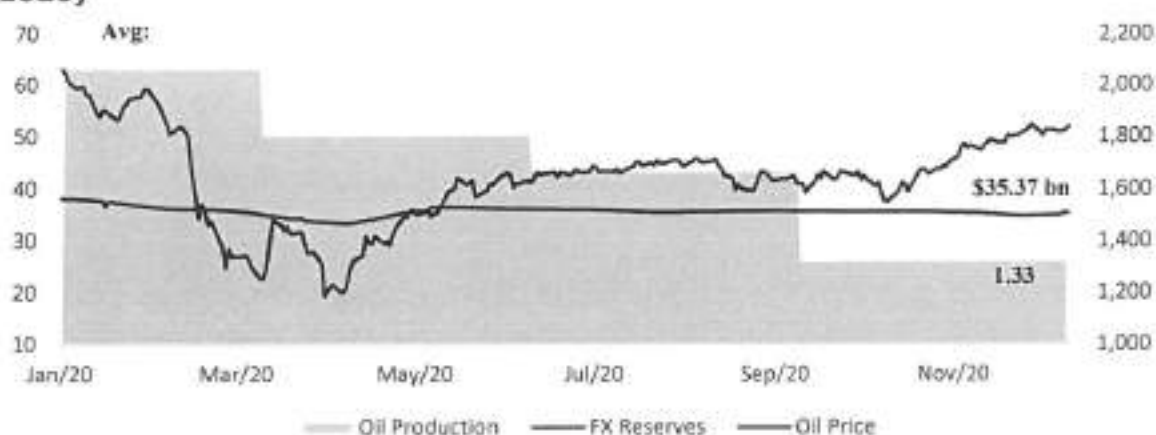
The CBN intervention increased in Q4 2020 to USD\$434.6 from less than a million-dollar in Q2 2020. Also, the effect of COVID-19 on oil prices continued to constrain the CBN's capacity to intervene in the I&E window.

By December 2020, the exchange rate at the I&E Window officially depreciated by 11.8% with an exchange rate of ₦410.25/\$1. In 2021 however, the exchange rate between the Naira and the dollar appreciated, closing at ₦394/\$1, representing a marginal gain in the value of the Naira.

I&E FX WINDOW RATES (USD/NGN)



NIGERIA CRUDE OIL PRODUCTION, BRENT PRICE & NIGERIA'S FX RESERVES (2019 - 2020)



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

Oil Production - in thousands of barrels per day

FX Reserves - US\$ Billion (bn)

Oil Price - Brent Crude US\$ per barrel

The price of Brent Crude Oil traded at an average of US\$43.29 per barrel in 2020, decreasing 33% from an average of US\$64.16 per barrel in 2019. Brent prices reached an annual daily low of US\$19.33 per barrel in April due to global lockdowns reducing oil demand caused by the pandemic. This eventually increased to US\$52.26 per barrel in November.

On 8th March 2020, Saudi Arabia initiated a price war with Russia, enabling a 65% quarterly fall in the price of oil. Oil prices sank to their lowest since 2002, falling below \$20 a barrel in April also due to a fall in demand of oil from Asia as lockdowns were in effect and factories closed.

The price of oil became negative on 20th April. As oil production can be slowed, but not stopped entirely, and even the lowest possible production level resulted in greater supply than demand; those

holding oil futures became willing to pay to offload contracts for oil they expected to be unable to store.

Nigeria's foreign currency earnings is still under pressure. This has further implications for the country, as a drop in foreign currency earnings could hamper the CBN's ability to defend the Naira.

2020 REAL ESTATE MARKET REVIEW

There has been a general decrease in Land prices within Lagos State, especially with prime areas such as Victoria Island and Ikoyi, decreasing by 6% and 5% YoY in 2020. Land prices in Magodo decreased by about 17% while prices in Lekki Phase 1 and Ikeja GRA increased by 7% and 13% respectively. A drop in fixed income yields in 2020, diverted liquidity into the real estate space.

There was an increase in demand for 1-bed and 2-bed flats within Lagos, Abuja and Port Harcourt in 2020.

In the Central areas of major Nigerian cities, there has been growth in demand for micro apartments - small studio apartments typically under 35sqm with a kitchen and bathroom. The growth in demand for short stay apartments further spiked and is likely to increase in 2021. (Northcourt Real Estate, 2021).

COVID-19 has led to an increase in the number of people seeking residential accommodation in 2020. Working professionals now seek larger apartments that can accommodate a home office.

The preference for homes in the suburbs, away from the major streets has soared. This is largely due to security reasons influenced by protests experienced in 2020. There is also a gradual shift towards garden-style communities as they offer better living environments fit for social distancing with open spaces, lower density and greater air circulation unlike most high-rises with closed hallways and elevators.

Vacancy rates for Lekki, Ikoyi and Ikeja GRA in the second half of 2020 were 15%, 17%, and 9% respectively a decrease from 20%, 20% and 15% respectively recorded in the first half of 2020. Vacancy rates generally declined reflecting some gains from the COVID-19 lockdown (Northcourt Real Estate, 2021).

Average Residential Vacancy Rates in Abuja and Lagos (H1 2020)

| Location | Vacancy Rate | Location | Vacancy Rate |
|----------|--------------|-----------------|--------------|
| Abuja | | Lagos | |
| Gwarimpa | 5% | Ikoyi | 17% |
| Apo | 13% | Lekki 1 | 15% |
| Utako | 7% | Victoria Island | 18% |
| Lugbe | 4% | Oniru | 3% |
| Katampe | 32% | Yaba | 1% |
| Wuse 2 | 6% | Surulere | 2% |
| Jabi | 5% | Ikeja GRA | 9% |
| Maitama | 4% | Magodo II | 4% |

Source: Northcourt Real Estate (2021)

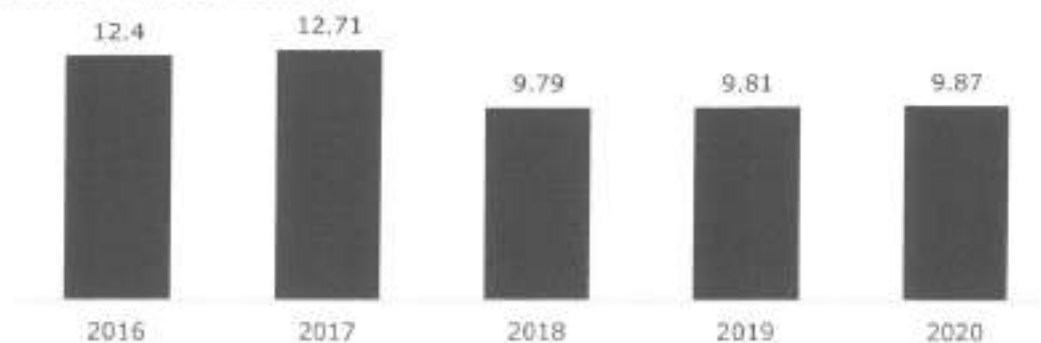
There is expected to be a rebound in demand for residences within gated estates that leverage the experience, expertise and network of estate management companies and residents' groups.

