



UH REAL ESTATE INVESTMENT TRUST



Annual Reports & Accounts 2022

Fund Manager:

SFS
Capital

UH REAL ESTATE INVESTMENT TRUST
(formerly)
UNION HOMES REAL ESTATE INVESTMENT TRUST

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2022

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UNION HOMES REAL ESTATE INVESTMENT TRUST

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FOR THE YEAR ENDED 31 DECEMBER, 2022

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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.

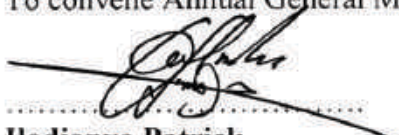
Auditors: Bakertilly,
(Chartered Accountants),
Kresta Laurel Complex (4th Floor),
376, Ikorodu Road,
Maryland,
Lagos.


Bankers: United Bank for Africa Plc
Polaris Bank Nigeria Limited

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.

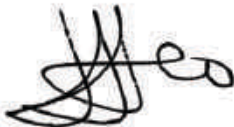

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Hodianya Patrick
Director
FRC/2013/ICAN/00000002177


.....
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).



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LEO OKAFOR, FCIS
Group Company Secretary
FRC/2013/NBA/00000002520

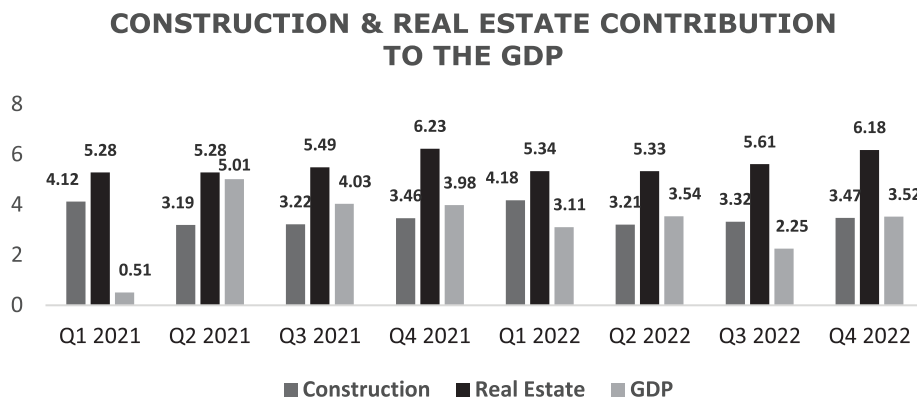
**REPORT OF FUND MANAGER
FOR THE YEAR ENDED 31 DECEMBER, 2022**

ECONOMIC REVIEW 2022

Economic growth on the domestic landscape remained positive in 2022, posting +3.52% (year-on-year) in real terms in Q4 2022; as the economy continues to show resilience in the post-pandemic era.

Comparison to the same period in 2021 (Q4 2021: +3.98%) and Q3 2022 (+2.25%) further underscores sustained economic growth and recovery. Notable drivers of growth in Q4 2022 include the Agriculture, Trade and the Information and Communication sectors. The construction and real estate sectors similarly aided growth in 2021 and 2022, averaging contributions of 3.52% and 5.59% respectively.

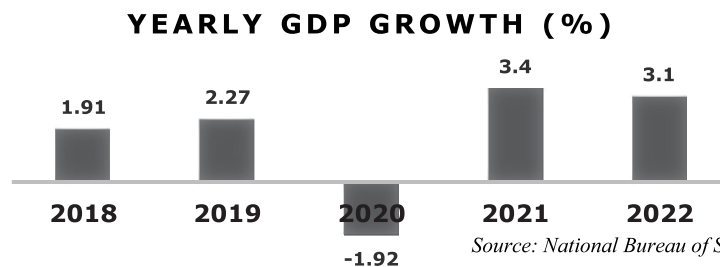
QUARTERLY GDP GROWTH (Q1 2021 – Q4 2022)



Source: National Bureau of Statistics (NBS)

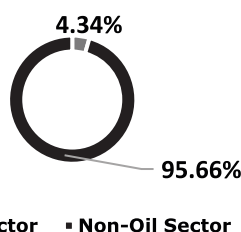
In recent quarters, Construction and Real Estate activities have exhibited stability and continuously contributed to the GDP driven in part by rising general demand; despite rising costs and FX volatility issues.

ANNUAL GDP GROWTH (2018 – 2022)

