# UNION HOMES REAL ESTATE INVESTMENT TRUST

## REPORTS AND FINANCIAL STATEMENTS
## FOR THE 13 MONTHS PERIOD
## ENDED 31 DECEMBER, 2012

**UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)**

# REPORTS AND FINANCIAL STATEMENTS FOR THE 13 MONTHS PERIOD ENDED 31 DECEMBER, 2012

| CONTENTS | PAGE |
|---|---|

**UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)**

## FUND MANAGER, PROFESSIONAL ADVISERS ETC

| | | | |
|---|---|---|---|
| **Directors of the Fund Manager:** | O. I. Osibodu | - | *Chairman (retired w.e.f. 1 Nov. 2012)* |
| | E. Emuwa | - | *Chairman (appointed w.e.f. 1 Nov. 2012)* |
| | S. O. Thomas | - | *Managing Director/Chief Executive (Retired w.e.f. 23 March, 2012)* |
| | J. A. Orimoloye | - | *Managing Director/Chief Executive (appointed w.e.f. 23 March, 2012 and re-assigned w.e.f. 15 May, 2013)* |
| | P. Kanu (Mrs.) | - | *Ag. Managing Director (appointed w.e.f April, 2013* |
| | C. J. Omo-Ijiade | | |
| | J. M. Garba | - | Executive *(resigned w.e.f. 6 Feb. 2013)* |
| | F. A. Sonubi | - | *(Retired w.e.f. December, 2012)* |
| | M. I. Sanni | | |
| | A. M. Adeosun | - | *(appointed w.e.f. 12 July, 2012)* |
| | K. Kasongo | - | *(appointed w.e.f. April, 2013)* |
| | O. Adewale (Mrs.) | - | *(appointed w.e.f. February 2013)* |
| | R. Kolarinwa | - | *(appointed w.e.f. April, 2013)* |

**Fund Manager:**
Union Homes Savings and Loans Plc
153, Ikorodu Road,
Lagos.

**Trustee to the Fund:**
UBA Trustees Limited,
UBA House, (12th Floor),
57, Marina, Lagos.

**Custodian:**
UBA Global Investor Services

**Registrar:**
Union Registrars Limited,
2 Burma Road,
Apapa,
Lagos.

**Auditors:**
Baker Tilly Nigeria,
(Chartered Accountants),
Kresta Laurel Complex (4th Floor),
376, Ikorodu Road,
Maryland,
Lagos.

**Bankers:**
Stanbic IBTC Bank Plc
Ecobank Nigeria Plc

## 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.

## STATEMENT OF TRUSTEE'S 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 Trustee is meant to monitor the activities of the Fund Manager on behalf of and in the interest of the Unit holders.

3. The Trustee is required to maintain custody of the documents and funds relating to the investments by the REIT.

4. The Trustee is required to monitor the register of Unit holders.

5. The Trustee is required to ascertain the profitability rationale for investment decision-making of the Fund Manager.

6. The Trustee is required to approve all major investments from the REIT's funds.

7. The Trustee is 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).

8. The Trustee is 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).

# REPORT OF FUND MANAGER
# FOR THE 13 MONTHS PERIOD ENDED 31 DECEMBER, 2012

The Union Homes Real Estate Investment Trust (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 maximum of 90% of the funds in Real Estate and Real Estate related investment. 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 Union Homes REIT was established on August 19, 2008 as a Unit Trust Scheme, registered and listed on the floor of the Nigerian Stock Exchange on 2nd July, 2010.
The Fund is managed by Union Homes Savings & Loan Plc, a subsidiary of Union Bank of Nigeria Plc.

## THE OPERATING ENVIRONMENT

The Nigerian economy experienced growth challenges not previously anticipated by policy makers. As a result of this, the National Bureau of Statistics reviewed the GDP for fiscal 2012 downwards to 6.61% from the earlier projection of 6.85%. Experts traced the growth challenges to the decline in the contribution of the oil sector which became apparent in the last half of 2011.
Similarly, the contribution of the agricultural sector to growth declined since the 3rd quarter of 2011, in spite of investment in agricultural transformation initiatives of the Federal Government. The flooding in several parts of the country even when the cost to the economy was yet to be estimated also contributed to the decline.

The inflationary pressure which re-emerged in October 2012 was a contributory factor. The year-on-year headline inflation inched up to 11.7% in October 2012 from 11.3% in September, while food inflation increased to 11.1% from 10.2% in September 2012.
In view of the growth challenges enumerated above, the Central Bank of Nigeria (CBN) retained the Monetary Policy Rate (MPR), the base rule, which dictates interest rate in the country at 12% for the second time in a row. Other monetary indicators like the Cash Reserve Ratio (CRR) and the Liquidity Ratio; two key requirements expected to be complied with by money deposit banks for their cash reserves to be held by the apex bank and the minimum operational capital to be held by banks at all times were left at 12% and 30% in that order.

The Nigeria's external reserves, which rose steadily since the 3rd quarter due to reasonably high oil prices and stability in the Foreign Exchange (Forex) market closed at $45.68 billion in the last quarter of 2012. The Forex reserves derived mainly from the proceeds of crude oil sales, represented a year - to-date appreciation of $12.7 billion or 35.08%, compared to 32.98 billion at the beginning of the year.
The Federal Government reduced subsidy payment to oil marketers from N433.75 billion as at April 2011 to N138.21 billion in the same period in 2012. Similarly, the daily average provision of premium motor spirit also reduced from 92 million litres to 35.14 million in 2012. Experts posited that the Petroleum Pricing and Regulatory Agency (PPRA) saved about N45billion within the first half of the year.

## REVIEW OF THE REAL ESTATE MARKET

Activities in the Real Estate Market in 2012 commenced with myriads of challenges that plagued the sector in 2011 ranging from insecurity, weak economy, high inflation, deplorable infrastructure and declining rental values. These impediments notwithstanding, expectations were high that the commercial real estate, infrastructural development and increase in the supply of housing stock would play a pivotal role in the resurgence of the real sector in 2012. Lending credence to the afore mentioned assumption was the ongoing reform in the mortgage sector, assistance from the World Bank and other donor agencies, increase in Foreign Direct investment portfolio, Housing and Urban Development policy of the Government, recapitalization of Pension Fund Administrators, maturity and refinancing of the Asset Management Corporation of Nigeria (AMCON) and other measures projected to reposition the real estate sector in 2012.

The property market ended 2012 with a 15% improvement in both rental and capital values as it stabilized from near crash in 2008/2009. This is in spite of macro-economic policies and indices especially high inflation level, unfriendly lending and interest rate and banking sector reform, which did not support lending to, and developments in the real estate sector of the economy. During the year under review, the market grew by 10.24% in the third quarter up from 10.08% in the same period in 2011.
Also, we noted within the year that most landlords especially those in high-brow neighborhoods, were ready to accept a reduction in lease term such as one year’s rent as against two or more years advance payment demanded before now.

## REVIEW OF THE MONEY MARKET

The maintenance of the Money Policy Rate (MPR) at 12% throughout the year increased deposit rate until the last quarter of the year when the interest rates and Forex were deliberately controlled to achieve overall macroeconomic efficiency. As at the end of the year, money market rates for Short Term Deposit dropped. Deposit taking institutions refused accepting deposits at exorbitant rates to close the year contrary to the usual practice. Closing the year with robust balance sheet/huge deposit liabilities went out of fashion as banks avoided the mandatory payment of premium/commission to AMCON.

## PERFORMANCE OF THE FUND

During the period, your Fund adopted the International Financial Reporting Standards (IFRS) also; the resolution passed at the last Annual General Meeting to change the Fund’s Accounting year from December/November to January/December of every year was adopted. Consequently, the report and accounts for this year is for thirteen (13) months period.