Stable power, security, tranquility, and good roads top the list of client considerations when choosing residential properties to invest in (Northcourt Real Estate, 2021).

FUND PERFORMANCE


Union Homes Real Estate Investment Trust ("UH REIT" or "the Fund") recorded gross income of ₦570.76 million, an increase of 3% from 2019. Rental income increased by 23% to ₦469.43 million. Interest income fell short of expectations due to a general fall in rates throughout 2020. Operating expenses decreased by 4% driven by a 21% fall in property maintenance expenses. The average occupancy rate on the properties of the Fund increased from 94.22% to 97.22% in 2020. All properties except Contemporary Apartment (75%) remained at 100% occupancy. The Net Asset Value ("NAV") recorded an increase of 0.62% from ₦9.81 billion in 2019 to close at ₦9.87 billion in 2020.

Net Asset Value (₦'billion)



In 2020, the Fund paid out dividend in the sum of ₦329 million (₦1.75 per share) for the year ended December 2019. The Fund is proposing a dividend of ₦1.86 per share for the year ended December 2020 to be paid in 2021.


Hodianya Patrick
 Director
 FRC/2013/ICAN/00000002177


Gbenro Yemi
 Director
 FRC/2014/CIB/00000002190

**REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 DECEMBER, 2020**

The Trustee hereby present their Report on the affairs of Union Homes Real Estate Investment Trust (The Fund) together with the Auditor's Report and Financial Statements for the year ended 31st December, 2020.

Principal Activities & Business Review:

The Fund opened for subscription on 19th August, 2008 and commenced investment activities on 3rd February, 2009. Registered as a Close-ended Investment Scheme and Real Estate Investment Trust (REIT) in Nigeria by the Securities and Exchange Commission ("SEC") under the Investment and Securities Act 2007, it is governed by a Trust Deed with United Capital Trustees Limited as Trustee to the Fund. The Fund is established to provide Investors with long term capital appreciation and to optimize investors' returns by investing in a strategic mix of Real Estate properties and money market instruments as specified in Clause 3.1 of the Trust Deed and as spelt out in the Prospectus. The Fund is listed on the Floor of the Nigerian Stock Exchange and in line with international best practices. Its assets are totally segregated from the assets of the Manager.

Performance of the Union Homes Real Estate Investment Trust:

The performance of the Fund as a function of its Net Asset Value is as follows:

| | 2020 | 2019 |
|-----------------|--------------|--------------|
| | N'000 | N'000 |
| Net Asset Value | 9,871,371 | 9,810,935 |

The Net Asset Value was increased from N 9,810,935 as at 31 December, 2019 to N 9,871,371 as at 31 December 2020.

Operating Results:

| | 2020 | 2019 |
|-----------------------------|----------------|-----------------|
| | N'000 | N'000 |
| Net Income b/f Tax | 391,660 | 366,094 |
| Taxation | <u>(2,002)</u> | <u>(15,516)</u> |
| Net loss/income (After Tax) | <u>389,658</u> | <u>350,578</u> |

ADMINISTRATION OF THE SCHEME

Income Generation:

During the period under review, Net income generated by the Fund was 11.14% higher in 2020 compared to 2019. This was largely due to the proactiveness of the Fund Manager despite the threat of Covid – 19 during the year under review. It is worthy of note that the Fund Manager was able maximize returns to the Unitholders by increase in its earnings per share from ₦1.86 in 2019 to ₦2.07 which represents about a 11.29% increase.

Rating and Valuation:

The Fund Manager is required to carry out valuation of the REIT's properties every (2) two years and this was done as required. The Fund Manager was able to conclude on the Rating of the REIT as stipulated by the SEC Rule.

Compliance:

Asset Allocation Requirement

Compliance with the Asset Allocation requirement of the Fund (90% in Real Estate related investment and 10% in Liquid Asset investments) as at 31st December, 2020 was 91.95% in Real Estate and Real Estate Related Investments, while 8.05% was invested in Liquid Assets. The total Investments in Real Estate and Real Estate Related Assets was 91.95 which was slightly higher than the 90% requirement by the REIT's Trust Deed. We believe that the Fund Manager will re- balance their portfolio and align with the Trust Deed Asset Class.

The Trustee are of the opinion that the Management of the Fund has been in compliance with the provisions of the Trust Deed and the Investment and Securities Act, 2007.

Auditor: Messrs. Baker Tilly Nigeria, Chartered Accountants, have indicated their willingness to continue in office and shall do so in accordance with Section 169(1) of the Investment and Securities Act, 2007.

Parties to the Fund:

| | |
|----------------|---------------------------------------|
| Fund Manager - | SFS Capital Nigeria Limited |
| Trustee - | United Capital Trustees Limited |
| Registrar - | Greenwich Registrars & Data Solutions |
| Auditors - | Baker Tilly Nigeria |
| Custodian - | UBA Global Investor Services |

BY ORDER OF THE TRUSTEE

United Capital Trustees Limited
3rd & 4th Floor, Afriland Towers
97/105, Broad Street
Lagos

11th March, 2021



Tokunbo Ajayi
FRC/NBA/00000008349

**CERTIFICATION OF THE ACCOUNTS
BY THE DIRECTORS OF THE FUND MANAGER**

We hereby certify the accounts and state that neither the Manager nor any other person acting on its behalf has: -

- Transferred units to another person for sale, resale or subsequent transfer to the manager for sale or resale;
- Acquired or disposed of investments for account of the Fund otherwise than through a process duly approved by the investment committee;
- Acquired units for a price higher than the prevailing bid price; or
- Disposed of units for a price lower than the prevailing offer price.



Hodianya Patrick
Director
FRC/2013/ICAN/00000002177



Gbenro Yemi
Director
FRC/2014/CIB/00000002190

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF
UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)**

Report on the Audit of the Financial Statements

We have audited the financial statements of the Fund which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Union Homes Real Estates Investment Trust (REIT) as at 31 December 2020, its financial performance and its cash flows for the year then ended in accordance with the provisions of both the Companies and Allied Matters Act 2020 and the Financial Reporting Council of Nigeria (FRCN) Act No.6 of 2011.

