

**UNION HOMES REAL ESTATE INVESTMENT TRUST**

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 2015**

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FOR THE YEAR ENDED 31 DECEMBER, 2015**

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## FUND MANAGER, PROFESSIONAL ADVISERS ETC

**Directors of the Fund Manager:** Dr Layi Fatona - (Chairman) -w.e.f. 29/3/2016  
Mr. Patrick Ilodiana - (Managing Director/CEO)-w.e.f. 29/3/2016  
Dr. Yemi Kale - (Non-Executive Director) -w.e.f. 29/3/2016  
Mr. Yemi gbenro - (Non-Executive Director) -w.e.f. 29/3/2016  
Mr. Dimeji Sonowo - (Executive Director) -w.e.f. 29/3/2016

Olutoyin Okeowo - (*retired w.e.f. 27/1/2016*)  
Adekunle Adedigba - (*retired w.e.f. 27/1/2016*)  
Ali Magashi - (*retired w.e.f. 27/1/2016*)  
Hassan M. Usman - (*retired w.e.f. 27/1/2016*)  
Joshua Maikori - (*retired w.e.f. 27/1/2016*)  
Ozoh Ifeanyi - (*retired w.e.f. 27/1/2016*)  
Asmau Atta - (*retired w.e.f. 27/1/2016*)  
Makoju Enesi - (*retired w.e.f. 27/1/2016*)  
Muhammed Inuwa Shehu -(*retired w.e.f. 27/1/2016*)

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

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

**Custodian:** UBA Global Investor Services,  
UBA House (14<sup>th</sup> Floor),  
57, Marina, Lagos.

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

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

**Bankers:** Keystone Bank Plc  
United Bank for Africa Plc  
Skye Bank 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.

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**Adekunle Adedigba**  
**Director**  
**FRC/2016/ICAN/00000014376**

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**Makoju Enesi**  
**Director**  
**FRC/2013/IODN/0000003065**

## 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 monitor the register of Unit holders.
4. The Trustee is required to ascertain the profitability rationale for investment decision-making of the Fund Manager.
5. The Trustee is required to approve all major investments from the REIT's funds.
6. 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).
7. 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).

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**Adekunle Adedigba**  
**Director**  
**FRC/2016/ICAN/00000014376**

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**Makoju Enesi**  
**Director**  
**FRC/2013/IODN/00000003065**

## **REPORT OF FUND MANAGER FOR THE YEAR ENDED 31 DECEMBER, 2015**

Distinguished Unit holders we present to you the Fund's financial performance for the year 2015. The Union homes Real Estate Investment Trust ("REIT" or "Fund") was established on August 19, 2008, a unit trust scheme listed on the floor of the Nigerian Stock Exchange on July 2, 2010. The financial year 2015 marks the seventh year of operation as a REIT in Nigeria

### **Operating Environment**

The operating environment in 2015 was characterized by instability in global commodity markets and economic policy lacuna created by the delayed formation of Nigeria's post-election cabinet. Oil prices which started to descend in the second half of 2014 reached record lows by 2015 to sell at \$38.0 per barrel. The full implication of this prognosis is the current slowdown of Nigerian economy. Household disposable incomes are shrinking; capital market investors are losing money and international trade is severely imbalanced as a result of fundamental disruptions to the nation's foreign exchange supply. The government has signaled an irreversible commitment to diversify Nigeria's economic base but it is still too early to confirm if this commitment is backed by any form of capacity considering the challenges that exist.

### **Real Estate Market Review**

As an investment asset class, real estate retained its edge over the equities, fixed income and commodities. Average annual yields (capital appreciation plus rental income) remained above inflation until the end of 2015. In Lagos, one of the most significant events which continue to impact the real estate scene was the commissioning of the Lekki-Ikoyi Link Bridge. This link has effectively pushed down rental prices in Ikoyi by up to 50% within the last three years. Over the last 12 months, the domestic real estate sector has been constrained by an oversupply of commercial and residential properties (spiked by volume of recoveries from AMCON's portfolio) which is forcing rental yields downwards; slowing investor confidence with limited capacity to close high-value transactions and lender skepticism due to the long term requirement for most real estate projects.

According to Northcourt real estate market review for 2015 in most locations nationwide, rental prices grew only marginally, stayed the same or in some cases (high end) declined. There was hardly any upward rent review from our findings. Tenants armed with the slightest information on the economy could easily negotiate to stay rents.

Other factors within the real estate sector include: CBN aggressively controlling market liquidity by increasing the CRR on public and private funds. This significantly decreased lending activities.

Nigeria Mortgage Refinance Company (NMRC) since its incorporation in 2013 and full licensing by February 2015 launched its mortgage-refinancing mandate by refinancing mortgage loans worth ₦1Billion from Imperial Homes Mortgage Bank Limited. In the same year, NMRC completed its inaugural bond issuance of a ₦8Billion 14.9% fixed rate bond, due 2030 on FMDQ. This bond issuance is aimed at improving the capacity of the institution to provide liquidity to the Nigerian mortgage sector.

