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

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023

CONTENTS	PAGE

FUND MANAGER, PROFESSIONAL ADVISERS ETC

Directors of the Fund Manager:	Dr. Layi Fatona	-	(Chairman)
	Mr. Patrick Ilodianya	-	(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.

…………………………………	…………………………………
Ilodianya Patrick	**Gbenro Yemi**
Director	**Director**
FRC/2013/ICAN/00000002177	**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 on Terms of the Trust Deed to the Securities and Exchange Commission (SEC).

....

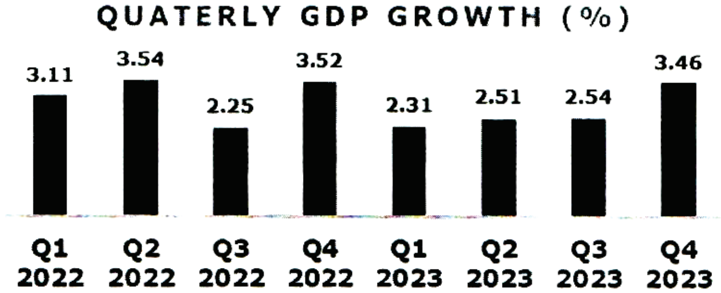
LEO OKAFOR, FCIS
Group Company Secretary
FRC/2013/NBA/00000002520

REPORT OF FUND MANAGER
FOR THE YEAR ENDED 31 DECEMBER, 2023

ECONOMIC REVIEW 2023

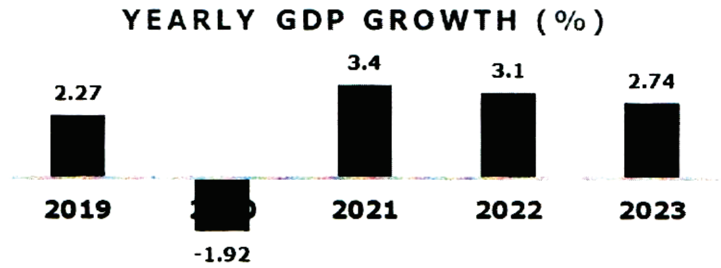
The domestic economy pressed on with growth in 2023, posting +3.46% (year-on-year) in real terms in Q4 2023; despite various economic headwinds that cocktailed to paint a concerning picture from the lens of the average investor. Comparison to the same period in 2022 (Q4 2022: +3.52%) and Q3 2023 (+2.54%) is a pointer at sustained economic recovery. A notable driver of growth in Q4 2023 was the Services sector.

QUARTERLY GDP GROWTH (Q1 2022 – Q4 2023)

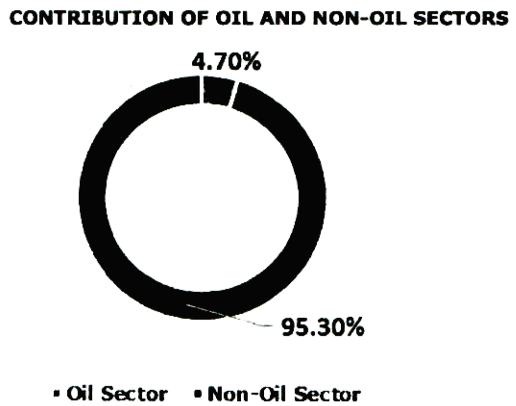


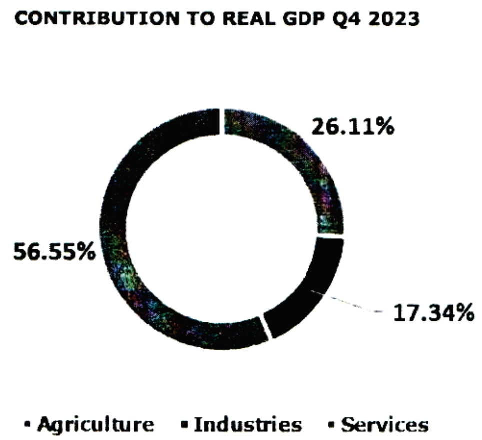
Source: National Bureau of Statistics (NBS)

ANNUAL GDP GROWTH (2019 – 2023)



Source: National Bureau of Statistics





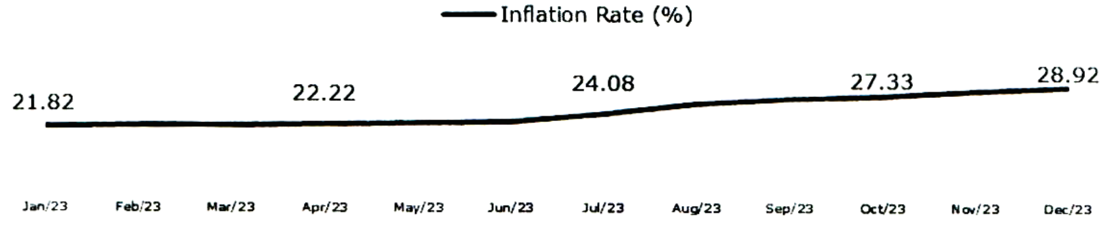
NON-OIL SECTOR

The Non-Oil sector contributed 95.36% to Nigeria's GDP in Q4 2023, weaker than 95.66% recorded in Q4 2022. Growth was mainly driven by Financial Services, Agriculture (crop production), Trade and Construction among others.

