

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

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UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

FUND MANAGER, PROFESSIONAL ADVISERS ETC

Directors of the Fund Manager: O. I. Osibodu - *Chairman*
S. O. Thomas - *Managing Director/Chief Executive*
C. J. Omo-Ijiade
J. M. Garba - *Executive*
P. C. Odogwu - *Executive*
(Deceased w.e.f. 3 September, 2011)
F. A. Sonubi
M. I. Sanni - *(appointed w.e.f. 27 July, 2011)*

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

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

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

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

Bankers: Stanbic IBTC Bank Plc
Ecobank Nigeria Plc

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

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.

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

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).

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)
REPORT OF FUND MANAGERS
FOR THE YEAR ENDED 30 NOVEMBER, 2011

Distinguished Unit holders, we present to you a report of the Funds Manager for the year ended 30th November, 2011.

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 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 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 the 2nd July, 2010. The Fund is managed by Union Homes Savings & Loan Plc, a subsidiary of Union Bank of Nigeria Plc and the subscription is guaranteed by Union Bank of Nigeria Plc.

In line with best practices worldwide, the assets of the Union Homes REIT are totally segregated from the assets of the Manager and were initially held by the Trustees to the Fund but now transferred and held under full custody of an independent Custodian.

THE OPERATING ENVIRONMENT

Year 2011 witnessed a lot of fiscal indiscipline on the part of governments at all levels in Nigeria occasioned largely by intense 'politicking' that took place as prelude to the Presidential and Governorship elections in the first part of the year. The induced inflationary pressures saw the Central Bank of Nigeria implementing a number of policy rate increases, culminating in a Monetary Policy Rate (MPR) of 9.5 percent by the end of the year from 6.25 percent. Exchange rate of the Naira buckled to pressure officially ending the year at ₦158/\$ from ₦150.31/\$ as at 31 January 2011.

On the flip side, the year's elections that saw President Jonathan's comfortable win and which was considered as "free and fair" by observers, gave some measure of added legitimacy to the government as well as engendered confidence from foreign investors and governments in the future of Nigeria. This was however short-lived as the post-election violence in some parts of the north and the activities of Boko Haram sect eroded heightened the sense of insecurity that prevailed through the second half of the year, taking its toll on the economy and particularly real estate market.

Most of the reform agenda of the Federal Government could not be implemented as the consideration of the national budget by the two legislative houses was prolonged, with its eventual passage late in May of 2011.

REVIEW OF THE REAL ESTATE MARKET

Although huge infrastructural spending by the Federal Government and some State governments saw the rise in residential developments, shopping malls and hotels, performance of the real estate sector remained below par. The market continued to witness glut, especially in luxury apartments and quality office/ commercial buildings both in Lagos and Abuja where the bulk of your Fund's portfolio is invested with noticeable increases in vacancies in both types of accommodations in such choice areas of Ikoyi, Victoria Island and the Lekki corridor as well as in Abuja. On the average, occupancies of luxury apartments and quality office buildings are ascertained to have declined by 20 percent towards the end of the year.

REVIEW OF THE MONEY MARKET

The hike in the Monetary Policy Rate (MPR) had significant impact on the money market during the year. Of particular mention is the effect on 90-day deposit rate which averaged 14.5 percent through the second half of the year. Though this had negative effect on cost of funds for business, it was however a good omen for your Fund as it derived improved incomes from the liquid portion which was not committed to real estate investments until towards the end of the year. However, most of your Fund's cash was committed to valuable real estate and real estate-related investments in accordance with the mandate of the Fund. As at the end of the year money market rates especially for short-term tenors were still holding.

PERFORMANCE OF THE FUND

Despite the sombre atmosphere that characterized the Real Estate Market during the year, your Fund performed comparatively well both in terms of effective deployment of cash and returns on the underlying investments. Arrangements had also been concluded to commit part of Fund's cash to Mortgages in furtherance of the objectives of the Fund.

Deployment of the Fund by the Manager during the year is as presented below

A) Real Estate:	₦
Apartments at:	
- 4-8 McDonald Court Road, Ikoyi, Lagos	1,208,912,267
- 11B, Sapara Williams Str, Victoria Island, Lagos	2,329,157,850
- Olusegun Aina Str, Park View, Ikoyi, Lagos	558,618,054
- Mike Akhigbe Way, Abuja	258,439,036
- 1, Sinari Daranijo Str, Victoria Island, Lagos	2,052,402,748
- Victors' Court, Park View, Ikoyi, Lagos	453,634,500
- 28A, Rumens Str, Ikoyi, Lagos	1,860,910,500
- Legacy Properties	<u>2,444,544,475</u>
	11,166,619,430
	=====
B) Money Market Investment	3,136,772,700
	=====

The Total Net Assets of the Fund increased from ₦13,174,796,268 in the year ended 30th November 2010 to ₦13,647,125,091 in the year ended 30th November 2011.