Your Fund performed comparatively well both in terms of effective deployment of cash and returns on the underlying investments during the reviewed period. In spite of the slight vacancy ratio which was experienced in the residential segment compared with the commercial segment of the Real Estate market, the investment income of your Fund increased by ₦99,381,381 from ₦929,205,960 for the 12 months ended 30 November, 2011 to ₦1,028,587,341 for the period ended 31 December, 2012, even though the operating expenses increased by 22.56% from ₦259,809,982 to ₦318,416,813. The Net Income got a boost by ₦40,017,843 from ₦630,489,466 to ₦670,507,309 over the same period.

The IFRS does not permit amortization of Initial Public Offering expenses. Therefore, the unamortized amount of ₦528,425,414 as at transition date i.e. December 1, 2010 was written off to the unit premium and retained earnings accounts. Consequently, the adjustments in the Financial Statements as a result of IFRS adoption reduced the Unit holders' Fund to a more realistic position of ₦13,351,699,529 as at December 31, 2012.

The Fund Manager in consultation with the Trustees have proposed that 90% (i.e. ₦603,456,578) out of the net earnings of the Fund (i.e. ₦670,507,309) for the period ended 31st December, 2012 be paid to Unit holders as profit distribution.

## REVIEW OF THE MORTGAGE INDUSTRY

To create an enabling environment, the CBN streamlined the activities of both commercial banks and primary mortgage institutions to permissible and non permissible activities which saw commercial banks diversify their interest from real estate investment to their core banking activities. This strategy aimed to reduce unhealthy competition, financial mismatching and to enhance concentration of core activities between commercial banks and mortgage institutions.
Furthermore, new regulatory guidelines for the Primary Mortgage Banks (PMBs) generally in the country were released to further re-enforce mortgage sector reform which require minimum of ₦2.5 billion capital base for PMBs operating at state level and ₦5billion for those operating at National level, with compliance date initially fixed for 30th April 2013 now extended to 31st December, 2013. This is to afford the affected PMBs sufficient time to exercise any of the options for capital raising, business combination and downscaling as earlier advised.

The PMBs are known to be facing a harsh economic down turn, notwithstanding the global economic crisis as the scarcity of long-term funds are hitting them hard. The short-term funds are mostly sourced from the money market where commercial banks also compete for funds. The cash flow to the operation is also hampered by their inability to tap into the National Housing Fund (NHF) for their contributors through the Federal Mortgage Bank of Nigeria (FMBN), and becoming a window for the collection of the fund, which has prompted the umbrella body of the mortgage banks – Mortgage Banking Association of Nigeria (MBAN) to liaise with CBN, local financial institution and International Development Agencies in planning to float a liquidity facility company.

## FUTURE OUTLOOK

We expect a stronger GDP growth of 7.5% driven principally by ; Non-oil sector growth (agriculture, telecoms, manufacturing, construction, retail etc.), the conclusion of current Government reforms and privatization efforts (Petroleum Industrial Bill, power sector privatization) and easing of current monetary policy stance by the CBN (credit growth). The current spikes in food and core inflation will be short-lived as we expect the full dissipation of some of the contributory elements (2012 fuel & tariff increases and floods) by the first quarter of 2013. The likely increase in pump price in 2013 is expected to have similar short-lived effect on inflation as in 2012 and even less so as we expect most organizations have built this possibility into their 2013 budget.

We expect that in line with the Federal Government's agenda for economic growth and development, the CBN will relax some of its monetary measures and therefore anticipate that easing will come through a reduction in government securities offered for sale and/or a reduction in Credit Reserve Ratio (CRR) requirements for banks. The monetary policy rate and Net Open Position restrictions will remain unchanged at 12% and 1% respectively. We expect these measures to be gradual and that the CBN will continue to intervene in the market to ensure that excess liquidity and currency speculation are kept at a minimum. We anticipate a rise in demand for foreign exchange in 2013 from a combined impact of an improvement in commercial activities due to growth in real sector credits and resolution of outstanding petroleum subsidy payments which will herald the resumption of importation of products by marketers. With demand for and supply of fixed income securities expected to moderate somewhat in 2013 as some foreign portfolio investors exit the market, foreign exchange rates are expected to come under pressure, with a widening of the spread between the official and interbank markets. We anticipate that interbank rates would revert to their early 2012 levels but peak at $1/N165 while the official rates will remain within the 3% of the $1/N155 base rate.

## FUNDS STRATEGY

The Fund Manager has reviewed the performance and would continue to harmonize the portfolio mix of the Fund such that there would be a considered spread in the commercial, residential property investment, and mortgage assets which will continue to record significant growth and improvements in its operation over the coming years.

Consequently, the Fund is well positioned to harness immense growth opportunities in the property market, thereby achieving its strategic objective of delivering long-term and competitive returns to Unit holders.

Thank you.

# REPORT OF THE TRUSTEE
## FOR THE 13 MONTHS PERIOD ENDED DECEMBER 31, 2012

The Trustees hereby present their Report on the affairs of the Union Homes Real Estate Investment Trust (The Fund) together with the Auditors Report and Financial Statements for the year ended 31st December 2012.

Principal Activities & Business Review:

The Fund opened for subscription on 19th August 2008 and commenced investment activities on 3rd February, 2009.

Registered as an Open Ended Investment Scheme and Real Estate Investment Trust (REIT) in Nigeria by the Securities and Exchange Commission under the Investment and Securities Act 2007, the Fund is governed by a Trust Deed with UBA Trustees Limited.

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 practice, its assets are totally segregated from the assets of the Manager.

Performance of the Union Homes Real Estate Investment Trust:

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

| | **2012** | **2011** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Net Asset Value | 13,351,699 | 13,274,904 |

Real Estate related investments increased from ₦11,166,619,430 as at 30th November 2011 to ₦11,539,236,010 as at 31st December 2012.

Operating Results:

| | **2012** | **2011** |
|---|---|---|
| | **₦'000** | **₦'000** |
| Net Income for the Year (After Tax) | 670,507 | 630,489 |

ADMINISTRATION OF THE SCHEME

Income Generation
During the period under review, Net Income generated by the Fund increased from ₦630,489,466 in 2011 to ₦670,507,309 in year 2012 thus increasing value for the Unitholders.

## Compliance with the Asset Allocation Requirement

Compliance with the Asset Allocation requirement of the Fund (90% in Real Estate related investment and 10% in Money Market investments) as at 30th November, 2011 was: 78.06% in Real Estate related investment and 21.94% in Money Market investments. This has improved marginally with Real Estate Investments now accounting for 85.67% of the Fund's Asset while 14.33% is invested in Money Market.

## Structure of the REIT

Sequel to the withdrawal by Union Bank Plc as Guarantor to the REIT, arrangements are yet to be concluded on the appointment of another Guarantor as provided for in the Trust Deed and Prospectus. The Arrangers of the REIT (Goldbanc Management Associates Limited) are awaiting receipt of Offer Letters from prospective Guarantors that have signified their willingness to take up the role.

## Maintenance of a Current Account Separate from the Custodian

Further to the appointment of UBA Global Investor Services as the Custodian to the REIT, the Fund Manager maintained current accounts separate from that of the Custodian.

The balances in the accounts have now been transferred to the Custodian as directed by the SEC.

The Trustees are of the opinion that the Management of the Fund has not been in full compliance with the provisions of the Trust Deed and Investment and Securities Act (2007).

## Parties to the Fund:

| | | |
|---|---|---|
| Fund Manager | - | Union Homes Savings and Loans Plc |
| Trustees | - | UBA Trustees Limited |
| Registrar | - | Union Registrars Limited |
| Auditors | - | Baker Tilly Nigeria |
| Bankers | - | StanbicIBTC Bank Plc |
| | - | Ecobank Nigeria Plc |

**BY ORDER OF THE TRUSTEES**

UBA Trustees Limited
UBA House (15th Floor)
No. 57, Marina
Lagos

April 29, 2013

**OLUWATOYIN SANNI**
FRC/2013/NBA/00000002481

## 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.

| | |
|---|---|
| ----------------------------- | ---------------------------- |
| **Pearl kanu** | **Jacob A. Orimoloye** |
| **Director** | **Director** |
| **FRC/2013/NIM/00000004907** | **FRC/2013/NBA/00000002419** |

**REPORT OF THE INDEPENDENT AUDITOR**

## TO THE MEMBERS OF UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

### Report on the financial statements

We have audited the accompanying financial statements of Union Homes Real Estates Investment Trust (Reit) for the 13 months period ended 31 December, 2012, set out on pages 13 to 44 which have been prepared on the basis of significant accounting policies on pages 18 & 28 and other explanatory notes on pages 28 to 42.

### Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements which are in compliance with the International Financial Reporting Council of Nigeria Act No. 6, 2011 and with the requirements of the Companies and Allied Matters Act, Cap C20 LFN, 2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with Nigerian Standards on Auditing (NSAs) issued by the Institute of Chartered Accountants of Nigeria. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company's financial position as at 31 December, 2012 and of its financial performance and cash flows for the period then ended. The financial statements also comply with the Financial Reporting Council of Nigeria Act, No.6, 2011 and with the requirements of the Companies and Allied Matters Act, CAP C20 LFN, 2004.

**Report on other legal requirements**

The Companies and Allied Matters Act, CAP C20 LFN, 2004 requires that in carrying out our audit we consider and report 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 balance sheet and profit and loss account are in agreement with the books of account.

**(CHARTERED ACCOUNTANTS)**

**Lagos, Nigeria**
17 April, 2013

**FRC/2013/ICAN/00000002724**

**UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)**

## STATEMENT OF COMPREHENSIVE INCOME (TOTAL RETURN)
## FOR THE 13 M0NTHS ENDED 31 DECEMBER, 2012

| | Note | 13 Months ended 31/12/2012 ₦ | 12 Months ended 30/11/2011 ₦ |
|---|---|---|---|
| Investment income | 5 | 1,028,587,341 | 929,205,960 |
| ***Deduct:*** | | | |
| Operating expenses | 6 | (318,416,813) | (259,809,982) |
| Net income before taxation | | 710,170,528 | 669,395,978 |
| Taxation | 7 | (39,663,219) | (38,906,512) |
| Net income after taxation | | 670,507,309 | 630,489,466 |
| | | ========== | =========== |
| Net increase in unit holder's fund from investment activities | | 670,507,309 | 630,489,466 |
| | | ========= | =========== |

The notes on pages 18 to 45 form an integral part of these financial statements.

**UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)**

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER, 2012

| **Assets:** | **Note** | **31/12/2012** | **30/11/2011** |
|---|---|---|---|
| ***Current Assets*** | | | |
| Cash and cash equivalents | 8 | 1,987,931,613 | 3,180,806,404 |
| Other asset | 9 | 2,842,104 | 7,828,605 |
| Trade and other receivables | 10 | 246,144,171 | 47,069,713 |
| *Total current assets* | | 2,236,917,888 | 3,235,704,722 |
| ***Non-Current Assets*** | | | |
| Investment properties | 11 | 11,539,236,010 | 11,166,619,430 |
| Financial assets held to maturity | 12 | 330,352,602 | - |
| ***Total assets*** | | 14,106,506,500 | 14,402,324,152 |
| **Liabilities:** | | | |
| ***Current Liabilities*** | | | |
| Rent received in advance | 13 | 178,185,443 | 455,639,221 |
| Payables to related parties | 14 | 274,060,716 | 338,210,830 |
| Accruals and other payables | 15 | 229,135,340 | 68,212,379 |
| Provisions | 16 | 20,779,161 | 22,485,766 |
| *Total current liabilities* | | 702,160,660 | 884,548,196 |
| ***Non-Current Liabilities*** | | | |
| Rent received in advance | 13 | 52,646,311 | 242,871,763 |
| ***Total liabilities*** | | 754,806,971 | 1,127,419,959 |
| **Net Assets** | | **13,351,699,529** | **13,274,904,193** |
| **Equity and Reserves** | | | |
| Unit holders Equity | 17 | 12,500,989,050 | 12,500,989,050 |
| Retained earnings | 18 | 850,710,479 | 773,915,143 |
| **Unit holders' Fund** | | **13,351,699,529** | **13,274,904,193** |

-----------------------------

**Jacob A. Orimoloye**
**Director**
**FRC/2013/NBA/00000002419**

--------------------------

**Pearl kanu**
**Director**
**FRC/2013/NIM/00000004907**

The notes on pages 18 to 45 form an integral part of these financial statements

## STATEMENT OF CHANGES IN EQUITY
## (MOVEMENTS IN UNIT HOLDERS' FUND)
## FOR THE 13 MONTHS ENDED 31 DECEMBER, 2012

| | Unit Equity | General reserve | Total |
|---|---|---|---|
| **1 December, 2011** | 12,500,989,050 | 773,915,143 | 13,274,904,193 |
| Dividend payout | | (593,711,973) | (593,711,973) |
| Transfer from<br>- income statement | - | 670,507,309 | 670,507,309 |
| **31 December, 2012** | **12,500,989,050** | **850,710,479** | **13,351,699,529** |

## FOR THE YEAR ENDED 30 NOVEMBER, 2011

| | Unit Equity | General reserve | Total |
|---|---|---|---|
| **1 December, 2010** | 12,500,989,050 | 143,425,677 | 12,644,414,727 |
| Transfer from<br>- income statement | - | 630,489,466 | 630,489,466 |
| **30 November 2011** | **12,500,989,050** | **773,915,143** | **13,274,904,193** |

The notes on pages 18 to 45 form an integral part of these financial statements

## PORTFOLIO STATEMENT

## FOR THE 13 MONTHS ENDED 31 DECEMBER, 2012

| | Market value ₦ | Percentage of net assets ₦ |
|---|---|---|
| Real estate | 11,539,236,010 | 83.29 |
| Real estate related | 330,352,602 | 2.38 |
| | 11,869,588,612 | 85.67 |
| Money market investments | 1,984,778,099 | 14.33 |
| Total value of portfolio | 13,854,366,711 | 100 |
| | =========== | ====== |

The Fund contravened the investment guideline which states that 90% of the Fund's total assets should be invested in Real Estates and Real Estates related assets, while the remaining 10% should be invested in money market.

## STATEMENT OF CASH FLOWS
## FOR THE 13 MONTHS ENDED 31 DECEMBER 2012

| | Note | 13 Months ended 31/12/2012 ₦ | 12 Months ended 30/11/2011 ₦ |
|---|---|---|---|
| ***Cash flow from operating activities:*** | | | |
| Investment income | 5 | 1,028,587,341 | 929,205,960 |
| Operating expenses | 6 | (318,416,813 | (259,809,466) |
| Income tax paid | | (39,663,219) | (38,906,512) |
| ***Cash flow from operating profit before changes in operating assets & liabilities*** | | 670,507,309 | 630,489,466 |
| Net (decrease)/increase in receivables and other assets | | (194,087,957) | (29,162,448) |
| Net (decrease)/increase in other liabilities and provisions | | (279,160,383) | 155,202,171 |
| Net increase in payables to related parties | | (64,150,114) | 69,877,964 |
| Net increase in accruals and other payables | | 160,922,961 | 52,573,681 |
| Net (decrease)/increase in rent received in advance (non-current) | | (190,225,452) | 4,620,779 |
| ***Net cash flow from operating activities*** | | **103,806,364** | **883,601,613** |
| ***Cash flow from investing activities:*** | | | |
| Development of investment in properties | | (372,616,580) | (5,862,488,705) |
| Mortgage assets | | (330,352,602) | - |
| ***Net cash flow from investing activities*** | | **(702,969,182)** | **(5,862,488,705)** |
| **Cash flow from financing activities** | | | |
| Dividend payout | | 593,711,973 | - |
| **Net cash flow from financing activities** | | **(593,711,973)** | **-** |
| Net increase in cash and cash equivalent | | (1,192,874,791) | (4,978,887,092) |
| Cash and equivalents brought forward | | 3,180,806,404 | 8,159,693,496 |
| **Cash and cash equivalent at the end of the year** | 8 | **1,987,931,613** | **3,180,806,404** |

The notes on pages 18 to 45 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS**
**FOR THE 13 MONTHS ENDED 31 DECEMBER, 2012**

## 1.0 General information

***Reporting entity***

Union Homes Real Estate Investment Trust (REIT) was established on August 19, 2008 as a Unit Trust Scheme, registered and listed on the floor of the Nigerian Stock Exchange on 2 July, 2010. The Fund is managed by Union Homes Savings & Loans Plc, a subsidiary of Union Bank of Nigeria Plc.