OIL SECTOR

The Oil sector contributed 4.70% to the GDP in Q4 2023 and expanded by 12.11% year-on-year in Q4 2023; an increment of 25.50% compared to Q4 2022. Growth improved by 12.96% compared to Q3 2022 (-0.85%). Data from the National Bureau of Statistics revealed that Nigeria's oil production in Q4 2023 logged 1.55 million barrels per day (mbpd) compared to 1.34mbpd in Q4 2022.

INFLATION RATE % (JANUARY 2023 – DECEMBER 2023)



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

Inflation has continued to press upwards in 2023, with the Consumer Price Index (CPI) culminating at a growth of 28.92% in December 2023. Food inflation remained a key driver of inflation in 2023. Costly imports due to unfavorable exchange rates and weak FX policies, and fuel scarcity in relation to transportation and production costs also continued to impact inflation adversely over the year.

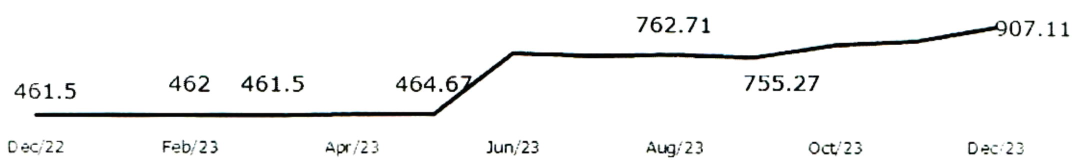
I&E FX WINDOW

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 2023, the naira closed the month unchanged against the dollar as it exchanged for ₦461.50/$. Though FX scarcity persisted, the exchange rate improved slightly to close Q1 2023 at ₦461.38/$. However, FX scarcity and the wane of the naira carried on into the year and by the half year mark, the exchange rate had deteriorated to log ₦769.25/$.

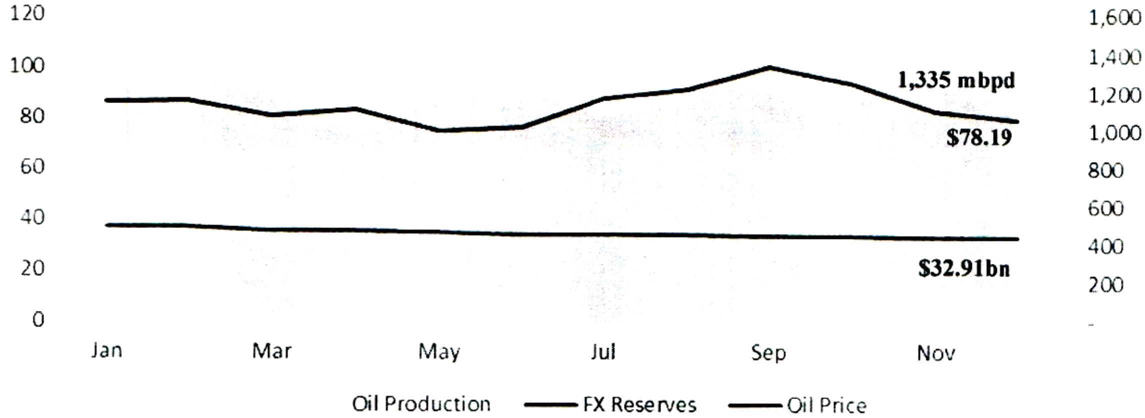
The new administration set out to unify exchange rates on multiple windows. A new Monetary Policy Committee (MPC) team was also appointed. The team began releasing a slew of circulars over the course of the year in a bid to shore up the value of the naira and rein in inflation. However, despite the Monetary Policy Committee's efforts to bring about exchange rate stabilization, the year ended with the naira exchanging for the dollar at a rate of ₦907.11/$ on the NAFEM Window compared to ₦461.50/$ as at end of Q4 2022, a 97% deterioration.