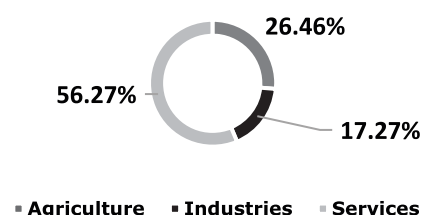


Source: National Bureau of Statistics

CONTRIBUTION OF OIL AND NON-OIL SECTORS



CONTRIBUTION TO REAL GDP Q4 2022



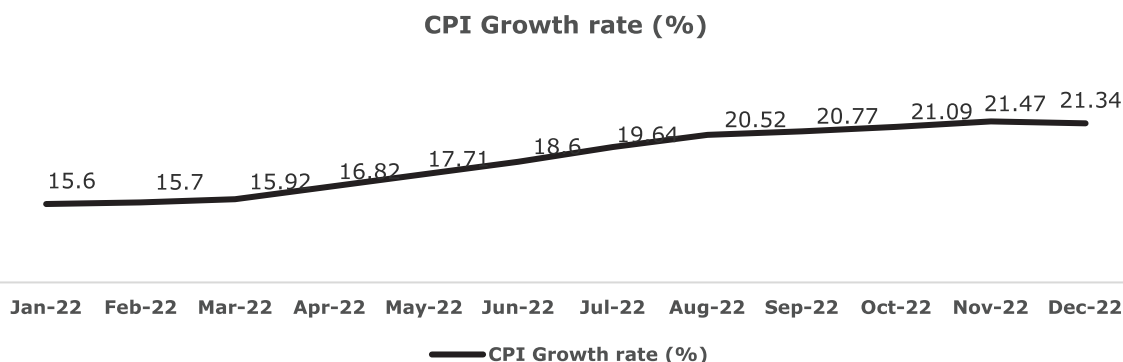
NON-OIL SECTOR

The Non-Oil sector contributed 95.66% to Nigeria’s GDP in Q4 2022, more impressive than 94.43% recorded in Q3 2022. The sector expanded in Q4 2022, mainly driven by Agriculture, Trade, Information and Communication. Other drivers to the contribution were Real Estate, Mining and Quarrying among others.

OIL SECTOR

The Oil sector contributed 4.34% to the GDP in Q4 2022 but contracted by -13.38% year-on-year in Q4 2022; a reduction of 5.33% compared to Q4 2021. However, growth improved by 9.29% compared to Q3 2022 (-22.67%). Data from the National Bureau of Statistics (NBS) revealed that Nigeria’s oil production in Q4 2022 stood at 1.34 million barrels per day (mbpd) compared to 1.50mbpd in Q4 2021.

INFLATION RATE % (JANUARY 2022 – DECEMBER 2022)



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

Inflation has sustained its upward pressure in 2022, though the Consumer Price Index (CPI) growth rate began to taper down towards the end of Q3 and this carried on into Q4, with a slower rate of 21.34% ultimately recorded in December 2022. Food inflation remained a key driver of inflation in 2022. However, the effects of the Russia-Ukraine war, costly imports due to unfavorable exchange rates and weak FX policies, and fuel scarcity in relation to transportation and production costs continued to impact inflation adversely over the year.

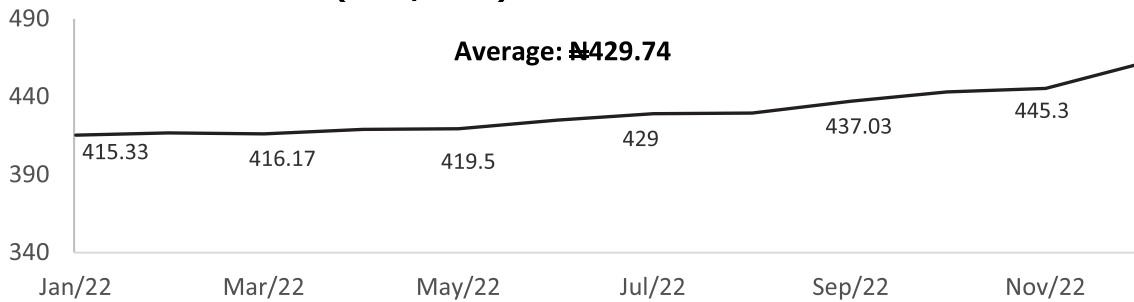
I&E FX WINDOW

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.

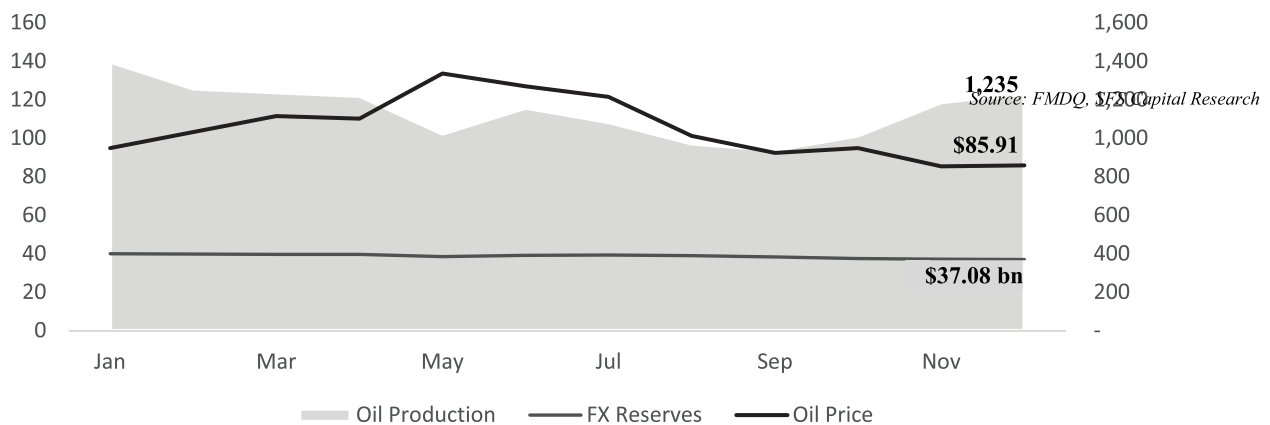
As at 31st January 2022, the naira had strengthened against the dollar as it exchanged ₦415.33 for 1\$ (Q4 2021: ₦435.00/\$). However, FX scarcity and the wane of the naira’s value persisted, with the exchange rate closing the quarter at ₦416.17/\$. These carried on into the year and by the half year mark, the exchange rate logged ₦424.88/\$.