The Union Homes REIT is an actively managed, close ended unit Trust scheme whose primary objective is to achieve long term capital appreciation of its assets by investing a maximum 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.

The address of its registered office is Union Homes Savings and Loans Plc 153 Ikorodu Road, Lagos.

## 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. These are the Fund's first financial statements prepared in accordance with IFRS and IFRSs 1st time adoption of International Financial Reporting Standards has been applied. An explanation of how the translation to IFRS has affected the reported financial position, financial performance and cash flows of the company is provided in note 4.

***Functional and presentation currency***

Items included in the Fund's financial statements are measured using the currency of the pri economic environment in which the entity operates ('the functional 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.

## 2.0 Summary of significant accounting policies

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

i. ***Cash and cash equivalents***

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

ii. ***Investment properties***

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

Investment property is measured initially at cost including transaction costs. Transaction costs include professional fees for legal services and other commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.
Subsequent to initial recognition, investment property stated at fair value. Gains or losses arising from changes in the fair values are included in the income statement in the year in which they arise.

Fair values are determined individually, on a basis appropriate to the purpose for which the property is intended and with regard to recent market transactions for similar properties in the same location. In an active market, an independent valuer, holding a recognized and relevant professional qualification and with recent experience in the location and category of investment properties being valued, values the portfolio once in every three years in line with the Trust Deed. The valuer, in addition to the qualifications above, should hold Financial Reporting Council (FRC) of Nigeria registration certificate in accordance with section 41 of the FRC Act, 2011.

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

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

iii. ***Property, Plant and Equipment***

The Fund does not hold any property, plant and equipment at present, as it is against the position of the Securities and Exchange Commission (SEC). All properties, plant and equipment used for managing the Fund are owned by the Fund manager who is paid management fees.

## 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.

(vi.) ***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.

**(i) 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.

iv. ***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.

v. ***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.

vi. ***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.

vii. ***Related party transactions***

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

viii. ***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.

ix. ***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.

x. ***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.

xi. ***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.

xii. ***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.

xiii. ***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.

## 3. First-time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. The Fund has applied the mandatory exception and optional exemption, as set out below.

***Mandatory exception adopted by the Fund***

***Estimates***

The Fund has used estimates under IFRS that are consistent with those applied under previous GAAP unless there is objective evidence those estimates were in error.

***Optional exemption applied by the Fund***

***Historical value as deemed cost***

The Fund has elected to measure its Investment properties at the transition date to IFRS at its historical cost and use that historical cost as its deemed cost at that date.

4. **Reconciliation of equity**

Equity at the date of transition and at 30, November, 2011 are reconciled to the amounts reported under previous NGAAP as follows:

4.1 **First-time adoption of IFRS**

The Fund has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing these financial statements. The effects of the transition to IFRS on equity, total comprehensive income and reported cash flows are presented in this section and are further explained in the notes that accompany it.

4.2 **Reconciliation of total comprehensive income for year ended 30 November, 2011**

| | **Note** | **NGAAP** | **Effect of transition to IFRS** | **IFRS** |
|---|---|---|---|---|
| Investment income | (a) | 900,966,115 | (10,666,667) | 890,299,448 |
| ***Deduct:*** | | | | |
| Operating expenses | (b) | (426,681,165) | 166,871,183 | (259,809,982) |
| Net income | | 474,284,950 | 156,204,516 | 630,489,466 |
| | | ========= | ========= | ========== |

**Notes to the reconciliation on the income statement**

(a) The Fund acquired a liability of ₦300,000,000 through the acquisition of a property at 11B Sapara Williams from its former landlord, the liability being a rent received in advance by the landlord from a tenant for a period of 27 months (covering 1/12/10 – 28/02/2013). This rent received in advance was transferred to the Fund when the Fund acquired the property.

The company had erroneously recognised a sum of ₦144,000,000 as rental income for the year ended 30 November, 2011 instead of ₦133,333,333 using 25 months instead of 27 months period of accrual. The effect was that rental income and deferred rent have been overstated and understated respectively to the tune of ₦10,666,667.

(b) Under NGAAP, a sum of ₦166,871,183 was included in the statement of total comprehensive income, being the cost of the Deferred IPO amortised for the year. The balance of the deferred IPO had been written off in 2010 because the treatment of deferring the IPO expenses is not permitted by IFRS therefore, the amortised amount of ₦166,871,183 is written back to the Fund income for the year.

4.3 **Reconciliation of financial position as at 30 November, 2011**

| | Note | NGAAP | Adjustment | IFRS |
|---|---|---|---|---|
| | | ₦ | ₦ | ₦ |
| **Assets** | | | | |
| ***Current assets*** | | | | |
| Cash and cash equivalents | (a) | 44,033,704 | 3,136,772,700 | 3,180,806,404 |
| Money market investments | (b) | 3,136,772,700 | (3,136,772,700) | - |
| Debtors | (c) | 54,898,318 | (54,898,318) | - |
| Other Assets | (d) | - | 7,828,605 | 7,828,605 |
| Trade and other receivables | (e) | - | 47,069,713 | 47,069,713 |
| Deferred IPO expenses | (f) | 361,554,231 | (361,554,231) | - |
| ***Non-current assets*** | | | | |
| Investment properties | | 11,166,619,430 | - | 11,166,619,430 |
| ***Total Assets*** | | **14,763,878,383** | **(361,554,231)** | **14,402,324,152** |
| **Liabilities** | | | | |
| ***Current liabilities*** | | | | |
| Creditors | (g) | 428,908,975 | (428,908,975) | - |
| Rent received in advance | (h) | 687,844,317 | (232,205,096) | 455,639,221 |
| Payables to related parties | (i) | - | 338,210,830 | 338,210,830 |
| Accruals and other payables | (j) | - | 68,212,379 | 68,212,379 |
| Provisions | (k) | - | 22,485,766 | 22,485,766 |
| ***Non-current liabilities*** | | | | |
| Rent received in advance | (l) | - | 242,871,763 | 242,871,763 |
| ***Total liabilities*** | | **1,116,753,292** | **10,666,667** | **1,127,419,959** |
| **Net Assets** | | **13,647,125,091** | **(372,220,898)** | **13,274,904,193** |
| **Equity and reserves** | | | | |
| Unit holders equity | (m) | 12,876,018,722 | (375,029,672) | 12,500,989,050 |
| Retained earnings | (n) | 771,106,369 | 2,808,774 | 773,915,143 |
| **Unit holders fund** | | **13,647,125,091** | **372,220,898** | **13,274,904,193** |

**Notes to the reconciliation on the statement of financial position**

(a) 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. The money market Investments of ₦3,136,772,700 comprises of short-term deposit with Stanbic IBTC with maturity of less than three (3) months, hence this is reclassified to cash and cash equivalent in line with IFRS;

(b) See note ‘a’ above

(c) Debtors comprise of interest receivable, prepaid insurance and rent in arrears. These components of debtors are shown as a single item ‘Debtors’ on the face of the statement of financial position. These items have been reclassified in line with IFRS from debtors into trade and other receivables and other assets and are being disclosed as such on the statement of financial position. As a result, ₦7,828,605 and ₦47,069,713 have been reclassified from the total debtor of ₦54,898,318 to ‘Other assets’ and ‘Trade and other receivables’ respectively.