I&E FX WINDOW RATES (USD/NGN)



Source: FMDQ, SFS Capital Research

BRENT PRICE, OIL PRODUCTION & NIGERIA'S FX RESERVES (January 2023 – December 2023)

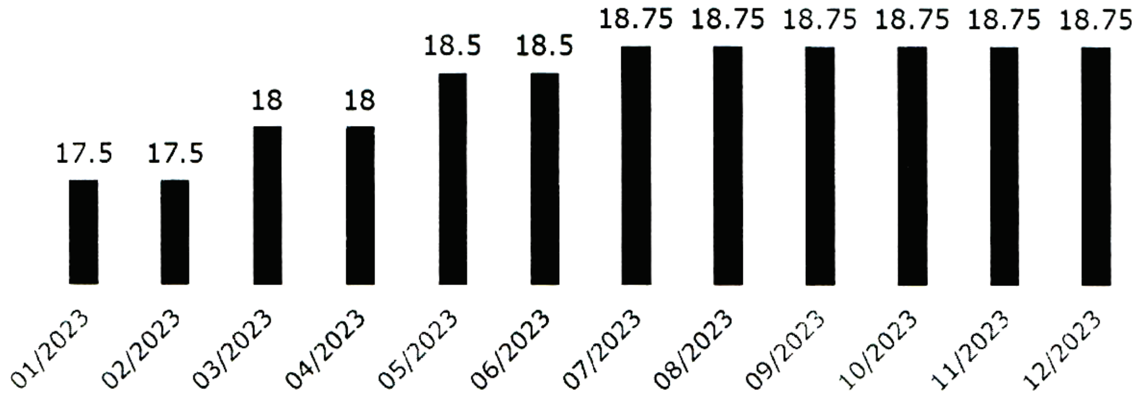


Source: Central Bank of Nigeria, OPEC, SFS Capital Research
Oil Production in thousands of barrels per day
FX Reserves US$ Billion (bn)
Oil Price Brent Crude US$ per barrel

Having ended 2022 at $82.58 per barrel (pb), Brent crude dipped to a low of $73.31pb for the year in March 2023, accelerated to a peak of $101.76pb in September 2023 and closed 2023 at $79.4pb. In similar fashion, the price of Bonny Light, Nigeria's oil variant dipped to $71.39pb in May 2023 but rose to $98.41pb in September 2023 and ended the year at $78.19pb.

However, the upswings in oil prices were not observed in the country's accounts as FX reserves which opened 2023 at circa. US$37.07bn had further contracted to US$32.91bn in December 2023 with dollar remittances from oil contracting. Though some succor is expected as domestic oil production seems to have ramped up over the year (December: 1,335mbpd, April: 999mbpd as per the OPEC Monthly Oil Report), the nation's dependence on imported goods (including refined oil) remains excessive, which bodes adversely for the naira.

MONETARY POLICY RATE % (January 2023 December 2023)



The MPR was adjusted upwards to 18.75% in July 2023

The Monetary Policy Rate is the rate at which the CBN lends to other banks. The rate rose consistently in H1 2023 but remained flat in H2 2023. The newly appointed MPC team continued to monitor the landscape in 2023. Thus, the other parameters were also retained as follows:

1. The Asymmetric Corridor remained within +100/-300bps.
2. The Cash Reserve Ratio remained at 32.5%.
3. The liquidity Ratio remained at 30%.

2023 REAL ESTATE MARKET REVIEW AND 2024 OUTLOOK

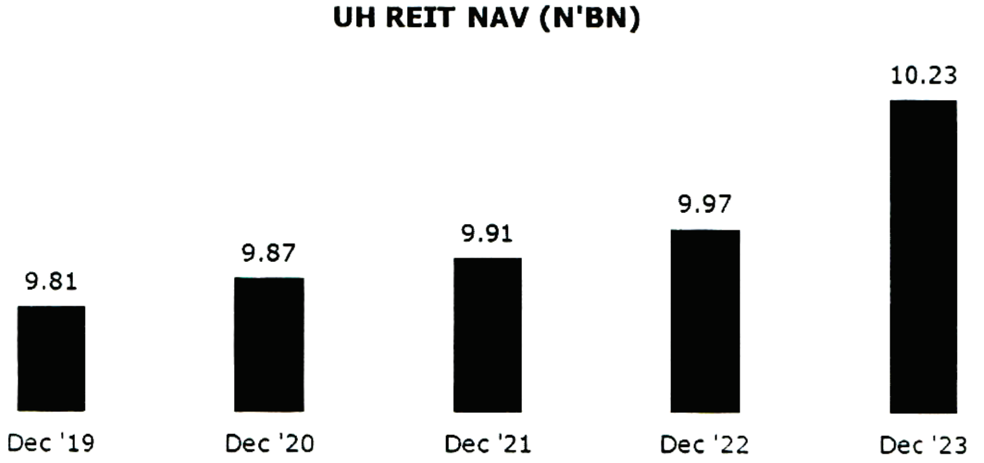
Lagos state, sitting on a land mass of circa. 3,577 km² with a population of 24.6 million as at 2015, continues to be at the fore of economic activity. The hinterlands that once enveloped the extreme end of the Lekki-Epe axis have been unlocked, with the Dangote Refinery Project attracting a lot of the current and expected demand for residential and retail developments. Broadly speaking, the Lekki Free Zone and Lagos Free Zone among others, are poised to drive notable real estate developments along this Lekki Corridor.