With the International Monetary Fund (IMF) and the World Bank continuously calling for a devaluation of the Naira, the naira’s price discovery journey continued. As at September ending, the exchange rate had deteriorated to ₦437.03/\$. In Q4 2022, the CBN launched its currency redesign in a bid to mop up excess money in circulation and discourage illegal use of the currency. The ₦1,000, ₦500 and ₦200 currency notes were changed, and economic units advised to exchange all old notes with the commercial banks. However, despite the Monetary Policy Committee’s efforts to shore up the value of the currency, the year ended with the naira exchanging for the dollar at a rate of ₦461.50/\$ on the I&E Window compared to ₦435.00/\$ as at end of Q4 2021, a 6.09% deterioration.

I&E FX WINDOW RATES (USD/NGN)



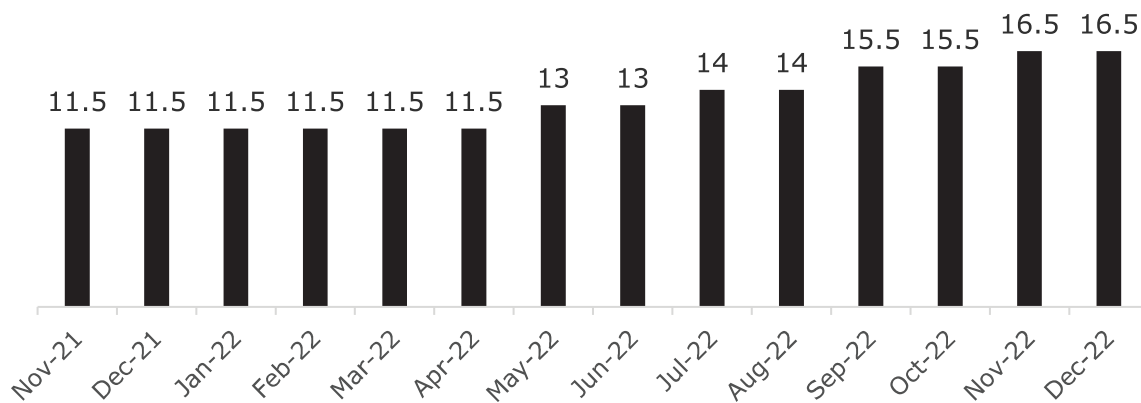
NIGERIA'S FX RESERVES, BRENT PRICE & NIGERIA'S FX RESERVES (January 2022 – December 2022)



Source: Central Bank of Nigeria, OPEC, SFS Capital Research
Oil Production – in thousands of barrels per day
FX Reserves – US\$ Billion (bn)
Oil Price – Brent Crude US\$ per barrel

The protracted Russia-Ukraine geopolitical crises and the failure of oil producing nations to meet their production quotas adversely impacted oil production in 2022, propelling prices upwards. The effects of these were mitigated by extended lockdowns in China, which reduced demand and thus exerted some downward pressure on price. This was evident in the price of Brent crude oil- a global benchmark, which ended 2021 at \$77.78 per barrel (pb) and accelerated to a peak of \$127.98pb in March 2022. However, the market subsequently cycled downwards to record a low of \$76.15pb for the year, but modest recovery in December ensured price ended 2022 at \$85.91pb. In similar fashion, the price of Bonny Light spiked above \$130pb in March 2022 but dipped afterwards and improved in December to close 2022 at \$81.94pb. However, the effects of higher oil prices remain unseen in the country's accounts as FX reserves which opened 2022 at US\$40.52bn had further contracted to US\$37.08bn in December with dollar remittances from oil contracting. This is further exacerbated by the nation's excessive dependence on imported goods (including refined oil).

MONETARY POLICY RATE % (January 2022 – December 2022)



The MPR has been adjusted upwards to 17.5% in January 2023

The Monetary Policy Rate is the rate at which the CBN lends to other banks. The rate has trended upwards in Q2 2022. The CBN has been hawkish in its monetary policy, raising the MPR under a Contractionary Monetary Policy. However, the following monetary policy tools have remained fixed for several months:

1. The Asymmetric Corridor has remained within +100/-700bps.
2. The Cash Reserve Ratio has remained at 32.5%.
3. The liquidity Ratio has remained at 30%.

2022 REAL ESTATE MARKET REVIEW AND 2023 OUTLOOK

Lagos state possesses a land mass of circa. 3,577 km² with a population of 24.6 million as at 2015, growing at an average rate of about 1,500 people per day. Population explosion, driven largely by migration, is unmatched by fixed land availability and low income levels, resulting in a housing deficit of approximately 5 million units- 18% of the 28 million units housing deficit attributed to the country and requiring investments of about N21 trillion. 22.5% of all Real Estate activity in Nigeria is currently attributable to Lagos State. 80% of the city’s residents currently occupy rented apartments. Housing demand is growing at an estimated 20% annually; attributed to an annual population growth rate of 3.2%. This has impacted vacancy rates in high-brow residential areas of Lagos like Oniru, Ikeja GRA and Surulere, logging 2.62%, 0.52% and 0.93% respectively as at Year end 2022.

Residential developers continued to tilt towards constructing gated communities in 2022, with prices in same rising about 25 to 30% year on year, while the short stay space also continued to flourish. Particularly, smart buildings are becoming increasingly popular with the number of buildings running on green technology expected to increase to 115m by 2026 (currently about 45m) and the vast majority expected to be nonresidential structures. The commercial and industrial real estate spaces have gained notable traction with residential structures being converted to offices, while demand for structures for various commercial purposes like warehousing, medical care and storages of various forms among others is on the persistent rise. In similar fashion, hospitality was upbeat, with international tourist activity increasing by 18m persons in January 2022 alone, year on year. Tourism traffic has positively impacted hotel room occupancy rates and revenue from COVID-19 tests; with mobile payment platforms also seeing higher activity levels.