(d) See note ‘c’ above

(e) See note ‘c’ above

(f) Deferred IPO expenses relates to those expenditures incurred by the company to make public offer at the commencement of operation. These expenses were deferred and being amortized over a period of five years in line with the Trust Deed. Under IFRS, this amortisation is not permitted; therefore, the unamortized amount of ₦ 528,425,414 as at 30 November, 2010 had been written off in 2010 as at the transition date i.e. 1 December, 2010. The balance of ₦361,554,231 as per NGAAP account (being the written off ₦528,425,414 minus ₦166,871,183 – the amount amortised during 2011 financial year) has been written off to retained earnings while the ₦166,871,183 – the amount amortised during 2011 financial year has been written back to the Fund income for the year *(note ‘b’ under the Notes to the reconciliation on the income statement above).*

(g) Creditors comprise of payables to related parties, Accrued expenses and other payables and provisions. These components of creditors are shown as a single item ‘creditors’ on the face of the statement of financial position. These items have been reclassified in line with IFRS from creditors into payables to related parties, accrued expenses and other payables and provisions and are being disclosed as such on the statement of financial position. As a result, ₦338,210,830, ₦68,212,379 and ₦22,485,766 have been reclassified from the total creditors of ₦428,908,975 to ‘payables to related parties’, ‘accrued expenses and other payables’ and ‘provisions’ respectively.

(h) Rent received in advance is split into current and non-current. The current portion shows the amount that is due and receivable in the next accounting period while the non-current shows amounts due after more than one accounting period, hence ₦232,205,096 was reclassified to non-current liabilities.

(i) See note ‘g’ above

(j) See note ‘g’ above

(k) See note ‘g’ above

(l) In addition to ₦232,205,096 being rent received in advance reclassified to non-current liabilities from current liabilities (see note ‘h’ above), ₦10,666,667 was discovered to have been recognised in excess as part of rent received *(note ‘a’ under the notes to the reconciliation on the income statement above)*. This was adjusted for in the retained earnings by debiting the retained earnings with the ₦10,666,667 and crediting rent received in advance. In total, ₦242,871,763 (i.e. ₦232,205,096 + ₦10,666,667) was reclassified to non-current liabilities rent received in advance.

(m) Under NGAAP, unit equity and unit premium were merged and reported as a line item on the face of statement of financial position. This has now been separated in line with IFRS, hence, ₦375,029,672 (being balance of unit premium even as at 30 November, 2010) had been reclassified to unit premium in 2010 as at the transition date i.e. 1 December, 2010 which was used up to write off part of the deferred IPO expenses during transition in 2010.

(n) The ₦2,808,774 is the net adjustment arrived at (*note 13.1 reconciling NGAAP retained earnings with IFRS retained earnings*) as a result of ₦153,395,742 being balance of deferred IPO written off to retained earnings in 2010, ₦10,666,667 over recognition of rental income in 2011 written to retained earnings and the ₦166,871,183 being deferred IPO charges written back in 2011. In effect, the ₦773,915,143 = ₦771,106,369 – ₦153,395,742 – ₦10,666,667 + ₦166,871,183.

# RECONCILIATION OF EQUITY
# AS AT 1 DECEMBER, 2010

| | Note | NGAAP ₦ | Adjustment ₦ | IFRS ₦ |
|---|---|---|---|---|
| **Assets** | | | | |
| ***Current assets*** | | | | |
| Cash and cash equivalents | (a) | 21,440,713 | 8,138,252,783 | 8,159,693,496 |
| Money market investments | (b) | 8,138,252,783 | (8,138,252,783) | - |
| Debtors | (c) | 25,735,870 | (25,735,870) | - |
| Trade and other receivables | (d) | - | 25,735,870 | 25,735,870 |
| Deferred IPO expenses | (e) | 528,425,414 | (528,425,414) | - |
| ***Non-current assets*** | | | | |
| Investment properties | | 5,304,130,725 | - | 5,304,130,725 |
| **Total Assets** | | **14,017,985,505** | **(528,425,414)** | **13,489,560,091** |
| **Liabilities** | | | | |
| ***Current liabilities*** | | | | |
| Creditors | (f) | 282,015,437 | (282,015,437) | - |
| Rent received in advance | (g) | 561,173,800 | (238,250,984) | 322,922,816 |
| Payables to related parties | (h) | - | 268,332,866 | 268,332,866 |
| Accruals and other payables | (i) | - | 15,638,698 | 15,638,698 |
| ***Non-current liabilities*** | | | | |
| Rent received in advance | (j) | - | 238,250,984 | 238,250,984 |
| **Total liabilities** | | **843,189,237** | **1,956,127** | **845,145,364** |
| **Net Assets** | | **13,174,796,268** | **(530,381,541)** | **12,644,414,727** |
| **Equity** | | | | |
| Unit holders equity | (k) | 12,876,018,722 | (375,029,672) | 12,500,989,050 |
| Unit premium | (l) | - | - | - |
| Retained earnings | (m) | 298,777,546 | (155,351,869) | 143,425,677 |
| **Unit holders fund** | | **13,174,796,268** | **(530,381,541)** | **12,644,414,727** |

## Notes on Adjustment

(a) 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. The money market Investments of ₦8,138,252 comprises of short-term deposit with Ecobank and call deposit with Stanbic IBTC with maturity of less than three (3) months, hence this has been classified as cash and cash equivalent in line with IFRS;

(b) See note ‘a’ above;

(c) Debtors comprise of interest receivables. This component of debtors is shown as a single item ‘Debtors’ on the face of the statement of financial position. This item has been reclassified in line with IFRS from debtors to trade and other receivables and it is disclosed as such on the Statement of Financial Position. As a result, ₦25,735,870 has been reclassified from debtor to Trade and other receivables’;

(d) See note ‘c’ above;

(e) Deferred IPO expenses relates to those expenditures incurred by the company to make the public offer at the commencement of operation. These expenses was deferred and was being amortized over a period of five years in line with the Trust Deed. Under IFRS, this amortisation is not permitted; therefore, the unamortized amount of ₦528,425,414 as at the transition date i.e. 1 December, 2010 has been written off to the unit premium and retained earnings accounts;

(f) Creditors comprise of Payables to related parties, Accrued expenses and other payables. These components of creditors are shown as a single item ‘Creditors’ on the face of the statement of financial position under NGAAP. The components are now shown as separate items on the Statement of Financial Position. As a result, the total creditors of ₦282,015,437 has been reclassified to ‘Payables to related parties’, ‘Accruals and other payables’ of ₦268,332,866 and ₦13,682,571 respectively;

(g) Rent received in advance is split into current and non-current. The current portion shows the amount that is due and receivable in the next accounting period while the non-current shows amounts due after more than one accounting period, hence ₦238,250,984 has been reclassified to non-current liabilities;

(h) See note ‘f’ above

(i) In addition to ₦13,682,571 accrued and other payables reclassified from creditors (See note ‘f’ above), a sum of ₦1,956,127 (been accrued fees underprovided for in 2010) treated as prior year item in 2011 has been reinstated in 2010 statement of financial position and is included in

the account as accrual. Therefore, the ₦15,638,698 comprises of the ₦13,682,571 and ₦1,956,127 i.e. (₦13,682,571 + ₦1,956,127);

(j) See note ‘g’ above;

(k) Under NGAAP, unit equity and unit premium were merged and reported as a line item on the face of statement of financial position. This has now been separated in line with IFRS, hence, ₦375,029,672 (being balance of unit premium) has been reclassified to unit premium;

(l) The total premium of ₦375,029,672 has been used to write off deferred IPO expenses of ₦528,425,414. The balance of ₦153,395,742 that could not be written off by the unit premium has been written off to retained earnings.