On the flip side, office spaces are generating lower demand as people continue to work from home in the wake of the pandemic; with vacancy rates accelerating. Online shopping continues to take on greater dimensions thus impacting Grade A mall stakeholders. Long term contracts are being terminated, with the resulting short-term leases and demand uncertainty making justification for any form of financing difficult. With some of these facilities becoming obsolete, conversion of office spaces to residential apartments with relatively higher demand could be an outlet, with mixed-use buildings being a handy option. However, conversion comes along with the associated effects from a regulatory/approval perspective among others.
Notwithstanding, vacancy rates in residential properties have also dipped to about 5% as at H2 2023 (H2 2020: 10%). Rental values of residential apartments (particularly the 3 and 4 beds) seem to be falling with notable dips recorded in areas like Sangotedo and Abraham Adesanya. The Ministry of Housing and Urban Development is currently working on a framework to reform housing which should act as an enabler for the Federal Mortgage Bank of Nigeria (FMBN) and the Federal Housing Authority (FHA). A national Social Housing Fund (NSHF) is also being set up. However, regulatory undertones are also coming to the fore with the FHA intending to demolish circa 677 residentials structures and partially demolish another 744 due to violations in Lagos.

Retailer developers are now considering multipurpose designs amid decreasing profitability of stores and sizing issues. Some retail tenants have moved to smaller spaces, with the average store size reducing and new store types that accommodate a broader range of stores growing more popular. Thus, there is a strong case for developers to produce more of these multipurpose spaces in urban areas.
Leveraging Technology in healthcare continued to trend in 2023. Syndicate Bio was launched to drive genomics and precision medicine initiatives; while Healthsend was also launched in Kenya to link patients with doctors, simultaneously providing insurance and bridging funding gaps. As a result, at least 12 of Nigeria's 36 states (Lagos inclusive) have indicated interest in adopting the Nigeria Startup Act, to partake in such groundbreaking revolutions. Beyond Proptech and Healthcare, Lagos State also continues to benefit from real estate trends in the hospitality sector. Apart-hotels and short stay apartments drive demand, with restaurants leveraging technology to service the demand. Technology serves as the link between the restaurants and various logistics companies, further deepening the value chain.

2023 FUND PERFORMANCE AND 2024 OUTLOOK

The UH Real Estate Investment Trust Fund ("UH REIT" or "the Fund") generated gross revenue of ₦884.28 million in 2023 from ₦659.91 million in 2022, driven largely by rental income and interest from deposits with the former contributing 60% of the total income.
The Net Asset Value ("NAV") of the fund grew by 0.61% in 2022, to close the year at N9.97 billion. The Fund continues to accrue competitive returns for its investors, as the yield as at the end of Q4 2022 was 5.74%.



The fund has Earnings per share (EPS) of N3.49, proposed dividend per share of N3.15 and a market price per share of N36.60. In 2023, a notable increase in cash equivalents was recorded, with short term deposits spiking by 151%. This overshadowed a dip in the financial assets held at amortized cost, occasioned by the absence of commercial papers and fixed deposits. However, Operating expenses fell by 6% to ₦207.47 million due to property maintenance expenses but Net profit margin remained strong at 74.2%.

Outlook

Housing in Nigeria remains characterized by factors like poor construction materials and rapidly rising prices. The Minister of Housing in Nigeria forecasts the development of 34,000 houses. The Federal Government also estimates that the country needs about 550,000 houses which brings along with it an annual cost of ₦4.4Tn over the next 10 years. Affordability is likely to remain a sticking point in acquiring or renting residential apartments.

Economic variables like interest rates and working patterns (hybrid/work from home/remote work etc) curtailed demand for office spaces in 2023. 2023 also saw assets being listed for sale while skepticism prevailed in signing new leases. It remains to be seen if this trend will determine investor sentiment in 2024.

Conversely, Inbound travel has continued to recover in the country. Thus, niches like short stay apartments have spiked significantly in revenue, in many of our cities. Coupled with growing industrialization in areas previously untapped or yet to be fully unlocked, demand for real estate is expected to grow in the new year.

In 2024, we expect improved performance for the SFS REIT as there is an expected increase in investments in the real estate market from both the government and the private sector. Also, the anticipated increase in demand for residential units is expected to improve rental income for the REIT.

Ilodianya Patrick
Director
FRC/2013/ICAN/00000002177

Gbenro Yemi
Director
FRC/2014/CIB/00000002190

UH REAL ESTATES INVESTMENT TRUST (REIT)
REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31st DECEMBER 2023

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 2023.