NMRC aims to refinance 400,000 mortgage loans in Nigeria within the next five years, but will have to succeed in achieving single digit interest rate while tackling the issues of availability and affordability of mortgages in Nigeria to achieve its set target.

### **Financial Market Review**

During the last quarter of 2015 CBN announced the reduction in the Monetary Policy Rate (MPR) from 13% to 11% and Cash Reserve Ratio (CRR) from 25% to 20% as a means of increasing liquidity, thereby reducing lending rates and facilitating for growth in the real sector. Interest rates on Treasury bill dropped significantly in the last quarter of 2015 to 4.56% when compared with 10.8% in 2014.

The Nigerian financial market is currently quite fluid with the most topical issue being the high incidence of loan impairments and options available to government to achieve its fiscal goals. Most commercial banks suffered significant impairment to earnings for 2015 results or issued profit warnings to the market. This means the Central Bank of Nigeria has had a busy spell trying to achieve monetary policy stability; manage interest rates and the nation's external reserves (foreign exchange policy). As expected, the interbank market rate remained stable with CBN maintaining exchange rate at ₦196.95/\$ and ₦199/\$ during the period.

On the back of a weakening Naira, the stock market also depreciated by 17.4% as a result capital flight. The financial market continued to struggle through the year as Nigeria's revenue dwindled to over 50% of what it earned in the previous year. Data from the NSE as at Dec. 31, 2015 showed that the equity market dipped by 17.36% year-to-date compared with a decline of 16.14% posted in 2014. The market capitalization, which opened for the year at ₦11.478 trillion, lost ₦1.628trillion to close at ₦9.850 trillion on Dec 31, 2015 due to huge price losses by some blue chips.

Despite the crisis caused by the fall in crude oil prices and the corresponding pressure on the Naira, debt to GDP ratio was maintained at a modest 10.5%. Some believe this low debt to GDP ratio presents tremendous headroom for the government to increase borrowing to fund the budget; others insist increased ability to borrow will not be automatic if investor confidence does not improve.

### **Performance of the Fund**

Despite the negative macroeconomic outlook, the fund is on the path of recovery. The net operating income of ₦547million achieved in 2015 will go a long way to reduce the huge valuation losses incurred in 2014 financial year, which led to negative net earnings of

₦1.29Billion, even with a net operating income of ₦678million. The retained earnings therefore have reduced from a negative ₦982million to ₦439million. This rate of performance will guarantee exit from negative retained earnings to enable distribution to unit holders in the subsequent year.

The net Assets of the Fund grew from ₦11.52Billion in the year ended 31<sup>st</sup> December, 2014 to ₦12.06Billion in 31 December, 2015 financial year end, this was as a result of the acquisition of some properties and major renovations capitalized during the year. The new acquisition was not only for the purpose of achieving regulatory portfolio mix but also geared towards diversifying the REIT real estate portfolio to fit the current demand in residential properties based on both house types and location.

There is a significant improvement in occupancy from 69% in 2014 to 80% in 2015. This upward trend will continue due to aggressive tenant acquisition strategy and improved lease and facility management. Other recommendations also approved by Management of the Fund are now being implemented, hence the improved financial performance.

The asset allocation performance of the Fund improved in the real estate investment from 78.29% in 2014 financial year to 86.82% in the current year showing a percentage increase of 10.89%. Also, the money market investment reduced from 21.71% in 2014 financial year to 13.18% in the current year by 39.29%. There is an improvement in the asset allocation in the current year when compared with the previous year. The management is also positioned towards acquiring additional investment properties in the next financial year to ensure that the target asset allocation is met in compliance of the Trust Deed.

The Fund experienced a drop of 0.23% in the real estate returns in the current period when compared with the previous financial year (2014). Also, returns from money market dropped in the current year by 0.02% as compared with the previous year (2014). The reduction in money market annual returns for the Fund was due to decrease in interest and interbank rates towards the end of the financial year.

### **Review of Mortgage Industry**

The Nigeria's mortgage industry experienced major landmark in 2015 with the disbursement of ₦1Billion from The Nigeria Mortgage Refinance Company Plc (NMRC) to Imperial Homes Ltd as first mortgage refinance deal by NMRC. This singular event has set the stage for similar transactions in the near future. A more significant development is the issuance of ₦8Billion Series 1 fixed rate bond to deepen mortgage refinancing in the economy.

It is more obvious than ever before that the closing of long term fund gap in mortgage financing has seen the light of day with the local solution. The fixed Bond rate is considered high at 14.9%, and the modest expectations by borrowers for lower interest rates in the medium to long term continue to persist.