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 Fund within the meaning of Nigerian Standards on Auditing (NSAs) issued by the Institute of Chartered Accountants of Nigeria and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

ADVISORY · ASSURANCE · TAX

Bakertilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

Going Concern

The Fund's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty.

Responsibilities of the Fund Manager's for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements which are in compliance with the requirements of both the Financial Reporting Council of Nigeria Act, No. 6 of 2011 and the Companies and Allied Matters Act, 2020. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with Nigerian Standards on Auditing (NSAs) issued by the Institute of Chartered Accountants of Nigeria.

Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

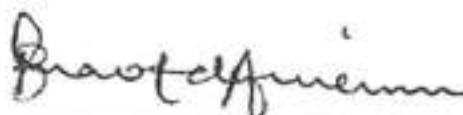
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund Managers and Trustees, 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.

Report on Other Legal and Regulatory Requirements

The Companies and Allied Matters Act, 2020 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that: -

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) proper books of account have been kept by the Fund; and
- iii) the Fund's statements of financial position and Comprehensive income are in agreement with the books of account.



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Mark E. Ariemuduigho
FRC/2013/ICAN/00000002724
on behalf of
Bakertilly Nigeria
(Chartered Accountants)



Lagos, Nigeria
19 March, 2021


**STATEMENT OF COMPREHENSIVE INCOME (TOTAL RETURN)
FOR THE YEAR ENDED 31 DECEMBER, 2020**


| | Note | 2020 N'000 | 2019 N'000 |
|---|------|------------------|------------------|
| Investment income | 3 | 570,759 | 552,901 |
| <i>Deduct:</i> | | | |
| Operating expenses | 4 | <u>(179,099)</u> | <u>(186,807)</u> |
| Net income before taxation | | 391,660 | 366,094 |
| Taxation | 5 | <u>(2,002)</u> | <u>(15,516)</u> |
| Net income after taxation | 16 | <u>389,658</u> | <u>350,578</u> |
| Net increase in unit holder's fund from investment activities | | <u>389,658</u> | <u>350,578</u> |
| Earnings per unit basic(N) | | <u>2.07</u> | <u>1.86</u> |

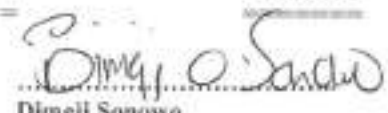
The notes on pages 20 to 41 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2020

| Assets: | Note | 2020 | 2019 |
|------------------------------------|-------------|-------------------------|-------------------------|
| <i>Current Assets</i> | | N'000 | N'000 |
| Cash and cash equivalents | 6 | 148,731 | 651,566 |
| Financial assets at amortized cost | 7 | 813,101 | 307,646 |
| Other assets | 8 | 6,721 | 6,721 |
| Trade and other receivables | 9 | 64,819 | 100,469 |
| Property & equipment | 10 | <u>31,602</u> | <u>50,218</u> |
| <i>Total current assets</i> | | <u>1,064,974</u> | <u>1,116,620</u> |
| <i>Non-Current Assets</i> | | | |
| Investment properties | 11 | 9,932,059 | 9,920,294 |
| <i>Total assets</i> | | <u>10,997,033</u> | <u>11,036,914</u> |
| Liabilities: | | | |
| <i>Current Liabilities</i> | | | |
| Rent received in advance | 12 | 169,556 | 210,231 |
| Accruals and other payables | 13 | 943,156 | 998,630 |
| Provisions | 14 | <u>-</u> | <u>-</u> |
| <i>Total current liabilities</i> | | <u>1,112,712</u> | <u>1,208,861</u> |
| <i>Non-Current Liabilities</i> | | | |
| Rent received in advance | 12 | 12,950 | 17,118 |
| <i>Total liabilities</i> | | <u>(1,125,662)</u> | <u>(1,225,979)</u> |
| Net assets | | <u><u>9,871,371</u></u> | <u><u>9,810,935</u></u> |
| Equity and Reserves | | | |
| Unit holders Equity | 15 | 9,406,353 | 9,406,353 |
| Retained earnings | 16 | 465,018 | 404,582 |
| Unit holders' Fund | | <u><u>9,871,371</u></u> | <u><u>9,810,935</u></u> |


 Patrick Hodianya
 Managing Director
 FRC/2013/ICAN/00000002177


 Yemi Gbenro
 Director
 FRC/2014/CIB/00000002190


 Dimeji Sonowo
 Executive Director
 FRC/2013/ICAN/00000002089

**STATEMENT OF CHANGES IN EQUITY
(MOVEMENTS IN UNIT HOLDERS' FUND)
FOR THE YEAR ENDED 31 DECEMBER, 2020**

| | Unit Equity N'000 | General reserve N'000 | Total N'000 |
|-----------------------------------|-------------------------|-----------------------------|------------------|
| 1 January, 2020 | 9,406,353 | 404,582 | 9,810,935 |
| Dividend | - | (329,222) | (329,222) |
| Transfer from income statement | - | 389,658 | 389,658 |
| 31 December, 2020 | <u>9,406,353</u> | <u>465,018</u> | <u>9,871,371</u> |
| 1 January, 2019 | 9,406,353 | 383,226 | 9,789,579 |
| Dividend | - | (329,222) | (329,222) |
| Transfer from income statement | - | 350,578 | 350,578 |
| 31 December, 2019 | <u>9,406,353</u> | <u>404,582</u> | <u>9,810,935</u> |

The notes on pages 20 to 41 form an integral part of these financial statements

PORTFOLIO STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2020

| | 2020 Market value N'000 | Percentage of portfolio % | Market N'000 | 2019 Percentage of net assets % |
|-----------------------------------|-------------------------------|------------------------------------|-------------------|--|
| Real estate | 9,432,059 | 87.32 | 9,420,294 | 87.33 |
| Real estate related | <u>500,000</u> | <u>4.63</u> | <u>500,000</u> | <u>4.63</u> |
| | 9,932,059 | 91.95 | 9,920,294 | 91.96 |
| ----- | | | | |
| Money market investments | | | | |
| Cash and cash equivalent | 148,731 | | 651,566 | |
| Financial assets held to maturity | <u>813,101</u> | | <u>307,646</u> | |
| | 961,832 | | 959,212 | |
| Unclaimed dividend | (92,241) | | (92,241) | |
| | <u>869,591</u> | <u>8.05</u> | <u>866,971</u> | <u>8.04</u> |
| ----- | | | | |
| Total value of portfolio | <u>10,801,650</u> | <u>100</u> | <u>10,787,265</u> | <u>100</u> |

The Fund is expected to invest a minimum of 90% of the Fund's total assets in Real Estates and Real Estates related assets, while the remaining 10% should be invested in money market.