Real Estate companies actively engaged the capital market in 2022, with Mixta Africa and Shelter Afrique being some of the market players. The government has also been actively involved, with the Lagos State Real Estate Regulatory Authority (LASRERA) bill being passed into law in Q1 2022. The law further deepens the real estate sector by protecting individuals from fraudulent transactions and market players with malicious intentions.

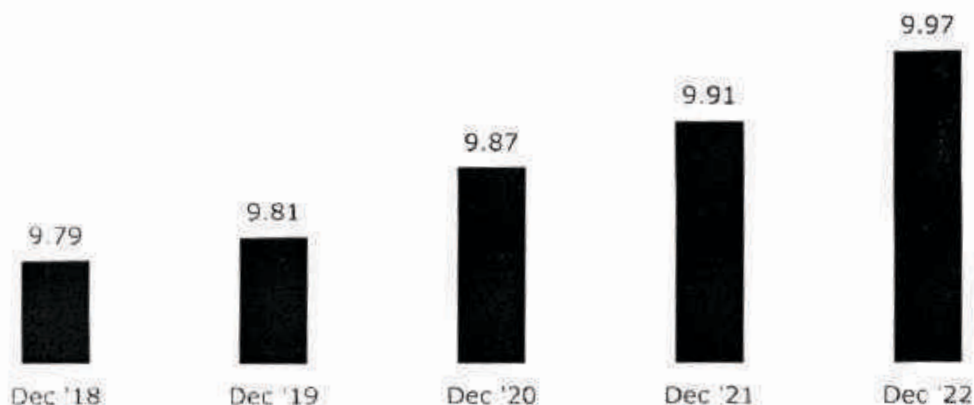
From a performance node, the real estate sector expanded by 2.78% in the fourth quarter of 2022; surpassing the growth in q4 2021 by 1.31% but falling short of Q3 2022 by 1.78%. Real Estate growth for the entire year logged 3.95%, while the sector contributed 6.18% to real GDP in Q4 2022 (Q4 2021: 6.23%). Headwinds within the sector include poor critical infrastructure, lack of secure access to land, problematic ownership under the Land Use Act, pricey construction costs and restricted access to finance among others.

Given the 2023 elections, additional investment is expected in the real estate sector as risk averse investors potentially boycott the volatile financial market for safer investment havens. Thus, growth in the real estate sector is expected at higher levels, as invested funds could remain locked in due to illiquid nature of the sector. Increased investments are expected from both the private and public sectors which would help to meet the infrastructure and housing deficits to an extent. The rapidly growing population should drive demand for bigger and secured homes in the residential space, though market and wallet share would also be competed for by office space use and mixed use developments.


FUND PERFORMANCE

The UH Real Estate Investment Trust (UHREIT) continues to grow and deliver value to its investors, and 2022 was no different. The Net Asset Value (“NAV”) of the fund grew by 0.61% in 2022, to close the year at ₦9.97 billion. The Fund continues to accrue competitive returns for its investors, as the yield as at the end of Q4 2022 was 5.74%.


UH REIT NAV (N'BN)



The fund has a Earnings per share (EPS) of N2.29, proposed dividend per share of N2.10 and a market price per share of N36.60. In 2022, a notable increase in fixed deposit investments spiked current assets, contributing to a 1.28% jump in total assets to N11.51bn. Thus, interest from deposits skyrocketed notably by 35.75%, to accelerate Investment Income to N659.91bn (+14.55%). However, Operating expenses also rose significantly by 23.53% to N220.16 billion due to property maintenance and SEC supervisory fees but Net profit margin remained strong at 65.29%.


Ilodiana Patrick
Director

FRC/2013/ICAN/00000002177


Gbenro Yemi
Director

FRC/2014/CIB/00000002190

REPORT OF THE TRUSTEE
FOR THE YEAR ENDED 31 DECEMBER, 2022

The Trustee hereby presents their Report on the affairs of UH Real Estate Investment Trust (The Fund) together with the Auditor's Report and Financial Statements for the year ended 31st December 2022.

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 UH Real Estate Investment Trust:

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

	2022	2021
	₦'000	₦'000
Net Asset Value	9,973,564	9,902,038

The Net Asset Value increased from ₦9,902,038 as at 31 December, 2021 to ₦9,973,564 as at 31 December 2022.

Operating Results:

	2022	2021
	₦'000	₦'000
Net Income before Tax	439,747	397,855
Taxation	<u>(8,898)</u>	<u>(4,772)</u>
Net income after Tax	<u>430,849</u>	<u>393,083</u>

ADMINISTRATION OF THE SCHEME

Income Generation:

During the period under review, Net Income before tax generated by the Fund increased by 10.53% when compared to 2021. The Fund Manager was able to maximize returns to the Unitholders by an increase in its earnings per share from ₦2.09 in 2021 to ₦2.29 in 2022 which represents about 9.57% increase.

Rating and Valuation:

The Fund Manager is required to carry out a 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 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, 2022 was 89.72% in Real Estate Related Investments, while 10.28% was invested in Liquid Assets. The total Investments in Real Estate Related Investments were 89.72% which was slightly lesser than the 90% requirement by the REIT's Trust Deed. Also, the Liquid Asset investments were 10.28% which was slightly higher than the 10% 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.