(m) The amount of ₦155,351,869 debited to retained earnings is made up of ₦153,395,742 being balance of deferred IPO expenses that could not be written off by the unit premium (See note ‘l’ above) and ₦1,956,127 accrued fees reinstatement (prior year from 2011 account). Therefore the ₦155,351,869 = ₦153,395,742 + ₦1,956,127.

| 5. Investment income | 13 Months ended 31/12/2012 | 12 Months ended 30/11/2011 |
|---|---|---|
| | ₦ | |
| Rental income | 507,923,455 | 537,197,336 |
| Interest from deposits | 396,632,194 | 389,065,124 |
| Interest from mortgage assets | 50,243,868 | - |
| Sundry income (6.1) | 73,787,824 | 2,943,500 |
| | **1,028,587,341** | **929,205,960** |
| | ========== | ========== |

| 5.1 Sundry income | | |
|---|---|---|
| Overprovision – AGM expenses | 672,488 | - |
| Income received on caution deposit | 2,501,550 | - |
| Excess provision on guarantors fee | 69,670,393 | - |
| Legal fee | - | 2,939,500 |
| Cash refund | - | 4,000 |
| Refund on property managers fee | 943,392 | - |
| | **73,787,823** | **2,943,500** |
| | ======== | ======== |

Refund on investors’ fee related to excess provision made after the final payment of the guarantors expenses for years 2009 and 2010.

| | 13 Months ended 31/12/2012 | 12 Months ended 30/11/2011 |
|---|---|---|
| **6. Operating expenses** | | |
| Management fee | 131,531,774 | 134,770,321 |
| Guarantor fee | 68,960,587 | 67,385,160 |
| Estate valuation fee | - | 8,294,332 |
| Provision for AGM expenses | 5,416,667 | 5,000,000 |
| Audit fee | 5,416,667 | 5,000,000 |
| Directors' sitting allowance | 2,380,000 | 4,340,000 |
| Legal charges | 14,738,784 | 350,000 |
| Trusteeship fee | 2,843,750 | 673,852 |
| Registrars fee | 204,241 | 1,355,074 |
| Travelling expenses | 928,581 | 798,870 |
| Rating agency's fee | 2,718,750 | 673,852 |
| Bank charges | 42,579 | 83,264 |
| Postages, telephone & telegram | 700 | 51,190 |
| Search fees | 25,000 | - |
| Other professional fees- IFRS conversion | 9,600,000 | - |
| Commission to property manager | 872,500 | - |
| Property manager fee | - | 943,392 |
| Facility management account | - | 96,250 |
| Property maintenance expenses | 14,874,320 | - |
| Property maintenance fund | 20,779,161 | 22,485,766 |
| Insurers fee | 23,290,635 | 7,508,659 |
| Custodian fees | 13,792,117 | - |
| | **318,416,813** | **259,809,982** |
| | ========= | ========= |

The increase in legal charges is due to cost of perfection of mortgage assets bought during the year.

7. **Taxation**

| | | |
|---|---|---|
| Withholding tax paid | **39,663,219** | **38,906,512** |
| | ========= | ========= |

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

## 8. Cash and cash equivalents

| | ₦ | ₦ |
|---|---|---|
| Cash in hand | 13,605 | 31,560 |
| Cash at bank | 3,139,909 | 44,002,144 |
| Short-term deposits | 1,984,778,099 | 3,136,772,700 |
| | **1,987,931,613** | **3,180,806,404** |
| | =========== | =========== |

Detail of short term deposits are:

| **Bank** | **Principal Amount ₦** | **Interest Rate** | **Date of Placement** | **Maturity date** |
|---|---|---|---|---|
| Stanbic IBTC | 1,984,778,099 | 14% | 01/12/2012 | 02/01/2013 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. 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.

## 9. Other assets- Prepayments

| | ₦ | ₦ |
|---|---|---|
| Insurance – Fire and Special Peril Policy | **2,842,104** | **7,828,605** |
| | ========= | ========= |

| | **13 Months ended 31/12/2012 ₦** | **12 Months ended 30/11/2011 ₦** |
|---|---|---|
| 11A Sapara Williams Street, Victoria Island, Lagos | 519,333 | 774,688 |
| 9, Mike Akhigbe Way, Abuja | 902,511 | 161,393 |
| Plot 3, Block A4, Olusegun Aina Street, Ikoyi | - | 309,875 |
| 28A, Rumens Street, Ikoyi | - | 1,032,917 |
| 1 Sinar Daranijo Street, Victoria Island | - | 1,807,562 |
| Victors Court 2, Palalce Road, Parkview, Ikoyi | - | 352,526 |
| Block 4-6 McDonald Road Ikoyi, Lagos | 1,420,260 | 1,420,260 |
| Legacy Properties | - | 1,969,384 |
| | **2,842,104** | **7,828,605** |
| | ======== | ======== |

## 10. Trade and other receivables

***Rent receivable:***

| | ₦ | ₦ |
|---|---|---|
| Rent and service charge receivables (note 10.1) | 192,962,767 | 16,044,658 |
| ***Other receivables:*** | | |
| Interest receivable (note 10.2) | 45,681,404 | 31,025,055 |
| Others | 7,500,000 | - |
| | **246,144,171** | **47,069,713** |
| | ========= | ========= |

### 10.1 Rent receivable

Rent receivable on properties as at 31 December, 2012 comprises of rent due on:

| | ₦ | ₦ |
|---|---|---|
| McDonald Court, Block 4-6 McDonald Road Ikoyi, Lagos | 13,544,657 | 10,489,043 |
| Legacy Properties | 91,627,926 | - |
| 28A Rumens Road Ikoyi | 63,000,000 | - |
| Olusegun Aina street Ikoyi | 6,045,413 | - |
| Victors Courts 2, Palace Road, Parkview Ikoyi | 8,000,000 | 2,345,206 |
| 9, Mike Akhigbe Way, Abuja | 10,774,770 | 3,210,409 |
| | 192,962,766 | 16,044,658 |
| | ========= | ======== |

### 10.2 Interest receivable

Interest receivables are accrued interests on short term deposits with Stanbic IBTC Bank Plc. The deposits have maturity periods of between one day and three months.

| | **13 Months ended 31/12/2012 ₦** | **12 Months ended 30/11/2011 ₦** |
|---|---|---|
| **11. Investment properties** | | |
| ***Completed investment property*** | | |
| At start of the period | 11,166,619,430 | 5,304,130,725 |
| Capital expenditure on property during the year | 372,616,580 | 5,862,488,705 |
| At end of the period | **11,539,236,010** | **11,166,619,430** |
| | =========== | =========== |

## 31 December, 2012 movement in the period

| | 01/12/2011 | Additions | 31/12/2012 |
|---|---|---|---|
| | ₦ | ₦ | ₦ |
| Apartment at McDonald Court, | | | |
| Block 4-6 McDonald Road, Ikoyi Lagos | 1,208,912,267 | 22,500,000 | 1,231,412,267 |
| 11A Sapara Williams Street V/Island, Lagos | 2,329,157,850 | 130,857,310 | 2,460,015,160 |
| Plot 3, Block A4, Olusegun Aina Street, Ikoyi | 558,618,054 | 18,537,985 | 577,156,039 |
| 9, Mike Akhigbe Way, Abuja | 258,439,036 | 26,890,885 | 285,329,921 |
| 1 Sinar Daranijo Street, Victoria Island | 2,052,402,748 | 62,005,000 | 2,114,407,748 |
| Victors Courts 2, Palace Road, Parkview, Ikoyi | 453,634,500 | 19,825,300 | 473,459,800 |
| 28a, Rumens Street, Ikoyi | 1,860,910,500 | 92,000,100 | 1,952,910,600 |
| **Legacy Properties, Onipanu Lagos:** | | | |
| Union Homes Savings & Loans Plc, 153 Ikorodu Road | 749,197,649 | - | 749,197,649 |
| Union Homes Savings & Loans Plc, 32 Awolowo Road, Ikeja | 439,000,000 | - | 439,000,000 |
| Union Homes Savings & Loans Plc, 64 Opebi Road Ikeja | 374,598,824 | - | 374,598,824 |
| Union Homes Savings & Loans Plc, Plot 1479 Ogoaro | | | |
| Crescent, Garki Abuja | 881,748,002 | - | 881,748,002 |
| | **11,166,619,430** | **372,616,580** | **11,539,236,010** |