As at 31 December, 2020, the Fund's investment in Real Estates and real estate related was about 92% of the Fund's total assets.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

| | Note | 2020 N'000 | 2019 N'000 |
|--|----------|-----------------------|-----------------------|
| Operating profit before working capital changes | 17.1 | 411,862 | 383,474 |
| Working capital changes | 17.ii | (64,667) | 185,880 |
| Income tax paid | | <u>(2,002)</u> | <u>(15,516)</u> |
| <i>Net cash flow from operating activities</i> | | 345,193 | 553,838 |
| Cash flow from investing activities: | | | |
| Development of investment in properties | | (11,765) | (282,378) |
| Sale of property, plant and equipment | | - | 3,700 |
| Purchases of PPE | | (1,586) | (38,126) |
| Investment in money market | | <u>(505,455)</u> | <u>663,308</u> |
| <i>Net cash flow from investing activities</i> | | (518,806) | 346,504 |
| Financing activities | | | |
| Dividend paid | | <u>(329,222)</u> | <u>(329,222)</u> |
| | | (329,222) | (329,222) |
| Net decrease in cash and cash equivalent | | (502,835) | 571,120 |
| Cash and equivalents brought forward | | 651,566 | 80,446 |
| Cash and cash equivalent at the end of the year | 6 | <u>148,731</u> | <u>651,566</u> |

The notes on pages 20 to 41 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2020**

1.0 General information

Reporting entity

Union Homes Real Estate Investment Trust (REIT) was established on August 19, 2008 as a Unit Trust Scheme, registered and listed on the floor of the Nigerian Stock Exchange on 2 July, 2010. The Fund is managed by SFS Capital Nigeria Limited which is located at Plot 287, Ajose Adeogun Street, Victoria Island, Lagos.

The Union Homes REIT is an actively managed, close ended unit Trust scheme whose primary objective is to achieve long term capital appreciation of its assets by investing a minimum of 90% of the assets in Real Estate and Real Estate related investments. The Trust Deed provides for a maximum of 10% of the Fund's total assets to be invested in quality money market instruments to ensure liquidity.

The Fund is established to provide an opportunity for a large number of investors to share the ownership of a group of real estate assets through the medium of a Fund that buys, develops, manages and sells real estate assets.

2.0 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and with the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the Federal Republic of Nigeria.

Functional and presentation currency

The financial statements are presented in Nigeria Naira (₦) which is the Fund's functional and presentation currency.

Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and the future periods if the revision affects both current and future periods.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value through profit or loss.

2.2 Standards and interpretations issued/amended but not yet effective

The standards listed below have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2020. The Company has not applied the following new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates. Insights on these new standards/amendments are provided below.

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

Published

May 2020

Effective date

Annual periods beginning on or after 1 June 2020

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

| | |
|---|---|
| Benchmark Reform – Phase 2 | This amendment, also, does not have any effect on the financial statements of the Company. |
| <i>Published</i> | August 2020 |
| <i>Effective date</i> | Annual periods beginning on or after 1 January 2021 |
| Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities | These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability. |
| <i>Published</i> | January 2020 |
| <i>Effective date</i> | Annual periods beginning on or after 1 January 2022 |
| A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 | <p>Amendments to IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p>Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.</p> <p>Amendments to IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.</p> <p>The Company is not early adopting these amendments and this amendment does not have any effect on the financial statements of the Company in 2020.</p> |
| <i>Published</i> | May 2020 |
| <i>Effective date</i> | Annual periods beginning on or after 1 January 2022 |

IFRS 17, 'Insurance contracts'

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

This amendment does not have any effect on the financial statements of the Company.

Published

May 2017

Effective date

Annual periods beginning on or after 1 January 2023

2.3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are as set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

i. Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank, call deposits and short term highly liquid financial assets (including money market funds) with original maturities of less than or of three months, which are subject to insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term commitments.

ii. Investment properties

Investment properties comprise of completed property and property under construction or re-development held to earn rental income or for capital appreciation or both.

Investment property is measured initially at cost including transaction costs. Transaction costs include professional fees for legal services and other commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise.

Fair values are determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location. In an active market, an independent valuer, holding a recognized and relevant professional qualification and with recent experience in the location and category of investment properties being valued, values the portfolio periodically in line with the Trust Deed.

The valuer, in addition to the qualifications above, should hold Financial Reporting Council (FRC) of Nigeria registration certificate in accordance with section 41 of the Financial Reporting Council of Nigeria Act, No.6 of 2011.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property is recognised in the income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property is determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

iii. ***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. However, items of plant and machinery relating to investment property are accounted for separately and depreciated over its useful life span.

iv) **Financial instruments**

(a) **Recognition and measurement**

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Purchases and sales of financial instruments are measured on a trade-date basis.

Financial liabilities and equity instruments, issued by the company, are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets are derecognised when and only when:

- The contractual rights to the cash flows from the financial assets expire; or
- The company transfers the financial asset, including substantially all the risks and rewards of ownership of the asset.

■ A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Investments made by the company which are classified as either held at fair value through profit or loss or available-for-sale, are measured at subsequent reporting dates at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted investments and unit trusts in active markets are based on current market prices. Since actual market prices are available in determining fair values, no significant estimates or valuation models are applied in determining the fair value of quoted financial instruments.

(b) **Fair value hierarchy**

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

– Level 1: quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.

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

– Level 3: valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, a valuation technique is used.

(c) **De-recognition of financial instruments**

Financial assets are derecognised when the contractual right to receive cash flows from the investments have expired or on trade date when they have been transferred and the Company has also transferred substantially all risks and rewards of ownership. Non-cash financial assets pledged, where the counterparty has the right to sell or re-pledge the assets to a third party, are classified as pledged assets.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

(d) **Financial assets**

Financial assets are classified into the following categories: financial assets at fair value through profit or loss; loans and receivables, held-to-maturity and available-for-sale financial assets. Management determines the classification of financial assets at initial recognition. This classification depends on the nature and purpose of the financial asset.