The Fund manager in consultation with the Trustees proposed that 90% (i.e. ₦426,856,455) of the net earnings of the Fund (i.e. ₦474,284,950) as at 30th November, 2011 be distributed to unit holders as dividend. It is worthy of note to mention that while Interest from Deposits contributed about 38.86%, Rental Income contributed about 60.81% to the Total Investment Income of ₦900,966,115 during the period under review.

REVIEW OF MORTGAGE INDUSTRY

Owing to Government's intention to set the stage for real sector reforms, the focus on housing finance has gained prominence because of the critical role housing plays in the development of the economy, welfare of the citizens and the performance of other sectors. The growth in Housing provision has been largely stunted because of the difficulty faced in accessing facilities from financial institutions. The level of non-performing loan associated with the state of the economy has resulted in widespread default and has led to banks refusal to grant more credit but are concentrating efforts on recovery.

In an attempt to deepen the market, the Federal Mortgage Bank is being repositioned to encourage the emergence and growth of a viable secondary mortgage market to service the needs of housing delivery and also to effectively link the mortgage market with the capital market for sustainable long term funding.

We await the passage of the land reform bill, as this will enable the amendment or replacement of unfriendly housing related laws, with particular reference to title transfer and perfection. The recapitalization directive to Primary Mortgage Institutions by the Central Bank of Nigeria is also expected to strengthen and standardize mortgage lending operations in the country. It is also expected that debts recovered by the Asset Management Company of Nigeria (AMCON) would be ploughed back into the financial system to improve the liquidity status and thus encourage further lending.

Lastly, we recommend concerted efforts to ensure stability in economic factors, encourage active participation of private sector in real estate, infrastructural development and establishment of alternative source of long term finance such as Real Estate Investment Trust (REIT) which has the capacity to purchase Mortgage-Backed Security thus releasing tied up fund for further advancement of mortgage loans.

FUTURE OUTLOOK

The Gross Domestic Product is expected to grow by 8 percent in 2012 improving subsequently to 8.5 percent in 2013 with the non-oil sector and agriculture driving the growth. It is also expected that the Federal Government will doggedly pursue reforms in the power sector as well as facilitate the speedy passage of the Petroleum Industry Bill (PIB) which according to industry operators and analysts, will unlock significant potentials for investments in the sector. However, the removal of the oil subsidy and the expected steep increases in electricity tariffs in the course of 2013 without commensurate increases in salaries and wages will continue to erode purchasing power with attendant negative effect on demand for luxury accommodation.

The real estate market for 2012 will continue to experience a decline in performance and it is not expected that demand/occupancies in quality commercial real estate and luxury apartments in which the bulk of your fund is invested will improve over what was experienced in 2011. It is also predicted that that there will be significant inflationary pressures as the Federal Government pursues its transformation agenda and implementing palliatives to cushion the effect of fuel subsidy removal. As a result, there will be continued and unabated demand for foreign exchange (FX) and we see the Central

Bank of Nigeria allowing the exchange rate to freely slide to ₦170/US\$ especially in the autonomous and secondary markets as we approach the end of 2012.

With the expected unfolding scenario, liquidity for both government and the active private sector participants will be a major concern. We see rates in the money market rising as the operators in the economy demand for funds for their operations.

FUND STRATEGY

Your Fund Manager will continue to effect optimum balance in the Fund's investment portfolio to ensure commensurate returns in 2012 without necessarily increasing the overall risk. In the course of 2011, a robust Enterprise Risk Management (ERM) framework was put in place to provide quick anticipation and clear understanding as well as management of the inherent and associated risks to your Fund's investment portfolio. Thus all actions and decisions taken by the Fund Manager will be guided by the framework to ensure not only the long-term appreciation and safety of under-lying assets and hence the Fund, but also competitive returns to unit holders.

Thank you.

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED NOVEMBER 30, 2011**

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 30 November, 2011.