## 30 November, 2011 movement in the year

| | 01/12/2010 | Additions | 30/11/2011 |
|---|---|---|---|
| | ₦ | ₦ | ₦ |
| Apartment at McDonald Court, | | | |
| Block 4-6 McDonald Road, Ikoyi Lagos | 1,000,000,000 | 208,912,267 | 1,208,912,267 |
| 11A Sapara Williams Street V/Island, Lagos | 2,000,000,000 | 329,157,850 | 2,329,157,850 |
| Plot 3, Block A4, Olusegun Aina Street, Ikoyi | - | 558,618,054 | 558,618,054 |
| 9, Mike Akhigbe Way, Abuja | - | 258,439,036 | 258,439,036 |
| 1 Sinar Daranijo Street, Victoria Island | - | 2,052,402,748 | 2,052,402,748 |
| Victors Courts 2, Palace Road, Parkview, Ikoyi | - | 453,634,500 | 453,634,500 |
| 28a, Rumens Street, Ikoyi | - | 1,860,910,500 | 1,860,910,500 |
| **Legacy Properties, Onipanu Lagos:** | | | |
| Union Homes Savings & Loans Plc, 153 Ikorodu Road | 696,744,236 | 52,453,413 | 749,197,649 |
| Union Homes Savings & Loans Plc, 32 Awolowo Road, Ikeja | 439,000,000 | - | 439,000,000 |
| Union Homes Savings & Loans Plc, 64 Opebi Road Ikeja | 348,372,118 | 26,226,706 | 374,598,824 |
| Union Homes Savings & Loans Plc, Plot 1479 Ogoaro | | | |
| Crescent, Garki Abuja | 820,014,371 | 61,733,631 | 881,748,002 |
| | **5,304,130,725** | **5,862,488,705** | **11,166,619,430** |

## Market value as estimated by external valuer

Investment properties are valued at least once in every three years. However, as at 31 December, 2012, valuation of the properties was on going. The value of the investment properties at the reporting date was estimated by using the purchase price paid for acquisition of the properties by the Fund.

12. **Financial Asset held to Maturity - *Mortgage assets***

| **Name of account** | **13 Months ended Amount** | **12 Months ended Amount** |
|---|---|---|
| | ₦ | ₦ |
| Emeka Madu | 31,173,578 | - |
| Zeenat Nigeria Limited | 29,072,255 | - |
| Mr and Mrs Martins Izuogbe | 41,600,853 | - |
| Relmetro Nigeria Limited | 167,935,294 | - |
| Bensuehi Engr Co.Ltd | 10,389,121 | - |
| Ogunmakin Ayodele | 37,508,779 | - |
| Udeora Egbuna | 5,529,395 | - |
| John Okegbu | 7,143,327 | - |
| | **330,352,602** | **-** |
| | ========== | ====== |

The mortgage assets are mortgage loans purchased by the Fund from Union Homes Savings and Loans Plc. The repayment of the mortgage loan is the responsibility of Union Homes Savings and Loans Plc. Financial assets held to maturity were purchased on the 23 of December, 2011,

**13. Rent received in advance**

| | | |
|---|---|---|
| | ₦ | ₦ |
| **At 31 December/30 November** | **230,831,754** | **698,510,984** |
| | ========= | ========= |

**Analysed into:**

| | | |
|---|---|---|
| Current liability | 178,185,443 | 455,639,221 |
| Non-current liability | 52,646,311 | 242,871,763 |
| | **230,831,754** | **698,510,984** |

**Movement in rent received in advance**

| | | |
|---|---|---|
| Balance at beginning | 698,510,984 | 571,840,467 |
| Recognised as income during the year | (504,215,746) | (315,802,362) |
| Additional Rent Received in Advance | 36,536,516 | 442,472,879 |
| Balance at end | **230,831,754** | **698,510,984** |
| | ========== | ========== |

## 31 December, 2012

| Property at | Type | Current Portion ₦ | Non-current Portion ₦ | Expiry Date |
|---|---|---|---|---|
| Sarara Williams | Residential | 22,222,222 | - | 28 February, 2013 |
| Rumens Road | Residential | - | - | |
| Legacy Properties | Office | - | - | |
| Victors Court | Residential | - | - | |
| Sinari Daranijo | Residential | 145,597,808 | 46,543,562 | 30 April, 2014 |
| Olusegun Aina | Residential | - | - | |
| MacDonald Court | Residential | 6,180,822 | - | 5 July, 2013 |
| Mike Ahkigbe Jabi | Residential | 4,184,591 | 6,102,749 | 4 May 2014 |
| | | **178,185,443** | **52,646,311** | |

**30 November, 2011**

| Property at | Type | Current Portion ₦ | Non-current Portion ₦ | Expiry Date |
|---|---|---|---|---|
| Sarara Williams | Residential | 133,333,333 | 33,333,334 | 28 February, 2013 |
| Rumens Road | Residential | 54,000,000 | - | 31 May, 2012 |
| Legacy Properties | Office | 71,584,317 | - | 30 April, 2012 |
| Victors Court | Residential | 6,663,014 | - | 30 September, 2012 |
| Sinari Daranijo | Residential | 145,597,808 | 192,141,370 | 30 April, 2014 |
| Olusegun Aina | Residential | 16,509,589 | - | 6 November, 2012 |
| MacDonald Court | Residential | 22,646,502 | 7,188,566 | 5 July, 2013 |
| Mike Ahkigbe Jabi | Residential | 5,304,658 | 10,208,493 | 30 September, 2012 |
| | | **455,639,221** | **242,871,763** | |

## 14. Payables to related parties

| | **31/12/2012 ₦** | **30/11/2011 ₦** |
|---|---|---|
| Management Fee – Union Homes Saving and Loans Plc | 131,531,322 | 134,770,777 |
| Guarantor's Fee – Union Bank of Nigeria Plc (14.1) | 136,345,813 | 193,305,250 |
| Registrars 'Fee – Union Registrars Limited (14.2) | - | 2,692,821 |
| Sundry Payables - Union Homes Saving and Loans Plc | 6,183,581 | 7,441,982 |
| | **274,060,716** | **338,210,830** |

Sundry payables relate to those expenditure incurred on behalf the Fund by the Fund Manager i.e. Union Homes Saving and Loans Plc. The expenditures includes maintenances, electricity bills, subscriptions, office expenses and rent.

## 14.1 Movement in guarantor fees payable:

| | | |
|---|---|---|
| At beginning | 193,305,250 | 125,920,089 |
| Payment during the year | (56,249,632) | - |
| Refund to sundry income | (69,670,392) | - |
| Provision for the year | 68,960,587 | 67,385,161 |
| At the end | 136,345,813 | 193,305,250 |

| | 13 Months ended 31/12/2012 ₦ | 12 Months ended 30/11/2011 ₦ |
|---|---|---|
| **14.2 Movement in registrar's fees payable:** | | |
| At beginning | 2,692,821 | 1,337,746 |
| Payment during the year | (2,692,821) | - |
| Provision for the year | - | 1,355,075 |
| At the end | **-** | **2,692,821** |

The new Trust Deed approved by the Unit holders at the 2011 AGM states that Registrar's expenses are to be on transaction basis instead of the earlier provisions made in previous accounts.