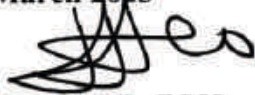
Parties to the Fund:

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

14th March 2023



LEO OKAFOR, FCIS
Group Company Secretary
FRC/2013/NBA/00000002520

**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/IC AN/00000002177



Gbenro Yemi
Director
FRC/2014/CIB/00000002190



4th Floor- Kresta Laurel Complex,
376, Ikorodu Road,
Maryland,
Lagos.
Tel: +234 (0) 703-505-1283 and 08023106422
E-mail: btnlag@bakertillynigeria.com
Website: www.bakertilly.ng

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF
UH REAL ESTATE INVESTMENT TRUST**

Report on the Audit of the Financial Statements

Opinion

To the directors of UH Real Estates Investment Trust (REIT) We have audited the financial statements of UH Real Estates Investment Trust (REIT) (the company) set out on Pages 15 to 40 which comprise the statement of financial position as at 31 December, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of UH Real Estates Investment Trust (REIT) as at 31 December, 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, 2020.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

ADVISORY · ASSURANCE · TAX

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled UH Real Estates Investment Trust (REIT) financial statements for the year ended 31 December 2022, which includes the Directors' Report as required by the Companies and Allied Matters Act 2020 and the Detailed Income Statement, which we obtained prior to the date of this report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act 2020, and for such internal control as the directors determine is 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgement 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.

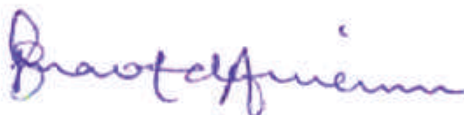
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report 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) in our opinion, proper books of account have been kept by the Company; and
- iii) the Company's statements of financial position and profit or loss and other comprehensive income are in agreement with the books of account.




.....
Mark E. Ariemuduigho
FRC/2013/ICAN/0000002724
 on behalf of
Bakertilly Nigeria
(Chartered Accountants)

Lagos, Nigeria
17 March, 2023


**STATEMENT OF COMPREHENSIVE INCOME (TOTAL RETURN)
FOR THE YEAR ENDED 31 DECEMBER, 2022**

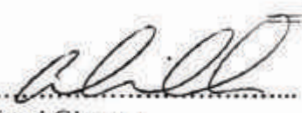
	Note	2022 ₦'000	2021 ₦'000
Investment income	3	659,909	576,083
<i>Deduct:</i>			
Operating expenses	4	<u>(220,162)</u>	<u>(178,228)</u>
Net income before taxation		439,747	397,855
Taxation	5	<u>(8,898)</u>	<u>(4,772)</u>
Net income after taxation	16	430,849 =====	393,083 =====
Net increase in unit holder's fund from investment activities		430,849 =====	393,083 =====
Earnings per unit basic(₦)		2.29 =====	2.09 =====

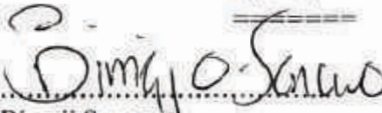
The notes on pages 20 to 40 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2022

Assets:	Note	2022 N'000	2021 N'000
Current Assets			
Cash and cash equivalents	6	535,940	738,356
Financial assets at amortized cost	7	978,535	534,827
Other assets	8	5,289	6,177
Trade and other receivables	9	106,122	99,110
Property & equipment	10	57,056	47,050
Total current assets		1,682,942	1,425,520
Non-Current Assets			
Investment properties	11	9,820,059	9,932,059
Total assets		11,503,001	11,357,579
Liabilities:			
Current Liabilities			
Rent received in advance	12	126,109	195,689
Accruals and other payables	13	1,378,537	1,248,953
Total current liabilities		1,504,646	1,444,642
Non-Current Liabilities			
Rent received in advance	12	24,791	10,899
Total liabilities		(1,529,437)	(1,455,541)
Net assets		9,973,564	9,902,038
Equity and Reserves			
Unit holders Equity	14	9,406,353	9,406,353
Retained earnings	15	567,211	495,685
Unit holders' Fund		9,973,564	9,902,038


Patrick Irodianya
Managing Director
FRC/2013/ICAN/00000002177


Yemi Gbenro
Director
FRC/2014/CIB/00000002190


Dimeji Sonowo
Executive Director
FRC/2013/ICAN/00000002089

The notes on pages 20 to 40 form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
(MOVEMENTS IN UNIT HOLDERS' FUND)
FOR THE YEAR ENDED 31 DECEMBER, 2022**

	Unit Equity ₹'000	General reserve ₹'000	Total ₹'000
1 January, 2022	9,406,353	500,314	9,906,667
Amount (restated)	<u>-</u>	<u>(4,629)</u>	<u>(4,629)</u>
1 January, 2022	9,406,353	495,685	9,902,038
Dividend	-	(359,323)	(359,323)
Transfer from income statement	-	430,849	430,849
31 December, 2022	<u>9,406,353</u>	<u>567,211</u>	<u>9,973,564</u>
1 January, 2021	9,406,353	452,518	9,858,871
Dividend	-	(349,916)	(349,916)
Transfer from income statement	<u>-</u>	<u>397,712</u>	<u>397,712</u>
31 December, 2021	<u>9,406,353</u>	<u>500,314</u>	<u>9,906,667</u>

The notes on pages 20 to 40 form an integral part of these financial statements

PORTFOLIO STATEMENT
FOR THE YEAR ENDED 31 DECEMBER, 2022

	2022 Market value ₹'000	Percentage of portfolio %	2021 Market ₹'000	Percentage of net assets %
Real estate	9,320,059	85.15	9,432,059	86.35
Real estate related	<u>500,000</u>	<u>4.57</u>	<u>500,000</u>	<u>4.58</u>
	9,820,059	89.72	9,932,059	90.93

Money market investments				
Cash and cash equivalent	535,940		738,356	
Financial assets held to maturity	<u>978,535</u>		<u>539,456</u>	
	1,514,475		1,277,812	
Unclaimed dividend	(388,459)		(286,482)	
	<u>1,126,016</u>	10.28	<u>991,330</u>	9.07
	<u>10,946,075</u>	100	<u>10,923,389</u>	100