Principal Activities & Business Review:

The Fund opened for subscription on 19 August, 2008 and commenced investment activities on 3 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:

	2011	2010
	₦'000	₦'000
Net Asset Value	13,647,125	13,174,796

Real Estate related investments increased from ₦5,304,130,725.00 as at 30 November 2010 to ₦11,166,619,430.00 as at 30th November 2011.

Operating Results:

	2011	2010
	₦'000	₦'000
Net Income for the Year (After Tax)	474,285	187,421

ADMINISTRATION OF THE SCHEME

During the period under review, significant improvement was recorded in the administration of the Fund in line with the provision of the Trust Deed and SEC Rules and this is evidenced by the increase in the Net Income from ₦187million in 2010 to ₦474million recorded in year 2011.

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, 2010 was: 39.46% in Real Estate related investment and 60.54% in Money Market investments however concerted efforts were made by the Fund Manager to rectify the gap. As at 30th November 2011, 78.06% of the Fund had been invested in Real Estate related investments.

Compliance with Rule 239 of the SEC Rules and Regulations

In a bid to comply with the above Rule, the Fund Manager obtained the approval of the SEC to appoint UBA Nominee Limited as the Custodian to the Union Homes REIT and the Custodial Agreement drawn up.

The Trustees are of the opinion that the Management of the Fund has improved significantly in its 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

February 23, 2012

OLUWATOYIN SANNI

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

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 Trust 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.

Director

Director

REPORT OF THE INDEPENDENT AUDITOR

TO THE UNIT HOLDERS OF UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

We have audited the financial statements of Union Homes – Real Estates Investment Trust as at 30 November, 2011 set out on pages 11 to 22 which have been prepared on the basis of the accounting policies set out on pages 9 and 10.

Fund Managers responsibility for the financial statements

The Fund's Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the Investments and Securities Act CAP S124 LFN 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund manager, 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 audit opinion.

Opinion

In our opinion, the Fund has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Investments and Securities Act CAP S124 LFN 2007. The financial statements give a true and fair view of the financial position of Union Homes – Real Estates Investment Trust as at 30 November, 2011 and of its financial performance and its cash flows for the period then ended in accordance with the statement of Accounting Standards issued by the Nigerian Accounting Standards Board, the rules and regulations issued by the Securities and Exchange Commission and the Trust Deed.

(CHARTERED ACCOUNTANTS)

LAGOS, NIGERIA
12 March, 2012

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)
STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below: -

1. Basis of accounting

The financial statements are prepared in compliance with Nigerian Statements of Accounting Standards (SAS). The financial statements are presented in the functional currency, Nigerian Naira (N) and prepared under the historical cost convention as modified by periodic revaluation of trading securities.

2. Income recognition

Fees and commissions, where material, shall be amortized over the life of the related service. Otherwise fees, commissions and other income shall be recognized as earned upon completion of the related service.

i) Rental income

Rental income from investment property leased out under lease rental is recognized in the income statement on a straight line basis over the term of the lease.

ii) Services fees

Revenue from services rendered (such as project management) would be recognized in proportion to the stage of completion of the transaction at the balance sheet date.

3. Mortgage Assets

Mortgage assets are stated net of provision. A specific risk provision for asset impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful. The provisions made on accounts performing and non performing are in accordance with the statement of Accounting Standard (SAS) for Banks and Non-Bank Financial Institution (SAS 10) and the Prudential Guidelines issued by the Central Bank of Nigeria.

4. Investment properties

Investment properties are those which are held primarily for generating income or capital appreciation or for both. Investment properties are stated at their market values and revalued periodically on a systematic basis at least once in 3 years.

5. Other receivables and prepayments

Receivables are stated net of allowance for bad and doubtful receivables. Subsequent recoveries are credited to the profit and loss account.

6. **Basis of investment valuation**

Trading securities are traded on the floor of the Nigerian Stock Exchange and are carried at market prices quoted on the daily official list of the exchange as at the balance sheet date. Unrealized appreciation/depreciation due to increase/decrease in carrying value is included as part of net gains or loss in the statement of total returns.

7. **Dividend distribution**

In accordance with SAS 23, dividend distribution to the fund's unit holders is recognized as a liability in the funds financial statements in the period in which the dividend is approved by the Unit holders. The dividend pay out to unit holders is 90% of net income each year.

8. **Provisions**

Provision is recognized when the company has a present obligation whether legal or constructive as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in accordance with the statement of accounting standard (SAS) 23.