We also note fundamental changes to competitive force-field within the industry, most notably through inorganic acquisitive growth. In the first instance, the acquisition of Union Homes Savings and Loans Plc currently at final regulatory approval stage whilst there are reports that FBN Mortgages is presently shopping for a new core investor. -

### **Future Strategy & Outlook**

The future is more promising than ever due to renewed vigor of the current REIT management to maximize value from real estate holding and especially with the outcome of steps taken by Management to reposition the Fund. We are confident that these measures will continue to drive occupancy rates through the coming year and beyond. We will also be taking active steps to grow the Fund's asset base whilst at the same time, continue to mitigate portfolio risk through an efficient diversification strategy.

Thank you.

## UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

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### REPORT OF THE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER, 2015

The Trustee 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, 2015.

#### Principal Activities & Business Review:

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

Registered as a Close-ended Investment Scheme and Real Estate Investment Trust (REIT) in Nigeria by the Securities and Exchange Commission 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:

	<b>2015</b> <b>₦'000</b>	<b>2014</b> <b>₦'000</b>
Net Asset Value	12,062,182	11,518,635

Real Estate related investments increased from ₦9,719,625 as at 31 December, 2014 to ₦10,677,873 as at 31 December, 2015 due to the acquisition of two properties.

#### Operating Results:

	<b>2015</b> <b>₦'000</b>	<b>2014</b> <b>₦'000</b>
Net loss/income (After Tax)	543,549	(1,291,192)

#### ADMINISTRATION OF THE SCHEME

##### Income Generation

During the period under review, Net Income generated by the Fund appreciated from a loss position of ₦1,291,192,000 in year 2014 to a profit position of ₦543,549,000 in 2015 financial year, thus creating value for the Unitholders of UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

### **Properties Under Management**

During the review period, two key properties were vacant due to major repairs on them. However, one of them was completed towards the end of the year. These vacant properties had a negative impact on the REIT's income significantly. Towards the end of the year, the completed property was fully tenanted. It is also expected that once the repairs are completed on the other property, additional income will be generated for the REIT in subsequent years.

### **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 31 December, 2015 was 86.82% in Real Estate Investments, 13.18% was invested in Money Market. The REIT improved on the portfolio mix for the year (2015) when compared with the previous year. Investment in Real Estate is expected to increase in year 2016, as the Fund Manager is making concerted efforts to identify and conclude on some prospective properties.

The REIT has only a registered individual with the Commission, as opposed to the minimum required three (3) individuals. However, the Fund Manager has concluded plans to ensure the minimum staff registration is achieved in 2016.

**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:**

<b>Fund Manager</b>	-	Union Homes Savings and Loan Plc
<b>Trustee</b>	-	United Capital Trustees Limited
<b>Registrar</b>	-	GTL Registrars Limited
<b>Auditors</b>	-	Baker Tilly Nigeria
<b>Custodian</b>	-	UBA Global Investor Services

### **BY ORDER OF THE TRUSTEE**

United Capital Trustees Limited  
UBA House (12th Floor)  
No. 57, Marina  
Lagos

**10 March, 2016**

**Tokunbo Ajayi**  
**FRC/NBA/0000008349**

**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.

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**Adekunle Adedigba**  
**Director**  
**FRC/2016/ICAN/00000014376**

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**Makoju Enesi**  
**Director**  
**FRC/2013/IODN/0000003065**

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

**Report on the Audit of the Financial Statements**

**Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Union Homes Real Estates Investment Trust (REIT) as at 31 December 2015, its financial performance and its cash flows for the year then ended in accordance with the provisions of both the Companies and Allied Matters Act CAP C20 2004 and the Financial Reporting Council of Nigeria (FRCN) Act No.6 of 2011.

We have audited the financial statements of the Fund which comprise the statement of financial position as at 31 December 2015, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements including a summary of significant accounting policies.

**Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company within the meaning of Nigerian Standards on Auditing (NSAs) issued by the Institute of Chartered Accountants of Nigeria and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

The following key audit matters came to our attention during the audit.

### **Going Concern**

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

### **Responsibilities of the Fund Manager's for the Financial Statements**

The Fund Manager is responsible for the preparation and fair presentation of these financial statements which are in compliance with the requirements of both the Financial Reporting Council of Nigeria Act, No. 6 of 2011 and the Companies and Allied Matters Act, 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, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

### **Report on Other Legal and Regulatory 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) proper books of account have been kept by the Fund; and
- iii) the Fund's statements of financial position and Comprehensive income are in agreement with the books of account.