(i) ***Financial assets at fair value through profit or loss***

This category has two components: those held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin, or a security is included in a portfolio in which a pattern of short-term profit taking exists or if so designated by management at inception as held at fair value through profit or loss.

Financial assets designated at fair value through profit or loss at inception are those that are:

- Held to match liabilities that are linked to changes in fair value of these assets. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases; or
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the company's key management personnel.

The company's investment strategy is to invest in equity and debt securities, and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

(ii) ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on 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 reductions for impairment of financial assets. The carrying amount represents its fair value.

(iii) ***Available-for-sale***

Available-for-sale instruments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value on the statement of financial position.

(iv) ***Held-to-maturity***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold

to maturity. Were the company to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in other comprehensive income (OCI). Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any impairment losses.

(e) Financial liabilities

Financial liabilities are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

The company classifies certain liabilities at fair value through profit or loss, mainly to match the accounting classification of assets with similar risks. Such liabilities are accounted for at fair value with changes in fair value recognised in profit or loss.

(f) Gains and losses

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Interest income, calculated using the effective interest method, is recognised in profit or loss except for short term receivables where the recognition of interest would be immaterial. Dividends on available-for-sale equity instruments are recognised in the profit or loss when the company's right to receive payment is established.

(g) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other

premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(h) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or, realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it then includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

• **Assets carried at fair value**

At each reporting date, the company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from comprehensive income and recognised in profit or loss.

Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not subsequently reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. However, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

v. **Provisions**

A provision is recognized only if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

vi. **Deferred income – rent received in advance**

Deferred income represents income collected but not earned as at the company's year end. This is primarily composed of rent received in advance on leased properties. Deferred income is recorded for all income related to the trade of the business in the next financial year.

vii. **Borrowings – mortgage loan**

Borrowings, inclusive of transaction costs, are recognised initially at fair value. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds and the redemption value is recognised in the statement of other comprehensive income over the period of the borrowing using the effective interest rate method.

Borrowings are classified as current and non-current liabilities depending on the repayment period of the borrowing.

viii. Related party transactions

Related party transactions are disclosed separately as to the type of relationship that exists and the outstanding balances necessary to understand their effects on the financial position and the mode of settlement.

ix. 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.

x. Unit holders equities and reserves

Unit issue costs

Incremental costs directly attributable to the issue of new units are shown in equity as a deduction.

Distributions

Distributions to the Fund's unit holders are recognised in equity in the period in which they are made or, if earlier, approved by the Fund's unit holders. Distributions for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note.

xi. Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

xii. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Fund and the revenue can be reliably measured. Revenue of the Fund comprises of:

Rental income:

Rental income receivable from operating leases, less the Fund's initial direct costs of entering into the leases, is recognised on a straight-line basis over the term of the lease. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise.

Services rendered/service charge and expenses recoverable from tenants:

Revenue associated with the rendering of services is recognised with reference to the stage of completion of the transaction at the end of the accounting period. Income arising from expenses recharged to tenants is recognised in the period in which the expense can be contractually recovered.

Sale of completed property and Sale of property under development:

Income is recognised when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales will be recognised only when all the significant conditions are satisfied.

xiii. Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Fund incurs in connection with the borrowing of funds.

xiv. Expenditure recognition

Expenditures are recognised as they accrue during the course of the year. Analysis of expenses recognised in the income statement is presented as classification based on either their nature or their function within the Fund whichever provides information that is reliable and more relevant.

| | 2020 | 2019 |
|--|----------------|----------------|
| | N'000 | N'000 |
| 3. Investment income | | |
| Rental income | 469,429 | 381,393 |
| Interest from deposits | 94,902 | 160,657 |
| Sundry income (note 3.1) | <u>6,428</u> | <u>10,851</u> |
| | <u>570,759</u> | <u>552,901</u> |
| Interest from deposits reduced substantially during the year because of a slump in the money market. | | |
| 3.1 Sundry income | | |
| Legal fee | 6,428 | 7,875 |
| Scrap sales | - | 2,976 |
| | <u>6,428</u> | <u>10,851</u> |
| 4. Operating expenses | | |
| Management fee | 99,070 | 98,598 |
| Property maintenance expenses | 22,055 | 27,982 |
| Depreciation plant & machinery | 20,202 | 17,380 |
| Insurance fee | 10,550 | 10,550 |
| Custodian fees | 9,907 | 9,860 |
| Regulatory fee | 3,113 | 3,260 |
| Audit fee | 3,000 | 3,000 |
| Rating agency | 2,500 | - |
| Provision for AGM expenses | 2,500 | 2,500 |
| Trusteeship fee | 2,500 | 2,500 |
| Agency commission | 540 | 5,118 |
| Registrars fee | 331 | 540 |
| Legal charges | 1,734 | 2,921 |
| Independent Member sitting allowance | 1,080 | 1,320 |
| Bank charges | 17 | 31 |
| Valuation fees | - | 720 |
| Travel-Local | - | 527 |
| | <u>179,099</u> | <u>186,807</u> |

| | | |
|----------------------|--------------|--------------|
| | 2020 | 2019 |
| 5. Taxation | N'000 | N'000 |
| Withholding tax paid | 2,002 | 15,516 |

This amount represents amount deducted from interest received from call deposits with banks which is deemed to be the final tax paid by the Fund.

| | | |
|-------------------------------------|----------------|----------------|
| 6. Cash and cash equivalents | | |
| Cash at bank | 7,281 | 4,768 |
| Short-term deposits | 141,450 | 646,798 |
| | <u>148,731</u> | <u>651,566</u> |

The details of short term deposits are:

| | Principal Amount N'000 | Principal Amount N'000 |
|------------------------------|---------------------------------------|---------------------------------------|
| UBA Nominee | 55,307 | 27,326 |
| UBA Trustees | 65,000 | - |
| Polaris Bank Nigeria Limited | - | 560,000 |
| Wema bank | - | 22,410 |
| Sterling Bank Plc | 21,143 | 37,062 |
| | <u>141,450</u> | <u>646,798</u> |

Cash at bank earns interest at floating rates based on daily bank deposit rate. The short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rates.

| | | | |
|--|-----------------------|-------------------|--------------|
| 7. Financial assets at amortized cost | Fair Value | Discounted | Tenor |
| Investment in treasury bills | | | |
| 2019 | | | |
| Federal Government Bond | 307,646 | 334,768 | 18,250days |
| | <u>307,646</u> | <u>334,768</u> | |
| 2020 | N'000 | N'000 | |
| Medium Term Note | 40,184 | 40,000 | 2,190 days |
| Federal Government Bond | 772,917 | 615,530 | 17,520 days |
| | <u>813,101</u> | <u>655,530</u> | |

| | | |
|---|--------------|--------------|
| | 2020 | 2019 |
| 8. Other assets – prepayments | N'000 | N'000 |
| Insurance – fire and special peril policy | 6,721 | 6,721 |