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

BALANCE SHEET AS AT 30 NOVEMBER, 2011

	Note	2011 ₪	2010 ₪
Bank balances		44,033,704	21,440,713
Money market investments	2	3,136,772,700	8,138,252,783
Investment properties	3	11,166,619,430	5,304,130,725
Debtors	4	54,898,318	25,735,870
Deferred IPO expenses	5	<u>361,554,231</u>	<u>528,425,414</u>
Total assets		14,763,878,383	14,017,985,505
Creditors	6	(428,908,975)	(282,015,437)
Rent received in advance	7	<u>(687,844,317)</u>	<u>(561,173,800)</u>
Total net assets		13,647,125,091 =====	13,174,796,268 =====
Financed by:			
Unit holders equity	8	12,876,018,722	12,876,018,722
Retained earnings		<u>771,106,369</u>	<u>298,777,546</u>
Unit holders' Fund		13,647,125,091 =====	13,174,796,268 =====

The accounting policies on pages 12 and 13 and the notes on pages 19 to 24 form an integral part of these financial statements.

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

**STATEMENT OF TOTAL RETURN
FOR THE YEAR ENDED 30 NOVEMBER, 2011**

	Note	2011 ₪	2010 ₪
Investment income	9	900,966,115	590,662,637
<i>Deduct:</i>			
Operating expenses	10	<u>(426,681,165)</u>	<u>(403,241,793)</u>
Net income before taxation		474,284,950	187,420,844
Taxation	11	<u> -</u>	<u> -</u>
Net income after taxation		474,284,950 =====	187,420,844 =====
Net increase in unit holder's fund from investment activities		474,284,950 =====	187,420,844 =====

The accounting policies on pages 12 and 13 and the notes on pages 19 to 24 form an integral part of these financial statements.

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

STATEMENT OF MOVEMENTS IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED 30 NOVEMBER, 2011

	Note	2011 ₱	2010 ₱
Fund at beginning	8	13,174,796,268	13,989,585,747
Dividend payout			(1,002,210,323)
Prior year adjustment		<u>(1,956,127)</u>	<u>-</u>
		13,172,840,141	12,987,375,424
Net increase in unit holders' funds from investment activities		<u>474,284,950</u>	<u>187,420,844</u>
Fund at end		<u>13,647,125,091</u> =====	<u>13,174,796,268</u> =====

The accounting policies on pages 12 and 13 and the notes on pages 19 to 24 form an integral part of these financial statements.

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

PORTFOLIO STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER, 2011

	Market value ₦	Percentage of net assets ₦
Real estate/real estate related	11,166,619,430	78.07
Money market investments	<u>3,136,772,700</u>	<u>21.93</u>
Total value of portfolio	14,303,392,130 =====	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.

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 NOVEMBER, 2011**

	Note	2011 ₱	2010 ₱
Cash flow from operating activities:-			
Operating profit before working capital changes	13.i	472,328,823	187,420,844
Working capital changes	13.ii	411,272,790	843,948,595
Income tax paid		-----	-----
Net cash flow from operating activities		883,601,613	1,031,369,439
		-----	-----
Cash flow from investing activities:			
Acquisition of fixed assets		-	-
Investment in money market		5,001,480,083	1,579,514,840
Investment in mortgage asset		-	3,716,810,817
Investment in properties		<u>(5,862,488,705)</u>	<u>(5,304,130,725)</u>
Net cash flow from investing activities		(861,008,622)	(7,805,068)
		-----	-----
Cash flow from financing activities:			
Dividend paid			(1,002,210,323)
		-----	-----
Net increase in cash and cash equivalent		22,592,991	21,354,048
Cash and equivalents brought forward		<u>21,440,713</u>	<u>86,665</u>
Cash and cash equivalent at the end of the year		44,033,704	21,440,713
		=====	=====
Represented by:	13.iii	44,033,704	21,440,713
		=====	=====

The accounting policies on pages 9 and 10 and the notes on pages 16 to 21 form part of these financial statements

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER, 2011

1. **The UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)**

The operation of the Union Homes – Real Estates Investment Trust (“The Fund”) commenced in February, 2010. The Fund is a close ended Unit Trust or Mutual fund scheme, which provides unit holders access to investments in approved portfolio. It is under the management of Union Homes Savings & Loans Plc with UBA Trustees Limited as the Trustee.