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:

	2023	2022
	₦'000	**₦'000**
Net Asset Value	10,234,626	9,973,564

The Net Asset Value increased from ₦9,973,564 as at 31st December 2022 to ₦10,234,626 as at 31st December 2023.

Operating Results:

	2023	2022
	₦'000	**₦'000**
Profit before taxation	676,808	439,747
Taxation	(20,679)	(8,898)
Profit after taxation	656,129	430,849

ADMINISTRATION OF THE SCHEME

Income Generation:

During the period under review, Profit before tax generated by the Fund increased by 53.91% when compared to 2022. The Fund Manager was able to maximize returns to the Unitholders by an increase in its earnings per share from ₦2.29 in 2022 to ₦3.49 in 2023 which represents 52.40% increase in 2023.

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, 2023 the portfolio had 92.88% in Real Estate Related Investments, while 7.12% was invested in Liquid Assets. The total Investments in Real Estate estate-related investments was in line with the approved REIT's Trust Deed and the cash basis was within the required range.

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

15th March 2024

FRC/2023/PRO/DIR/003/313031
Michael Abiodun Thomas
Managing Director

bakertilly

4th Floor, Kresta Laurel Complex,
376, Ikorodu Road, Maryland,
P.O. Box 15016, Ikeja,
Lagos,
Nigeria.
Tel: +234 (0) 703 505 1283, (0) 903 161 3983,
(0) 802 310 6422
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 2023, 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 2023, 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.

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.

Ilodianya Patrick	**Gbenro Yemi**
Director	**Director**
FRC/2013/ICAN/00000002177	**FRC/2014/CIB/00000002190**

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 2023 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 A[illegible] [illegible]xercise 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 o not detecting a material misstatement resulting from fraud is higher than for one resulting fron error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or th override of internal control.

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

We communicate with the directors regarding, among other matters, the planned scope an timing of the audit and significant audit findings, including any significant deficiencies i 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, w 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 belic were necessary for the purpose of our audit;

ii) 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 ar in agreement with the books of account.

....

Oluwole O. Ogundeji
FRC/2013/ICAN/00000002825
***for:* Baker Tilly Nigeria**
(Chartered Accountants)

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
ICAN
0881138

Lagos, Nigeria
15 March, 2024

STATEMENT OF COMPREHENSIVE INCOME (TOTAL RETURN)
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 ₦'000	2022 ₦'000
Investment income	3	884,278	659,909
Deduct:			
Operating expenses	4	(207,470)	(220,162)
Net income before taxation		676,808	439,747
Taxation	5	(20,679)	(8,898)
Net income after taxation	16	656,129	430,849
Net increase in unit holder's fund from investment activities		656,129	430,849
Earnings per unit basic(₦)		3.49	2.29

The Notes on page 20 to 42 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

Assets:	Note	2023	2022
Current Assets		**₦'000**	**₦'000**
Cash and cash equivalents	6	1,362,909	535,940
Financial assets at amortized cost	7	414,818	978,535
Other assets	8	5,925	5,289
Trade and other receivables	9	101,364	106,122
Property & equipment	10	50,860	57,056
Total current assets		1,935,876	1,682,942
Non-Current Assets			
Investment properties	11	10,039,084	9,820,059
Total assets		11,974,960	11,503,001
Liabilities:			
Current Liabilities			
Rent received in advance	12	279,702	126,109
Accruals and other payables	13	1,452,972	1,378,537
Total current liabilities		1,732,674	1,504,646
Non-Current Liabilities			
Rent received in advance	12	7,660	24,791
Total liabilities		(1,740,334)	(1,529,437)
Net assets			
		10,234,626	9,973,564
Equity and Reserves			
Unit holders Equity	14	9,406,353	9,406,353
Retained earnings	15	828,273	567,211
Unit holders' Fund		10,234,626	9,973,564

Patrick Ilodianya	**Yemi Gbenro**	**Dimeji Sonowo**
Managing Director	**Director**	**Executive Director**
FRC/2013/ICAN/00000002177	**FRC/2014/CIB/00000002190**	**FRC/2013/ICAN/00000002089**

The Notes on page 20 to 42 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (MOVEMENTS IN UNIT HOLDERS' FUND)

FOR THE YEAR ENDED 31 DECEMBER 2023

	Unit Equity ₦'000	General reserve ₦'000	Total ₦'000
1 January 2023	9,406,353	567,211	9,973,564
Dividend	-	(395,067)	(395,067)
Transfer from income statement	-	656,129	656,129
31 December 2023	-	828,273	10,234,626
1 January 2022	9,406,353	500,314	9,906,667
Amount (restated)	-	(4,629)	(4,629)
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	9,406,353	567,211	9,973,564

The Notes on page 20 to 42 form an integral part of these financial statements.