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, 2022, the Fund's investment in Real Estates and real estate related was about 90% of the Fund's total assets.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 ₹'000	2021 ₹'000
Operating profit before working capital changes	16.1	459,494	412,143
Working capital changes	16.ii	67,773	283,632
Income tax paid		<u>(8,898)</u>	<u>(4,772)</u>
Net cash flow from operating activities		518,369	691,003
Cash flow from investing activities:			
Disposal development of investment in properties		112,000	-
Purchases of PPE		(29,754)	(29,736)
Investment in money market		<u>(443,708)</u>	<u>278,274</u>
Net cash flow from investing activities		(361,462)	248,538
Financing activities			
Dividend paid		<u>(359,323)</u>	<u>(349,916)</u>
		(359,323)	(349,916)
Net increase/(decrease) in cash and cash equivalent		(202,416)	589,625
Cash and equivalents brought forward		738,356	148,731
Cash and cash equivalent at the end of the year	6	<u>535,940</u>	<u>738,356</u>

The notes on pages 20 to 40 form an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2022**

1.0 General information

Reporting entity

UH Real Estate investment Trust ‘UHREITS’ (formerly *Union Homes Real Estate Investment Trust*) 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 UH 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 2022. 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.

Effective date 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 or for disposal.

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 is met.

Subsequent to initial recognition, investment properties are stated at cost less impairment losses. The investment properties are valued periodically and the amount on valuation stated as a way of note in the financial statements. Gains or losses arising from changes in the value are not recognized in the books until such investment properties are disposed of.

Investment property is de-recognized 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 recognized 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.

Increase from money market investments

The Fund receives interest on money market instruments and this is recognized in the accounts when the amount is paid to the fund bank accounts. The Fund main investments in treasury bills and banks fixed deposit.

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.

	2022	2021
	₹'000	₹'000
3. Investment income		
Rental income	488,988	477,467
Interest from deposits	127,353	93,814
Profit on disposal of property	40,000	-
Sundry income (note 3.1)	<u>3,568</u>	<u>4,802</u>
	<u>659,909</u>	<u>576,083</u>
	=====	=====
3.1 Sundry income		
Legal fee	2,513	-
Scrap sales	<u>1,055</u>	<u>4,802</u>
	<u>3,568</u>	<u>4,802</u>
	=====	=====
4. Operating expenses		
Management fee	99,466	99,128
Property maintenance expenses	41,309	26,053
Depreciation plant & machinery	19,747	14,288
Insurance fee	10,382	10,250
Custodian fees	9,947	9,913
Regulatory fee	2,750	3,035
Audit fee	3,000	3,000
Rating agency	2,500	2,500
Provision for AGM expenses	2,500	2,500
Trusteeship fee	2,500	2,500
Valuation expenses	774	-
Registrars fee	351	344
Legal charges	3,967	2,022
Independent Member sitting allowance	1,200	1,200
Bank charges	26	20
SEC Supervisory fee	19,743	1,075
Travel-Local	<u>-</u>	<u>401</u>
	<u>220,162</u>	<u>178,228</u>
	=====	=====

5. Taxation	2022 ₦'000	2021 ₦'000
Withholding tax paid	8,898	4,772
	<u>=====</u>	<u>=====</u>

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	1,283	4,417
Short-term deposits	534,657	733,939
	535,940	738,356
	<u>=====</u>	<u>=====</u>

The details of short term deposits are:

	Principal Amount ₦'000	Principal Amount ₦'000
UBA Nominee	12,520	30,944
Polaris Bank Nigeria Limited	522,137	702,995
	534,657	733,939
	<u>=====</u>	<u>=====</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			
Investment in treasury bills	Fair	Discounted	Tenor
2022	Value		
Medium Term Note	30,302	30,071	1,825 days
Commercial paper	85,630	83,038	180 days
Fixed deposit	466,530	466,530	180 days
Federal Government Bond	396,073	396,073	9,855 days
	<u>978,535</u>	<u>975,712</u>	
	<u>=====</u>	<u>=====</u>	
2021			
Medium Term Note	40,340	40,000	1,825days
Fixed deposit	96,860	96,860	180days
Federal Government Bond	402,256	400,000	10,220days
	<u>539,456</u>	<u>536,860</u>	
	<u>=====</u>	<u>=====</u>	

8. Other assets – prepayments	2022 ₦'000	2021 ₦'000
Insurance – fire and special peril policy	5,289	6,177
	<u>=====</u>	<u>=====</u>

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

	2022	2021
	₦'000	₦'000
Apartment in Savannah, Locke Macdonald, Victors Court and Sinari	3,894	3,877
Apartments in Olusegun Aina Amina and Mike Akhigbe	1,020	1,020
28A, Rumens Street, Ikoyi	375	1,280
Amina Court, Abuja	<u>-</u>	<u>294</u>
	<u>5,289</u>	<u>6,177</u>
	=====	=====
9. Trade and other receivables		
Rent receivable (note 9.1)	64,212	64,067
Other receivables:		
Interest receivable (note 9.2)	<u>41,910</u>	<u>35,043</u>
	<u>106,122</u>	<u>99,110</u>
	=====	=====

9.1 Rent receivable

Rent receivable on properties as at 31 December, 2022 comprises of rent due on the following properties:

	2022	2021
	₦'000	₦'000
McDonald Court, Block 4-6 McDonald Road Ikoyi, Lagos	28,211	27,702
Amina Court	7,434	5,580
Savannah Court	9,784	9,199
9, Mike Akhigbe Way, Abuja	9,403	9,403
Plot 3, Block A4, Olusegun Aina Street, Ikoyi	5,032	7,337
28A, Rumens Property	3,795	3,795
Locke apartments	<u>553</u>	<u>1,051</u>
	<u>64,212</u>	<u>64,067</u>
	=====	=====