2. **Money market investments**

These comprise of short term money market investments with Nigerian banks and financial institutions

	2011	2010
	₦	₦
Call and term deposit	3,136,772,700	8,138,252,783
	=====	=====

3. **Investment properties**

This is made up as follows: -

	₦	₦
Apartments at McDonald Court, 4-5 McDonald Road Ikoyi, Lagos	1,208,912,267	1,000,000,000
11 Sapara Williams Street, Victoria Island, Lagos	2,329,157,850	2,000,000,000
Olusegun Aina Street, Ikoyi	558,618,054	-
Mike Akhigbe Way, Abuja	258,439,036	-
1 Sinari Daranijo Street, Victoria Island	2,052,402,748	-
Victors Court 2, Palace Road, Park View Ikoyi	453,634,500	-
28A, Rumens Street, Ikoyi	1,860,910,500	-
Legacy Properties	<u>2,444,544,475</u>	<u>2,304,130,725</u>
	11,166,619,430	5,304,130,725
	=====	=====

Legacy properties represent investment properties hitherto in the pool of the fund manger which were acquired by the fund as stated in the prospectus.

4. **Debtors**

Interest receivable	31,025,055	25,735,870
Prepaid insurance	7,828,605	-
Rent in arrears	<u>16,044,658</u>	-
	54,898,318	25,735,870
	=====	=====

	2011 ₦	2010 ₦
5. Deferred IPO Expenses	361,554,231 =====	528,425,414 =====
Total IPO expenses	528,425,414	695,296,597
<i>Less:</i> Refund – Issuing House Fees	<u> -</u>	<u> -</u>
	528,425,414	695,296,597
<i>Less:</i> Charge to current period	<u>(166,871,183)</u>	<u>(166,871,183)</u>
Balance at 30 November	361,554,231 =====	528,425,414 =====

The initial public offer expenses of ₦834,355,916 is being amortized over a period of 5 years in line with the relevant provision in the prospectus. The amount of ₦166,871,183 charged to current period represents 12 months amortization of the total amount incurred.

6. **Creditors**

Due to Manager - (Note 6.1)	142,212,759	141,075,031
Accrued charges (Note 6.2)	276,696,216	135,940,406
Provision for AGM expenses	<u>10,000,000</u>	<u>5,000,000</u>
	428,908,975 =====	282,015,437 =====

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

Management fee	-	1% of net assets
Trustee fee	-	0.005%
Rating Agency's fee	-	0.005%
Guarantors fee	-	0.5% of net assets
Property managers fee	-	0.007% of net assets
Registrars' fee	-	0.01% of net assets

6.1 **Due to Manager**

Management fee	134,770,777	133,774,639
Sundry payments	<u>7,441,982</u>	<u>7,300,392</u>
	142,212,759 =====	141,075,031 =====

	2011	2010
	₦	₦
6.2 Accrued charges		
Guarantor's fee	193,305,250	125,920,089
Audit and other professional fees	5,000,000	5,000,000
Withholding tax	1,876,625	513,698
Property managers fee	943,392	-
Caution deposit	30,000,000	-
Accrued income	16,044,658	-
4% Property maintenance fund	22,485,766	-
Service charge (facility management)	3,000,000	-
Trusteeship fee	673,852	2,500,000
Rating agency's fee	673,852	668,873
Registrars fee	<u>2,692,821</u>	<u>1,337,746</u>
	276,696,216	135,940,406
	=====	=====
	2011	2010
	₦	₦
7. Rent received in advance		
Legacy properties	71,584,317	243,386,679
Macdonald Court	29,835,068	17,787,121
28A, Rumens Road, Ikoyi	54,000,000	-
Victors Court, 2 Palace Road, Parkview Estate, Ikoyi	6,663,014	-
1, Sinari Daranijo Street, V.I.	337,739,178	-
Olusegun Aina Street, Ikoyi	16,509,589	-
Mike Akhigbe Way, Abuja	15,513,151	-
11B, Sapara Williams Close	<u>156,000,000</u>	<u>300,000,000</u>
	687,844,317	561,173,800
	=====	=====

8. Unit holders' equity	No.of	Unit holders	Share	Retained	Total
	units	equity	premium	earnings	
		₦	₦	₦	₦
Balance as at 1 Dec. 2010	250,019,781	12,500,989,050	375,029,672	298,777,546	13,174,796,268
Dividend payout	-	-	-	-	-
Prior year adjustment	-	-	-	(1,956,127)	(1,956,127)
Transfer from					
Statement of return	<u>-</u>	<u>-</u>	<u>-</u>	<u>474,284,950</u>	<u>474,284,950</u>
Balance as at 30 Nov. 2011	<u>250,019,781</u>	<u>12,500,989,050</u>	<u>375,024,672</u>	<u>771,106,369</u>	<u>13,647,125,091</u>
	=====	=====	=====	=====	=====