Insurances prepaid and the respective amounts are on the following investment properties.

| | 2020 | 2019 |
|---|---------------|----------------|
| | N'000 | N'000 |
| Apartment in Savannah, Locke | | |
| Macdonald, Victors Court and Sinari | 4,308 | 4,354 |
| 9, Mike Akhigbe Way, Abuja | 397 | 267 |
| Plot 3, Block A4, Olusegun Aina Street, Ikoyi | 442 | 490 |
| 28A, Rumens Street, Ikoyi | 1,280 | 1,280 |
| Amina Court, Abuja | 294 | 330 |
| | <u>6,721</u> | <u>6,721</u> |
| 9. Trade and other receivables | | |
| Rent receivable (note 9.1) | 64,476 | 60,287 |
| <i>Other receivables:</i> | | |
| Interest receivable (note 9.2) | 343 | 40,182 |
| | <u>64,819</u> | <u>100,469</u> |

9.1 Rent receivable

Rent receivable on properties as at 31 December, 2020 comprises of rent due on the following properties:

| | 2020 | 2019 |
|---|---------------|---------------|
| | N'000 | N'000 |
| McDonald Court, Block 4-6 McDonald | | |
| Road Ikoyi, Lagos | 29,177 | 28,125 |
| Amina Court | 4,042 | 3,493 |
| Savannah Court | 9,199 | 9,199 |
| Victors Court | 751 | 739 |
| 9, Mike Akhigbe Way, Abuja | 8,921 | 8,785 |
| Plot 3, Block A4, Olusegun Aina Street, Ikoyi | 5,032 | 5,110 |
| 28A, Rumens Property | 3,631 | 3,631 |
| Locke apartments | 3,723 | 1,205 |
| | <u>64,476</u> | <u>60,287</u> |

9.2 Interest receivable

Interest receivable are accrued interests on deposits with Sterling Bank and Polaris Bank Plc. The deposits have maturity periods of between one day and twelve months.

10. **Property, plant and equipment**

| | Plant and Machinery N'000 | Household equipment N'000 | Total N'000 |
|-----------------------|--|--|------------------------|
| Cost | | | |
| As at 1/1/2020 | 66,530 | 18,257 | 84,787 |
| Additions | - | 1,586 | 1,586 |
| Disposal | - | - | - |
| As at 31/12/2020 | <u>66,530</u> | <u>19,843</u> | <u>86,373</u> |
| Depreciation | | | |
| As at 1/1/2020 | 30,650 | 3,919 | 34,569 |
| Charged for the year | 16,510 | 3,692 | 20,202 |
| Disposal | - | - | - |
| As at 31/12/2020 | <u>47,160</u> | <u>7,611</u> | <u>54,771</u> |
| Net book value | | | |
| 31 December, 2020 | <u>19,370</u> | <u>12,232</u> | <u>31,602</u> |
| 31 December, 2019 | <u>35,880</u> | <u>14,338</u> | <u>50,218</u> |
| | 2020 N'000 | | 2019 N'000 |

11. **Investment properties**

| | | |
|---|------------------|------------------|
| Completed investment property | | |
| At start of the period | 9,920,294 | 9,637,916 |
| Capital expenditure on property during the year | 11,765 | 282,378 |
| Disposal | - | - |
| At end of the period | <u>9,932,059</u> | <u>9,920,294</u> |

This is detailed as follows:

Movement in the year ended 31 December, 2020

| | 1/1/2020 N'000 | Net Additional/ disposal N'000 | 31/12/2020 N'000 |
|--|-------------------|---|---------------------|
| Apartment at McDonald Court | | | |
| Block 4-6 McDonald Rd, Ikoyi Lagos | 1,143,143 | - | 1,143,143 |
| 11A Sapara Williams Str. V/I Lagos | 1,733,875 | - | 1,733,875 |
| Plot 3, Block A4, Olusegun Aina Str. Ikoyi | 455,900 | - | 455,900 |
| 9, Mike Akhigbe Way, Abuja | 417,490 | 932 | 418,421 |
| 1 Sinari Daranijo Street, V/I | 2,681,622 | 10,833 | 2,692,455 |
| Victors Courts, No. 2, Palace Rd, Parkview | 308,202 | - | 308,202 |
| 28a, Rumens Street, Ikoyi | 1,703,461 | - | 1,703,461 |
| Amina Court | 310,900 | - | 310,900 |
| Locke apartments | 665,701 | - | 665,701 |
| FGN Sukuk | 300,000 | - | 300,000 |
| FGN Sukuk2 | 200,000 | - | 200,000 |
| | <u>9,920,294</u> | <u>11,765</u> | <u>9,932,059</u> |

Movement in the year ended 31 December, 2019

| | 1/1/2019 N'000 | Net Additions/ disposals N'000 | 31/12/2019 N'000 |
|--|-------------------|---|---------------------|
| Apartment at McDonald Court | | | |
| Block 4-6 McDonald Road, Ikoyi Lagos | 1,143,143 | - | 1,143,143 |
| 11A, Sapara Williams Street, V.I. | 1,733,875 | - | 1,733,875 |
| Plot 3, Block A4, Olusegun Aina Street, Ikoyi | 455,900 | - | 455,900 |
| 9 Mike Akhigbe Way, Abuja | 333,186 | 84,304 | 417,490 |
| 1 Sinari Daranijo Street, Victoria Island | 2,483,548 | 198,074 | 2,681,622 |
| Victors Courts 2, Palace Road, Parkview, Ikoyi | 308,202 | - | 308,202 |
| 28a, Rumens Street, Ikoyi | 1,703,461 | - | 1,703,461 |
| Amina Court | 310,900 | - | 310,900 |
| Locke Apartments | 665,701 | - | 665,701 |
| FGN Sukuk | 300,000 | - | 300,000 |
| FGN Sukuk | 200,000 | - | 200,000 |
| | <u>9,637,916</u> | <u>282,378</u> | <u>9,920,294</u> |

| | 2020 | 2019 |
|---|----------------|----------------|
| | N'000 | N'000 |
| 12. Rent received in advance | | |
| At 31 December | 182,506 | 227,349 |
| <i>Analysed into:</i> | | |
| Current liability | 169,556 | 210,231 |
| Non-current liability | 12,950 | 17,118 |
| | <u>182,506</u> | <u>227,349</u> |
| Movement in rent received in advance | | |
| Balance at beginning | 227,349 | 119,022 |
| Recognised as income during the year | (394,261) | (271,343) |
| Rent received during year | 349,418 | 379,670 |
| Balance at end | <u>182,506</u> | <u>227,349</u> |