9.2 Interest receivable

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

10. **Property, plant and equipment**

	Improvement to building N'000	Plant and Machinery N'000	Household equipment N'000	Total N'000
Cost				
As at 1/1/2022	-	95,212	20,897	116,109
Additions	2,224	9,345	18,185	29,754
Disposal/reclassification	<u>20,014</u>	<u>(20,014)</u>	-	-
As at 31/12/2022	22,238	84,543	39,082	145,863
	=====	=====	=====	=====
Depreciation				
As at 1/1/2022	-	57,373	11,686	69,059
Charged for the year	2,780	11,177	5,791	19,748
Disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31/12/2022	2,780	68,550	17,477	88,807
	=====	=====	=====	=====
Net book value				
31 December, 2022	19,458	15,993	21,605	57,056
	=====	=====	=====	=====
31 December, 2021	-	37,839	9,211	47,050
	=====	=====	=====	=====
		2022 N'000		2021 N'000

11. **Investment properties**

Completed investment property			
At start of the period	9,932,059		9,932,059
Capital expenditure on property during the year	-		-
Disposal	<u>(112,000)</u>		<u>-</u>
At end of the period	9,820,059		9,932,059
	=====		=====

This is detailed as follows:

Movement in the year ended 31 December, 2021

	1/1/2020	Net Additions/ disposals	31/12/2020
	N'000	N'000	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	418,421	-	418,421
1 Sinari Daranijo Street, Victoria Island	2,692,455	-	2,692,455
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>9,932,059</u>	<u>-</u>	<u>9,932,059</u>

Movement in the year ended 31 December, 2022

	1/1/2022	Net Additional/ disposal	31/12/2022
	N'000	N'000	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	418,421	-	418,421
1 Sinari Daranijo Street, V/I	2,692,455	-	2,692,455
Victors Courts, No. 2, Palace Rd, Parkview	308,202	(112,000)	196,202
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>9,932,059</u>	<u>(112,000)</u>	<u>9,820,059</u>

	2022 ₦'000	2022 ₦'000
12. Rent received in advance		
At 31 December	150,900	206,588
	=====	=====
<i>Analysed into:</i>		
Current liability	126,109	195,689
Non-current liability	<u>24,791</u>	<u>10,899</u>
	150,900	206,588
	=====	=====
Movement in rent received in advance		
Balance at beginning	206,588	195,006
Recognised as income during the year	(488,836)	(383,861)
Rent received during year	<u>433,148</u>	<u>395,443</u>
Balance at end	150,900	206,588
	=====	=====

31 December, 2022

Property at	Type	Current Portion ₦'000	Non-current portion ₦'000	Expiry date
Locke Apartment at Lekki	Residential	20,443	-	30/11/2023
Rumens Road	Residential	24,599	-	13/12/2023
Victors Court	Residential	1,450	-	30/4/2023
Amina Court at Abuja	Residential	2,148	-	31/10/2023
Sapara Williams	Residential	25,478	6,541	3/01/2024
Olusegun Aina	Residential	10,400	-	31/12/2023
Olive mast	Residential	2,095	8,250	06/01/2028
Mike Akhigbe	Residential	14,675	-	06/12/2023
Sinari Daranijo	Residential	1,428	-	07/07/2023
McDonald Court	Residential	<u>23,393</u>	<u>10,000</u>	02/04/2024
		126,109	24,791	
		=====	=====	

31 December, 2021

Property at	Type	Current Portion N'000	Non-current portion N'000	Expiry date
Locke Apartment at Lekki	Residential	21,229	-	13/12/2022
Rumens Road	Residential	36,297	-	14/12/2022
Victors Court	Residential	5,438	-	31/10/2022
Amina Court at Abuja	Residential	2,251	-	31/10/2022
Sapara Williams	Residential	40,359	49	03/01/2023
Olusegun Aina	Residential	1,190	-	31/7/2022
Olive mast	Residential	2,095	10,850	06/01/2028
Mike Akhigbe	Residential	11,154	-	31/12/2022
Sinari Daranijo	Residential	56,658	-	07/07/2022
McDonald Court	Residential	19,018	-	30/7/2022
		<u>195,689</u>	<u>10,899</u>	

2022
N'000

2021
N'000

13. Accruals and other payables

Accruals (13.1)	821,462	801,739
Other payables (13.2.)	<u>557,075</u>	<u>447,214</u>
	<u>1,378,537</u>	<u>1,248,953</u>

13.1 Accruals

Unearned income from share swap (13.1.1)	625,391	625,391
Accrued income	64,211	64,067
Accrued AGM expenses	2,743	1,990
SEC Regulatory fee	4,982	1,075
Interest to be received in advance	33,327	18,408
Deferred income on Bond	87,807	87,807
Audit and other professional fees	<u>3,001</u>	<u>3,001</u>
	<u>821,462</u>	<u>801,739</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.

	2022 ₦'000	2021 ₦'000
13.2 Other payables		
Sundry customers	8,532	9,272
Management fees	99,464	99,128
Trusteeship fee	2,500	2,500
Rating agency fee	8,011	6,425
Withholding tax	16,694	16,696
Caution deposit	18,105	16,718
Unclaimed dividend payable	388,459	286,482
Sundry payables	5,363	80
Custodian fees	<u>9,947</u>	<u>9,913</u>
	<u>557,075</u>	<u>447,214</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	₦2,500,000 minimum
Rating agency fee	₦2,500,0000
Registrars fee	on transaction basis
Custodian fees	0.10% of net assets

Sundry payables refer to amounts payable in respect of land use charge, retention on elevator for Sinari Daranijo and withholding tax on valuation.