PORTFOLIO STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 Market value ₦'000	2023 Percentage of portfolio %	2022 Market ₦'000	2022 Percentage of portfolio %
Real estate	9,539,084	88.25	9,320,059	88.33
Real estate related	500,000	4.63	500,000	4.74
	10,039,084	92.88	9,820,059	93.07
Money market investments				
Cash and cash equivalents	1,362,909		535,940	
Financial assets held to maturity	414,818		978,535	
	1,777,727		1,514,475	
Unclaimed dividend	(414,979)		(388,459)	
Proposed dividend	(592,600)		(395,067)	
	770,148	7.12	730,949	6.93
Total value of portfolio	10,809,232	100	10,551,008	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 2023, the Fund's investment in real estate and real estate related was 92.88% of the Fund's total assets.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 ₦'000	2022 ₦'000
Operating profit before working capital changes	16.1	698,595	459,494
Working capital changes	16.ii	215,019	67,773
Income tax paid		(20,679)	(8,898)
Net cash flow from operating activities		892,935	518,369
Cash flow from investing activities:			
(Additions)/Disposal development of investment in properties		(219,025)	112,000
Purchases of PPE		(15,591)	(29,754)
Investment in money market		563,717	(443,708)
Net cash flow from investing activities		329,101	**(361,462)**
Financing activities			
Dividend paid		(395,067)	(359,323)
		(395,067)	(359,323)
Net increase/(decrease) in cash and cash equivalents		826,969	(202,416)
Cash and equivalents brought forward		535,940	738,356
Cash and cash equivalents at the end of the year	6	1,362,909	**535,940**

The Notes on page 20 to 42 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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 2023. 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.

Standard/Interpretation	Effective date
IAS 1	1 January 2023

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements).In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure.

IAS 8	1 January 2023

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from the correction of prior period errors. These amendments clarify how entities make the distinction between changes in accounting estimate, changes in accounting policy and prior period errors.

IAS 12	1 January 2023

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

IAS 12	1 January 2023

International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively).In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a draft legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The goal of the framework is to reduce the shifting of profit from one jurisdiction to another in order to reduce global tax obligations in corporate structures. In March 2022, the OECD released detailed technical guidance on Pillar Two of the rules.
Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The IASB issued the final Amendments (the Amendments) International Tax Reform – Pillar Two Model Rules, in response to stakeholder concerns on 23 May 2023.The Amendments introduce a mandatory exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The exception is effective immediately and retrospectively. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.

IFRS 17 Insurance Contracts	1 January 2023

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

b) **New standards, interpretations and amendments not yet effective**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

IFRS 16- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases); 1 January 2024

IAS 1 - Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements); 1 January 2024

IAS 1 - Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements); and 1 January 2024

IAS 7 & IFRS 7
Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures) 1 January 2024

IAS 21 -Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates) 1 January 2025

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability. The Company does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Company.

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.

		2023 ₦'000	2022 ₦'000
3.	**Investment income**		
	Rental income	531,250	488,988
	Interest from deposits	246,348	127,353
	Profit on disposal of property	97,975	40,000
	Sundry income (note 3.1)	8,705	3,568
		884,278	659,909

3.1	**Sundry income**		
	Legal fee	8,415	2,513
	Scrap sales	290	1,055
		8,705	3,568

4.	**Operating expenses**		
	Management fees	101,744	99,466
	Property maintenance expenses	23,688	41,309
	Depreciation plant & machinery	21,787	19,747
	Insurance fee	10,276	10,382
	Custodian fees	10,174	9,947
	Regulatory fee	2,750	2,750
	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	213	774
	Registrar fees	768	351
	Legal charges	3,220	3,967
	Independent Members sitting allowances	1,400	1,200
	Bank charges	87	26
	SEC Supervisory fee	20,320	19,743
	Newspapers/periodicals	543	
		207,470	220,162

		2023	2022
5.	**Taxation**	**₦'000**	**₦'000**
	Withholding tax paid	20,679	8,898

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**

	2023	2022
Cash at bank	19,721	1,283
Short-term deposits	1,343,188	534,657
	1,362,909	535,940

The **details of short -term deposits are:**

	Principal Amount ₦'000	Principal Amount ₦'000
UBA Nominee	62,537	12,520
Polaris Bank Nigeria Limited	1,280,651	522,137
	1,343,188	534,657

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 2023**	**Fair Value**	**Discounted**	**Tenor**
	Medium Term Note	24,635	24,005	1,460days
	Federal Government Bond	390,183	390,183	9,490days
		414,818	414,188	
	2022			
	Medium Term Note	30,302	30,071	1,825days
	Commercial paper	85,630	83,038	180 days
	Fixed deposit	466,530	466,530	180days
	Federal Government Bond	396,073	396,073	9,855days
		978,535	975,712	

		2023	2022
8.	**Other assets – prepayments**	**₦'000**	**₦'000**
	Insurance – fire and special peril policy	5,925	5,289