## 15. Accruals and other payables

| | 13 Months ended 31/12/2012 ₦ | 12 Months ended 30/11/2011 ₦ |
|---|---|---|
| **15.1 Accruals** | | |
| Caution deposit-professional fee | - | 30,000,000 |
| Accrued income | 192,962,766 | 16,044,658 |
| Accrued AGM expenses | 5,416,667 | 10,000,000 |
| Insurance accrued | 2,949,623 | - |
| Audit and other professional fees | 5,416,667 | 5,000,000 |
| | **206,745,723** | **61,044,658** |
| **15.2 Other Payables** | | |
| Service charge (facility management) | - | 3,000,000 |
| Sundry customers | 3,000,000 | - |
| Trusteeship fee | 2,843,750 | 673,852 |
| Rating agency fee | 2,718,750 | 673,852 |
| Withholding tax | 35,000 | 1,876,625 |
| Custodian fees | 13,792,117 | |
| Property managers fee | - | 943,392 |
| | **22,389,617** | **7,167,721** |
| | **229,135,340** | **68,212,379** |

Trusteeship fee are computed at rates specified.

In accordance with the Trust Deed, provisions were made in these financial statements as follows:-

| | | As per new deed | As per old deed |
|---|---|---|---|
| Management fee | - | 1% of net assets | 1% of net assets |
| Trustee fee | - | 2,500,000 minimum | 0.005% of net assts |
| Rating Agency's fee | - | 2,500,000 minimum | 0.005% of net assts |
| Registrars' fee | - | On transaction basis | 0.01% of net assets |
| Guarantors fee | - | 0.5% of net assets | 0.5% of net assets |
| Custodian fees | - | 0.10% of net assets | - |

## 16. Provisions

| | 13 Months ended 31/12/2012 | 12 Months ended 30/11/2011 |
|---|---|---|
| ***Property maintenance fund*** | | |
| At beginning | 22,485,766 | - |
| Expended during the year | (37,360,086) | - |
| P&L – Admin expenses | 14,874,320 | - |
| | -------------- | -------------- |
| Additional provision during the year | 20,779,161 | 22,485,766 |
| At the end | **20,779,161** | **22,485,766** |
| | ========= | ========= |

The Fund sets aside on a yearly basis, a portion of its rental income for each accounting period for repairs and maintenance relating to the properties.

## 17. Unit holders equity

| | | |
|---|---|---|
| **Units offered for subscription:** | **₦** | **₦** |
| 970,873,787 Units at₦51.50 each | **50,000,000,000** | **50,000,000,000** |
| | ============ | =========== |
| **Units issued and fully paid up:** | | |
| 250,019,781units at ₦50 each (nominal value) | **12,500,989,050** | **12,500,989,050** |
| | ============ | ============ |

On 19 August, 2008, the Fund offered 970,873,787 units of ₦50 .00 at ₦51.50 each for subscription. Out of this offer, applications were received for 250,019,781units.

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 the subscribers.

| 18. **Retained earnings** | **13 Months ended 31/12/2012** | **12 Months ended 30/11/2011** |
|---|---|---|
| | **₦** | **₦** |
| At the beginning | 773,915,143 | 143,425,677 |
| Transfer from income statement | 670.507,309 | 630,489,466 |
| Dividend paid | (593,711,973) | - |
| | **850,710,479** | **773,915,143** |

NGAAP of 2011 is reconciled as follows:

| | |
|---|---|
| Retained earnings balance per NGAAP account | 771,106,369 |
| Deferred IPO written off in 2010 | (153,395,742) |
| Over recognition of rental income in 2011 (note 8.1) | (10,666,667) |
| Deferred IPO charged written back in 2011 | 166,871,183 |
| | **773,915,143** |

19. **Related party transactions**

During the period, the following related party transaction took place

Union Homes Savings and Loans Plc acted as the Fund Manager during the year.

**Units held by related parties: -**

Parties related to the manager held units in the Fund as at the end of the year as follows: -

| | **Number of Units** | **% holding** |
|---|---|---|
| Union Bank of Nigeria Plc | 48,543,689 | 19.42 |
| Union Homes Savings & Loans Plc | 97,087,379 | 38.83 |
| Union Homes Staff | 6,970,874 | 2.78 |

These transactions were done at arm's length.

20. **Management fee**

Management fee for the 13 months ended 31 December, 2012 is calculated at 1% of the net asset value of the Fund. This has been calculated to be ₦131,531,774 which represents 13.30% per annum of the gross income for the year.

21. **Going concern**

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

22. **Contingent Liabilities**

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

23. **Approval of Financial Statements**

These financial statements were approved by the Board of Directors of the company on 17 April, 2013.

## STATEMENT OF VALUE ADDED
## FOR THE 13 MONTHS PERIOD ENDED 31 DECEMBER, 2012

| | 13 Months ended 31/12/2012 | | 12 Months ended 30/11/2011 | |
|---|---|---|---|---|
| | ₦ | % | ₦ | % |
| Gross earnings | 1,028,587,341 | | 929,205,960 | |
| ***Deduct:*** | | | | |
| Administrative overheads and payments for other services | (186,885,039) | | (125,039,661) | |
| **Value added** | 841,702,302 | 100 | 804,166,299 | 100 |
| | ========== | ===== | ========= | ==== |
| **Applied as follows:** | | | | |
| Fund manager's remuneration | 131,531,774 | 16 | 134,770,321 | 17 |
| Government as taxes | 39,663,219 | 4 | 38,906,512 | 5 |
| Retained earnings | 670,507,309 | 80 | 630,489,466 | 78 |
| **Value added** | 841,702,302 | 100 | 804,166,299 | 100 |
| | =========== | ===== | ========= | ===== |

# FOUR-YEAR FINANCIAL SUMMARY

| | IFRS<br>13 Months<br>31/12/2012<br>₦'000 | IFRS<br>12 Months<br>30/11/2011<br>₦'000 | IFRS<br>12 Months<br>30/11/2010<br>₦'000 | GAAP<br>10 Months<br>30/11/2009<br>₦'000 |
|---|---|---|---|---|
| Cash and cash equivalents | 1,987,931 | 3,180,806 | 8,159,693 | 9,717,854 |
| Other assets | 2,842 | 7,828 | 25,736 | 695,296 |
| Trade and other receivables | 246,144 | 47,070 | - | 140,991 |
| Investment properties | 11,539,236 | 11,166,619 | 5,304,130 | - |
| Financial assets held to maturity | 330,352 | - | - | 3,716,810 |
| | 14,106,506 | 14,402,324 | 13,489,560 | 14,270,952 |
| | ======== | ======== | ======== | ========= |
| **Liabilities** | | | | |
| Rent received in advance | 230,831 | 698,511 | 561,173 | - |
| Payables to related parties | 274,060 | 338,211 | 268,332 | 262,686 |
| Accruals and other payables | 229,135 | 68,212 | 15,638 | 18,680 |
| Provisions | 20,779 | 22,485 | - | - |
| | 754,807 | 1,127,420 | 845,1`45 | 281,367 |
| | ======= | ======= | ======= | ======= |
| **Equity** | | | | |
| Unit holders equity | 12,500,989 | 12,500,989 | 12,500,989 | 12,876,018 |
| Retained earnings | 850,710 | 773,915 | 143,425 | 1,113,567 |
| | 13,351,699 | 13,274,904 | 12,644,414 | 13,989,585 |
| | 14,106,506 | 14,402,324 | 13,489,560 | 14,270,952 |
| | ======== | ======== | ========= | ========= |
| **Profit and loss** | | | | |
| Investment income | 1,028,587 | 929,205 | 590,662 | 1,463,233 |
| | ======== | ======= | ======= | ======== |
| Profit before taxation | 710,170 | 669,396 | 187,420 | 1,113,567 |
| Taxation | (39,663) | (38,906) | - | - |
| **Profit after taxation** | 670,507 | 630,489 | 187,420 | 1,113,567 |
| | ======= | ======= | ======= | ======== |
| Per share information | | | | |
| Basic earnings per share (₦) | 2.68 | 2.52 | 0.75 | 4.45 |
| Net assets per share (₦) | 53.40 | 53.10 | 50.57 | 55.95 |
| Dividend paid (₦) | - | 2.27 | 0.75 | 4.01 |