	2022 ₦'000	2021 ₦'000
14. Unit holders equity		
<i>Units offered for subscription:</i>		
970,873,787 units at ₦51.50 each	50,000,000	50,000,000
	=====	=====
<i>Units issued and fully paid up</i>		
188,127,066 units at ₦50 each (nominal value)	9,406,353	9,406,353
	=====	=====

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.

	12 Months Ended 31 Dec. 2022	Restated 12 Months ended 31 Dec. 2021	Audited 12 Months ended 31 Dec.2021
	₱	₱	
15. Retained earnings			
At the beginning	495,685	452,518	452,518
Dividend paid	(359,323)	(349,916)	(349,916)
Transfer from income statement	<u>430,849</u>	<u>393,083</u>	<u>397,712</u>
	<u>567,211</u>	<u>495,685</u>	<u>500,314</u>
	=====	=====	=====

During the year 2021 principal repayment on investment was recognized in the account as an income thereby overstating the revenue, this has however been corrected thereby resulting in the restatement of the 2021 retained earnings.

16. Cashflow reconciliation

i) Operating profit before working capital changes

Net income before tax	439,747	397,855
Depreciation	<u>19,747</u>	<u>14,288</u>
	<u>459,494</u>	<u>412,143</u>
	=====	=====

ii) Working capital changes

Net decrease/(increase) in receivables and other assets	(6,124)	(33,747)
Net (decrease)/increase in other liabilities and provisions	(69,580)	13,633
Net (decrease)/increase in accruals and other payables	129,584	305,797
Net (decrease)/increase in rent received in advance (non-current)	<u>13,893</u>	<u>(2,051)</u>
Net cash flow from operating activities	<u>67,773</u>	<u>283,632</u>
	=====	=====

17. Related party transactions

During 2022 financial year, there was no related party transaction recorded in the company.

Management fee

Management fee payable for the year ended 31 December, 2022 in respect of this service is calculated at 1% of the net asset value of the Fund. This has been calculated to be ₱99,466,000 represents 15.07% per annum of the gross income for the year.

18. **Going concern**

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

19. **Contingent Liabilities**

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

20. **Approval of Financial Statements**

These financial statements were approved by the Investment Committee of the company on 17 March, 2023.

**STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER, 2022**

	2022		2021	
	₦'000	%	₦'000	%
Gross earnings	659,909		580,712	
<i>Deduct:</i>				
Administrative overheads and payments for other services in Nigeria	<u>(100,949)</u>		<u>(64,812)</u>	
Value added	<u>558,960</u>	<u>100</u>	<u>515,900</u>	<u>100</u>
Applied as follows:				
Fund manager's remuneration	99,466	18	99,128	19
Government as taxes	8,898	1	4,772	1
Retained earnings for future				
Expansion, distribution and maintenance of assets				
Depreciation	19,747	4	14,288	3
Net income after taxation	<u>430,849</u>	<u>77</u>	<u>397,712</u>	<u>77</u>
Value added	<u>558,960</u>	<u>100</u>	<u>515,900</u>	<u>100</u>

FINANCIAL SUMMARY

	2022	2021	2020	2019	2018
	₦'000	₦'000	₦'000	₦'000	₦'000
Cash and cash equivalents	535,940	738,356	148,731	651,566	80,446
Other assets	5,289	6,177	6,721	6,721	6,721
Trade and other receivables	106,122	99,110	64,819	100,469	239,494
Investment properties	9,820,059	9,932,059	9,932,059	9,920,294	9,637,916
Property, plant & equipment	57,056	47,050	31,602	50,218	33,173
Financial assets held to maturity	<u>978,535</u>	<u>534,827</u>	<u>813,101</u>	<u>307,646</u>	<u>970,954</u>
	11,503,001	11,357,579	10,997,033	11,036,914	10,968,704
Liabilities					
Rent received in advance	150,900	206,588	195,006	17,118	119,022
Accruals and other payables	<u>1,378,537</u>	<u>1,248,953</u>	<u>943,156</u>	<u>1,208,861</u>	<u>1,060,103</u>
	1,529,437	1,455,541	1,138,162	1,225,979	1,179,125
Equity					
Unit holders equity	9,406,353	9,406,353	9,406,353	9,406,353	9,406,353
Retained earnings	<u>567,211</u>	<u>495,685</u>	<u>452,518</u>	<u>404,582</u>	<u>383,226</u>
	9,973,564	9,902,038	9,858,871	9,810,935	9,789,579
	11,503,001	11,357,579	10,997,033	11,036,914	10,968,704
Profit and loss					
Investment income	<u>659,909</u>	<u>576,083</u>	<u>558,259</u>	<u>552,901</u>	<u>541,096</u>
Profit/loss before taxation	439,747	397,855	379,160	366,094	363,650
Taxation	<u>(8,898)</u>	<u>(4,772)</u>	<u>(2,002)</u>	<u>(15,516)</u>	-
Profit after taxation	<u>430,849</u>	<u>393,083</u>	<u>377,158</u>	<u>350,578</u>	<u>363,650</u>
Per share information					
Basic earnings per share (₦)	2.29	2.09	2.01	1.86	1.93
Net assets per share (₦)	<u>53.02</u>	<u>52.63</u>	<u>52.41</u>	<u>52.15</u>	<u>52.03</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 ₦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.

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

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Fund Manager:

SFS
Capital