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

	2023 ₦'000	2022 ₦'000
Apartment in Savannah, locke Macdonald, Victors Court and Sinari Apartments in Olusegun Aina	4,378	3,894
Amina and Mike Akhigbe	1,049	1,020
28A, Rumens Street, Ikoyi	498	375
	5,925	5,289

9. Trade and other receivables

	2023 ₦'000	2022 ₦'000
Rent receivables (note 9.1)	62,072	64,212
Other receivables:		
Interest receivable (note 9.2)	39,292	41,910
	101,364	106,122

9.1 Rent receivables

Rent receivables on properties as at 31 December, 2023 comprises of rent due on the following properties:

	2023 ₦'000	2022 ₦'000
McDonald Court, Block 4-6 McDonald Road Ikoyi, Lagos	28,211	28,211
Amina Court	6,585	7,434
Savannah Court	9,199	9,784
9, Mike Akhigbe Way, Abuja	9,403	9,403
Plot 3, Blokc A4, Olusegun Aina Street, Ikoyi	5,032	5,032
28A, Rumen Property	3,327	3,795
Locke apartments	315	553
	62,072	64,212

9.2 Interest receivables

Interest receivables 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 ₦'000	Plant and Machinery ₦'000	Household equipment ₦'000	Total ₦'000
Cost				
As at 1/1/2023	22,238	84,543	39,082	145,863
Additions	-	1,300	14,291	15,591
Disposal/reclassification	-	-	-	-
As at 31/12/2023	22,238	85,843	53,373	161,454
Depreciation				
As at 1/1/2023	2,780	68,550	17,477	88,807
Charged for the year	3,336	7,829	10,622	21,787
Disposal	-	-	-	-
As at 31/12/2023	6,116	76,379	28,099	110,594
Net book value				
31 December, 2023	16,122	9,464		25,27450,860
31 December, 2022	19,458	15,993	21,605	57,056

11. Investment properties

	2023 ₦'000	2022 ₦'000
Completed investment property		
At start of the period	9,820,059	9,932,059
Capital expenditure on property during the year	445,000	-
Disposal	(225,975)	(112,000)
At end of the period	10,039,084	9,820,059

This is detailed as follows:

Movement in the year ended 31 December, 2023

	1/1/2023 ₦'000	Net Additional/ disposal ₦'000	31/12/2023 ₦'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	(113,975)	341,925
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	196,202	(112,000)	84,202
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
Victoria Crest V Estate		445,000	445,000
	9,820,059	219,025	10,039,084

Movement in the year ended 31 December, 2022

	1/1/2022 ₦'000	Net Additional/ disposal ₦'000	31/12/2022 ₦'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	1,703,462	-	1,703,462
Amina Court	310,900	-	310,900
Locke apartments	665,701	-	665,701
FGN Sukuk	300,000	-	300,000
FGN Sukuk2	200,000	-	200,000
	9,932,059	(112,000)	9,820,059

		2023 ₦'000	2022 ₦'000
12.	**Rent received in advance**		
	At 31 December	287,362	150,900
	Analysed into:		
	Current liability	279,702	126,109
	Non-current liability	7,660	24,791
		287,362	150,900
	Movement in rent received in advance		
	Balance at beginning	150,900	206,588
	Recognised as income during the year	(531,250)	(488,836)
	Rent received during year	667,712	433,148
	Balance at end	287,362	150,900

31 December, 2023

Property at	Type	Current Portion ₦'000	Non-current portion ₦'000	Expiry date
Locke Apartment at Lekki	Residential	33,816	-	30/11/2024
Rumens Road	Residential	50,198	1,015	07/02/2025
Victors Court	Residential	1,315	-	30/04/2024
Amina Court at Abuja	Residential	3,768	-	31/07/2024
Sapara Williams	Residential	40,530	-	08/12/2024
Olusegun Aina	Residential	10,077	-	31/12/2024
Olive mast	Residential	2,100	6,645	06/01/2028
Mike Akhigbe	Residential	13,946	-	06/12/2024
Sinari Daranijo	Residential	74,242	-	07/07/2024
McDonald Court	Residential	41,154	-	30/09//2024
Victoria Crest	Residential	8,556		
		279,702	7,660	

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	23,393	10,000	02/04/2024
		126,109	24,791	

			2023 ₦'000	2022 ₦'000
13.	**Accruals and other payables**			
	Accruals (13.1)		816,310	821,462
	Other payables (13.2.)		636,662	557,075
			1,452,972	1,378,537
13.1	**Accruals**			
	Unearned income from share swap	(13.1.1)	625,391	625,391
	Accrued income		62,072	64,211
	Accrued AGM expenses		4,620	2,743
	SEC Regulatory fee		5,325	4,982
	Interest received in advance		28,094	33,327
	Deferred income on Bond		87,807	87,807
	Audit and other professional fees		3,001	3,001
			816,310	821,462

13.1.1 This represents 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.

		2023 ₦'000	2022 ₦'000
13.2	**Other payables**		
	Sundry customers	34,511	8,532
	Management fees	101,744	99,464
	Trusteeship fee	2,500	2,500
	Rating agency fee	10,511	8,011
	Withholding tax	16,694	16,694
	Caution deposit	24,140	18,105
	Unclaimed dividend payable	414,979	388,459
	Sundry payables	21,409	5,363
	Custodian fees	10,174	9,947
		636,662	557,075

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.