31 December, 2020

| Property at | Type | Current | Non-current | Expiry |
|--------------------------|-------------|----------------|--------------------|---------------|
| | | Portion | portion | date |
| | | N'000 | N'000 | |
| Locke Apartment at Lekki | Residential | 11,969 | - | 30/11/2021 |
| Rumens Road | Residential | 22,634 | - | 15/11/2021 |
| Victors Court | Residential | 1,626 | - | 6/11/2021 |
| Amina Court at Abuja | Residential | 4,868 | - | 31/10/2021 |
| Sapara Williams | Residential | 39,169 | - | 8/12/2021 |
| Olusegun Aina | Residential | 693 | - | 31/7/2021 |
| Olive mast | Residential | 2,095 | 12,950 | 31/7/2021 |
| Mike Akhigbe | Residential | 9,234 | - | 31/12/2021 |
| Sinari Daranijo | Residential | 56,803 | - | 07/07/2021 |
| McDonald Court | Residential | 20,465 | - | 30/09/2021 |
| | | <u>169,556</u> | <u>12,950</u> | |

31 December, 2019

| Property at | Type | Current Portion N'000 | Non-current portion N'000 | Expiry date |
|--------------------------|-------------|--------------------------|------------------------------|-------------|
| Locke Apartment at Lekki | Residential | 13,251 | - | 13/11/2020 |
| Rumens Road | Residential | 30,891 | 2,068 | 31/05/2021 |
| Victors Court | Residential | 11,948 | - | 15/09/2020 |
| Amina Court at Abuja | Residential | 8,149 | - | 31/10/2020 |
| Sapara Williams | Residential | 43,362 | - | 31/07/2020 |
| Olusegun Aina | Residential | 6,351 | - | - |
| Olive mast | Residential | 2,100 | 15,050 | 06/01/2028 |
| Mike Akhigbe | Residential | 17,436 | - | 31/12/2020 |
| Sinari Daranijo | Residential | 56,659 | - | 07/07/2020 |
| McDonald Court | Residential | 20,084 | - | 30/09/0920 |
| | | <u>210,231</u> | <u>17,118</u> | |

2020
N'000

2019
N'000

13. Accruals and other payables

| | | |
|------------------------|----------------|----------------|
| Accruals (13.1) | 694,165 | 727,746 |
| Other payables (13.2.) | <u>248,991</u> | <u>270,884</u> |
| | <u>943,156</u> | <u>998,630</u> |

13.1 Accruals

| | | |
|--|----------------|----------------|
| Unearned income from share swap (13.1.1) | 625,391 | 625,391 |
| Accrued income | 64,476 | 60,287 |
| Accrued AGM expenses | 998 | 2,588 |
| Interest received in advance | 299 | 36,479 |
| Audit and other professional fees | <u>3,001</u> | <u>3,001</u> |
| | <u>694,165</u> | <u>727,746</u> |

13.1.1 This represent the excess of the amount earned on the swap transaction over the cost during the year. As at the time of this report, the shares involved in the swap deal had not been re-purchased.

| | 2020 N'000 | 2019 N'000 |
|----------------------------|----------------|----------------|
| 13.2 Other payables | | |
| Sundry customers | 8,774 | 9,773 |
| Management fees | 99,070 | 98,598 |
| Trusteeship fee | 2,500 | 2,500 |
| Rating agency fee | 5,000 | 2,500 |
| Withholding tax | 16,821 | 42,644 |
| Caution deposit | 14,598 | 12,688 |
| Unclaimed dividend payable | 92,241 | 92,241 |
| Other payable | 80 | 80 |
| Custodian fees | <u>9,907</u> | <u>9,860</u> |
| | <u>248,991</u> | <u>270,884</u> |

Trusteeship and rating agency fees computed at rates specified in accordance with the Trust Deed provisions were made in these financial statements as follows:

| | |
|-------------------|----------------------|
| Management fee | 1% of net assets |
| Trustee fee | N2,500,000 minimum |
| Rating agency fee | N2,500,0000 |
| Registrars fee | on transaction basis |
| Guarantors fee | 0.5% of net assets |
| Custodian fees | 0.10% of net assets |

| | N'000 | N'000 |
|--|----------|----------|
| 14. Property maintenance costs | | |
| a) <i>Expenses</i> | | |
| At beginning | - | - |
| Incurred during the year/write back | - | - |
| Charge to income statement- Admin expenses | <u>-</u> | <u>-</u> |
| b) <i>Provision</i> | | |
| Provision for the year (note 14.1) | <u>-</u> | <u>-</u> |
| At the end | <u>-</u> | <u>-</u> |

| | 2020 N'000 | 2019 N'000 |
|---|-----------------------------|-----------------------------|
| 15. Unit holders equity | | |
| <i>Units offered for subscription:</i> | | |
| 970,873,787 units at ₦51.50 each | 50,000,000 | 50,000,000 |
| | <u> </u> | <u> </u> |
| <i>Units issued and fully paid up</i> | | |
| 188,127,066 units at ₦50 each (nominal value) | 9,406,353 | 9,406,353 |
| | <u> </u> | <u> </u> |

On 19 August, 2008, the Fund offered 970,873,787 units of ₦50.00 each for subscription. Out of this offer, applications were received for 250,019,781 units. The Fund subsequently issued 250,019,781 units of ₦50 each at ₦51.50 each as these were fully subscribed for and paid for by their subscribers. The share premium on the units sold were used to offset the initial public offer expenses.

In 2018, 61,892,715 units of shares of the fund were swapped for Legacy Properties owned by Union Homes Savings and Loan Plc at ₦49.91 per share. These properties are located at Ikorodu Road, Awolowo Road Ikoyi, Opebi Road Ikeja and Ogaaro Crescent Garki, Abuja at a value of ₦3,044,635,750 at the time of the transaction.