Prior year adjustment

This is in respect of under provision for expenses in prior year:

	₦
Rating agency fee	1,799,385
Trustee's fee	<u>156,742</u>
	1,956,127
	=====

	2011	2010
	₦	₦
9. Investment income		
Rental income	547,864,003	120,294,485
Interest from deposits	350,158,612	388,464,053
Sundry income (9.1)	2,943,500	7,975,204
Interest from mortgage assets	<u>-</u>	<u>73,928,895</u>
	900,966,115	590,662,637
	=====	=====
9.1 Sundry income		
Overprovision – AGM expenses	-	7,771,803
Legal fee	2,939,500	-
Cash refund	4,000	-
Registrars’ fee refund	<u>-</u>	<u>203,401</u>
	2,943,500	7,975,204
	=====	=====
10. Operating expenses		
Initial public offer expenses	166,871,183	166,871,183
Provision for management fee	134,770,321	133,774,639
Provision for guarantor fee	67,385,160	66,887,320
Estate valuation fee	8,294,332	11,811,661
Provision for AGM expenses	5,000,000	5,000,000
Audit fee	5,000,000	5,000,000
Sitting allowance	4,340,000	3,920,000
Legal charges	350,000	3,415,359
Provision for trusteeship fee	673,852	2,500,000
Provision for registrars fee	1,355,074	1,337,746
Travelling expenses	798,870	709,733
Advert and public relations	-	702,000
Rating agency’s fee	673,852	668,873
Entertainment	-	199,890
Motor vehicle expenses	-	177,016
Stationery	-	132,748
Bank charges	83,264	63,075
Postages, telephone & telegram	51,190	36,300

	2011	2010
	₦	₦
Provision for property manager fee	943,392	-
Facility management account	96,250	-
Property maintenance fee	22,485,766	-
Insurers fee	7,508,659	-
Newspapers and periodicals	<u>-</u>	<u>34,250</u>
	<u>426,681,165</u>	<u>403,241,793</u>
	=====	=====

11. Taxation

Tax attributable to franked investment income	-	-
	<u>-</u>	<u>-</u>
	=====	=====

The fund is exempted from paying tax.

12. Related party transactions

During the period, the following related party activities existed: -

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

Union Bank of Nigeria Plc acted as Guarantor to the Fund

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
	<u> </u>	
	=====	

These transactions were done at arm's length.

	2011	2010
	₦	₦
13. Cash flow reconciliations		
13(i) Operating profit before working capital changes		
Profit after tax	474,284,950	187,420,844
Prior year adjustment	<u>(1,956,127)</u>	<u>-</u>
	472,328,823	187,420,844
	=====	=====
(ii). Working capital changes		
Decrease in debtors and prepayments	137,708,735	282,126,237
Increase in creditors and accruals	<u>273,564,055</u>	<u>561,822,358</u>
	411,272,790	843,948,595
	=====	=====
(iii). Cash and bank balance		
Cash	44,033,704	21,440,713
	=====	=====
14. Statistical information		
Gross income	900,966,115	590,662,637
	=====	=====
Net Income	474,284,950	187,420,844
	=====	=====
Number of units	<u>250,019,781</u>	<u>250,019,781</u>
Gross income per unit (₦)	3.60	2.36
	=====	=====
Net income per unit (₦)	1.90	0.75
	=====	=====
15. Management fee		
Management fee for the year ended 30 November, 2011 is calculated at 1% of the net asset value of the Fund. This has been calculated to be ₦134,770,321 which represents 14.96% per annum of the gross income for the year.		

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

**STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 30 NOVEMBER, 2011**

	2011		2010	
	₹	%	₹	%
Gross earnings	900,966,115		590,662,637	
<i>Deduct:</i>				
Administrative overheads and payments for other services	<u>(291,910,844)</u>		<u>(269,467,154)</u>	
Value added	<u>609,055,271</u>	100	<u>321,195,483</u>	100
	=====	===	=====	=====
Applied as follows:				
Fund manager's remuneration	134,770,321	22	133,774,639	42
Government as taxes	-	-	-	-
Retained earnings	<u>474,284,950</u>	<u>78</u>	<u>187,420,844</u>	<u>58</u>
Value added	<u>609,055,271</u>	100	<u>321,195,483</u>	100
	=====	===	=====	=====