		2023 ₦'000	2022 ₦'000
14.	**Unit holders equity**		
	Units offered for subscription:		
	970,873,787 units at ₦51.50 each	50,000,000	50,000,000
	Units issued and fully paid up		
	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.

		₦	₦
15.	**Retained earnings**	**₦'000**	**₦'000**
	At the beginning	567,211	495,685
	Dividend paid	(395,067)	(359,323)
	Transfer from income statement	656,129	430,849
		828,273	567,211

16.	**Cashflow reconciliation**		
	i) Operating profit before working capital changes		
	Net income before tax	676,808	439,747
	Depreciation	21,787	19,747
		698,595	459,494

ii)	Working capital changes		
	Net decrease/(increase) in receivables and other assets	4,122	(6,124)
	Net increase/(decrease) in other liabilities and provisions	153,593	(69,580)
	Net increase in accruals and other payables	74,435	129,584
	Net (decrease)/increase in rent received in advance (non-current)	(17,131)	13,893
	Net cash flow from operating activities	215,019	67,773

17. **Related party transactions**

During 2023 financial year, there was no related party transaction recorded in the company.

Management fee

Management fee payable for the year ended 31 December 2023 in respect of this service is calculated at 1% of the net asset value of the Fund. This has been calculated to be ₦101,744,000 represents 11.50% 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 year.

20. **Approval of Financial Statements**

These financial statements were approved by the Investment Committee of the company on 15 March, 2024.

STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 ₦'000	%	2022 ₦'000	%
Gross earnings	884,278		659,909	
Deduct:				
Administrative overheads and payments for other services in Nigeria	(83,939)		(100,949)	
Value added	800,339	100	558,960	100
Applied as follows:				
Fund manager's remuneration	101,744	13	99,466	18
Government as taxes	20,679	3	8,898	1
Retained earnings for future				
Expansion, distribution and maintenance of assets				
Depreciation	21,787	2	19,747	4
Net income after taxation	656,129	82	430,849	77
Value added	800,339	100	558,960	100

FIVE YEAR FINANCIAL SUMMARY

	2023 ₦'000	2022 ₦'000	2021 ₦'000	2020 ₦'000	2019 ₦'000
Cash and cash equivalents	1,362,909	535,940	738,356	148,731	651,566
Other assets	5,925	5,289	6,177	6,721	6,721
Trade and other receivables	101,364	106,122	99,110	64,819	100,469
Investment properties	10,039,084	9,820,059	9,932,059	9,932,059	9,920,294
Property, plant & equipment	50,860	57,056	47,050	31,602	50,218
Financial assets held to maturity	414,818	978,535	534,827	813,101	307,646
	11,974,960	11,503,001	11,357,579	10,997,033	11,036,914
Liabilities					
Rent received in advance	287,362	150,900	206,588	195,006	17,118
Accruals and other payables	1,452,972	1,378,537	1,248,953	943,156	1,208,861
	1,740,334	1,529,437	1,455,541	1,138,162	1,225,979
Equity					
Unit holders' equity	9,406,353	9,406,353	9,406,353	9,406,353	9,406,353
Retained earnings	828,273	567,211	495,685	452,518	404,582
	10,234,626	9,973,564	9,902,038	9,858,871	9,810,935
	11,974,960	11,503,001	11,357,579	10,997,033	11,036,914
Profit and loss					
Investment income	884,278	659,909	576,083	558,259	552,901
Profit before taxation	676,808	439,747	397,855	379,160	366,094
Taxation	(20,679)	(8,898)	(4,772)	(2,002)	(15,516)
Profit after taxation	656,129	430,849	393,083	377,158	350,578
Per share information					
Basic earnings per share (₦)	3.49	2.29	2.09	2.01	1.86
Net assets per share (₦)	54.40	53.02	52.63	52.41	52.15

In 2018, 61,892,715 units of shares of the fund were swapped for Legacy Properties owned by Unio Homes Savings and Loan Plc at ₦49.91 per share. These properties are located at Ikorodu Roa Awolowo Road Ikoyi, Opebi Road Ikeja and Ogaaro Crescent Garki, Abuja at a value of ₦3,044,635,75 at the time of the transaction.

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

NOTES

NOTES