The properties were valued on 27/10/2016 at ₦1,312,500,000 by Ubosi Eleh & Co (Estate Surveyors & Valuers) with FRC Reg. No. FRC/2015/NIESV/00000013406. Jide Taiwo & Co (Estate Surveyors & Valuers) also valued the properties on 5 December, 2016 at ₦1,619,069,000. The Net book value as at the time of sale was ₦2,469,000,000. As at the date of this report, the shares have not been taken up.

| | 12 Months Ended 31 Dec. 2020 N | 12 Months ended 31 Dec.2019 N |
|--|---|--|
| 16. Retained earnings | | |
| At the beginning | 404,582 | 383,226 |
| Dividend paid | (329,222) | (329,222) |
| Transfer from income statement | <u>389,658</u> | <u>350,578</u> |
| | <u>465,018</u> | <u>404,582</u> |
| 17. Cashflow reconciliation | | |
| i) Operating profit before working capital changes | | |
| Net income before tax | 391,660 | 366,094 |
| Depreciation | <u>20,202</u> | <u>17,380</u> |
| | <u>411,862</u> | <u>383,474</u> |

| | 12 Months Ended 31 Dec. 2020 N | 12 Months ended 31 Dec.2019 N |
|--|---|--|
| ii) Working capital changes | | |
| Net decrease/(increase) in receivables and other assets | 35,650 | 139,025 |
| Net (decrease)/increase in other liabilities and provisions | (40,675) | 97,709 |
| Net (decrease)/increase in accruals and other payables | (55,474) | (61,473) |
| Net (decrease)/increase in rent received in advance (non-current) | <u>(4,168)</u> | <u>10,619</u> |
| <i>Net cash flow from operating activities</i> | <u>(64,667)</u> | <u>185,880</u> |

18. Related party transactions

During 2020 financial year, there was no related party transaction recorded in the company.

ii) **Management fee**

Management fee payable for the year ended 31 December, 2020 in respect of this service is calculated at 1% of the net asset value of the Fund. This has been calculated to be N99,069,907 which represents 17.36% per annum of the gross income for the year.

19. Going concern

The financial statements are prepared on the basis of accounting policies applicable to going concern.

20. Contingent Liabilities

The fund manager is of the opinion that there are no known contingent liabilities as at the end of the period.

21. Approval of Financial Statements

These financial statements were approved by the Investment Committee of the company on 19 March, 2021.

**STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER, 2020**

| | 2020 N'000 | % | 2019 N'000 | % |
|---|-----------------|------------|-----------------|------------|
| Gross earnings | 570,759 | | 537,385 | |
| <i>Deduct:</i> | | | | |
| Administrative overheads and payments for other services in Nigeria | <u>(59,827)</u> | | <u>(55,313)</u> | |
| Value added | <u>510,932</u> | <u>100</u> | <u>482,072</u> | <u>100</u> |
| Applied as follows: | | | | |
| Fund manager's remuneration | 99,070 | 19 | 98,598 | 20 |
| Government as taxes | 2,002 | 1 | 15,516 | 3 |
| Retained earnings for future | | | | |
| Expansion, distribution and maintenance of assets | | | | |
| Depreciation | 20,202 | 4 | 17,380 | 4 |
| Net income after taxation | <u>389,658</u> | <u>76</u> | <u>350,578</u> | <u>73</u> |
| Value added | <u>510,932</u> | <u>100</u> | <u>482,072</u> | <u>100</u> |

FINANCIAL SUMMARY

| | 2020 N'000 | 2019 N'000 | 2018 N'000 | 2017 N'000 | 2016 N'000 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash and cash equivalents | 148,731 | 651,566 | 80,446 | 417,392 | 269,809 |
| Other assets | 6,721 | 6,721 | 6,721 | 6,893 | 8,103 |
| Trade and other receivables | 64,819 | 100,469 | 239,494 | 318,286 | 344,568 |
| Investment properties | 9,932,059 | 9,920,294 | 9,637,916 | 11,608,813 | 11,157,027 |
| Property, plant & equipment | 31,602 | 50,218 | 33,173 | 41,233 | 50,554 |
| Financial assets held to maturity | <u>813,101</u> | <u>307,646</u> | <u>970,954</u> | <u>914,676</u> | <u>1,159,020</u> |
| | <u>10,997,033</u> | <u>11,036,914</u> | <u>10,968,704</u> | <u>13,307,293</u> | <u>12,989,081</u> |
| Liabilities | | | | | |
| Rent received in advance | 182,506 | 17,118 | 119,022 | 111,178 | 91,640 |
| Accruals and other payables | 943,156 | 1,208,861 | 1,060,103 | 468,022 | 459,357 |
| Provisions | - | - | - | 20,013 | 24,710 |
| | <u>1,125,662</u> | <u>1,225,979</u> | <u>1,179,125</u> | <u>599,213</u> | <u>575,707</u> |
| Equity | | | | | |
| Unit holders equity | 9,406,353 | 9,406,353 | 9,406,353 | 12,500,989 | 12,500,989 |
| Retained earnings | <u>465,018</u> | <u>404,582</u> | <u>383,226</u> | <u>207,091</u> | <u>(87,615)</u> |
| | <u>9,871,371</u> | <u>9,810,935</u> | <u>9,789,579</u> | <u>12,708,080</u> | <u>12,413,374</u> |
| | <u>10,997,033</u> | <u>11,036,914</u> | <u>10,968,704</u> | <u>13,307,293</u> | <u>12,989,081</u> |
| Profit and loss | | | | | |
| Investment income | <u>570,759</u> | <u>552,901</u> | <u>541,096</u> | <u>530,622</u> | <u>617,752</u> |
| Profit/loss before taxation | 391,660 | 366,094 | 363,650 | 324,998 | 394,998 |
| Taxation | <u>(2,002)</u> | <u>(15,516)</u> | - | <u>(30,292)</u> | <u>(23,940)</u> |
| Profit after taxation | <u>389,658</u> | <u>350,578</u> | <u>363,650</u> | <u>294,706</u> | <u>371,058</u> |
| Per share information | | | | | |
| Basic earnings per share (N) | 2.07 | 1.86 | 1.93 | 1.18 | 1.48 |
| Net assets per share (N) | <u>52.47</u> | <u>52.15</u> | <u>52.03</u> | <u>50.83</u> | <u>49.65</u> |

In 2018, 61,892,715 units of shares of the fund were swapped for Legacy Properties owned by Union Homes Savings and Loan Plc at N49.91 per share. These properties are located at Ikorodu Road, Awolowo Road Ikoyi, Opebi Road Ikeja and Ogaaro Crescent Garki, Abuja at a value of N3,044,635,750 at the time of the transaction.

As at the date of this report the shares have not been taken up.