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

**Lagos, Nigeria**  
**10 March, 2016**

**STATEMENT OF COMPREHENSIVE INCOME (TOTAL RETURN)  
FOR THE YEAR ENDED 31 DECEMBER, 2015**

	<b>Note</b>	<b>2015 ₱'000</b>	<b>2014 ₱'000</b>
Investment income	3	777,902	880,297
<b><i>Deduct:</i></b>			
Operating expenses	4	<u>(231,238)</u>	<u>(201,904)</u>
Net operating income		546,664	678,393
Loss on revaluation of investment properties	9	<u>          -</u>	<u>(1,935,985)</u>
Net (loss)/income before taxation		546,664	(1,257,592)
Taxation	5	<u>(3,115)</u>	<u>(33,600)</u>
Net income/(loss) after taxation	15	543,549	(1,291,192)
		=====	=====
Net increase in unit holder's fund from investment activities		543,549	(1,291,192)
		=====	=====

The notes on pages 18 to 37 form an integral part of these financial statements.

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER, 2015

<b>Assets:</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
<i>Current Assets</i>		<b>₦'000</b>	<b>₦'000</b>
Cash and cash equivalents	6	1,715,476	2,694,705
Other assets	7	4,907	6,244
Trade and other receivables	8	<u>159,031</u>	<u>225,409</u>
<i>Total current assets</i>		1,879,414	2,926,358
<i>Non-Current Assets</i>			
Investment properties	9	10,677,873	9,719,625
<i>Total assets</i>		<u>12,557,287</u>	<u>12,645,983</u>
<b>Liabilities:</b>			
<i>Current Liabilities</i>			
Rent received in advance	10	147,442	176,144
Payables to related parties	11	108,648	118,763
Accruals and other payables	12	185,727	770,140
Provisions	13	<u>31,116</u>	<u>21,631</u>
<i>Total current liabilities</i>		472,933	1,086,678
<i>Non-Current Liabilities</i>			
Rent received in advance	10	22,172	40,670
<i>Total liabilities</i>		<u>(495,105)</u>	<u>(1,127,348)</u>
<b>Net assets</b>		<u><b>12,062,182</b></u>	<u><b>11,518,635</b></u>
<b>Equity and Reserves</b>			
Unit holders Equity	14	12,500,989	12,500,989
Retained earnings	15	<u>(438,807)</u>	<u>(982,356)</u>
<b>Unit holders' Fund</b>		<u><b>12,062,182</b></u>	<u><b>11,518,635</b></u>

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**Adekunle Adedigba**  
**Director**  
**FRC/2016/ICAN/00000014376**

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**Makoju Enesi**  
**Director**  
**FRC/2013/IODN/00000003065**

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**Asmau Atta**  
**Chief Financial Officer**  
**FRC/2016/ANAN/00000015111**

The notes on pages 18 to 37 form an integral part of these financial statements

**STATEMENT OF CHANGES IN EQUITY  
(MOVEMENTS IN UNIT HOLDERS' FUND)  
FOR THE YEAR ENDED 31 DECEMBER, 2015**

	<b>Unit Equity N'000</b>	<b>General reserve N'000</b>	<b>Total N'000</b>
<b>31 December, 2014</b>	<b>12,500,989</b>	<b>1,443,926</b>	<b>13,944,915</b>
Dividend payout	-	(1,135,090)	(1,135,090)
Transfer from - income statement	-	(1,291,192)	(1,291,192)
<b>31 December, 2015</b>	<b>12,500,989</b>	<b>(982,356)</b>	<b>11,518,633</b>
Transfer from income statement	-	543,549	543,549
<b>31 December, 2015</b>	<b>12,500,989</b>	<b>(438,807)</b>	<b>12,062,182</b>

The notes on pages 18 to 37 form an integral part of these financial statements

**PORTFOLIO STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER, 2015**

	<b>Market value N'000</b>	<b>Percentage of net assets %</b>
Real estate	10,677,873	86.82
Real estate related	<u>-</u>	<u>-</u>
	10,677,873	86.82
Money market investments	<u>1,620,994</u>	<u>13.18</u>
Total value of portfolio	12,298,867 =====	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 YEAR ENDED 31 DECEMBER 2015**

	Note	2015 ₹'000	2014 ₹'000
<b><i>Cash flow from operating activities:</i></b>			
Investment income	3	777,902	880,297
Operating expenses	4	(231,238)	(201,904)
Income tax paid		(3,115)	(33,600)
Loss on revaluation of investment properties		-	(1,935,985)
		-----	-----
<b><i>Cash flow from operating activities before changes in operating assets &amp; liabilities</i></b>		543,549	(1,291,192)
<b>Items not involving movement of cash</b>			
Loss on revaluation		-	1,935,985
2014 Dividend accrued		-	(532,542)
		-----	-----
		543,549	112,251
Net decrease/(increase) in receivables and other assets		67,714	102,258
Net (decrease)/increase in other liabilities and provisions		(19,218)	88,712
Net decrease in payables to related parties		(10,115)	(17,094)
Net increase in accruals and other payables		(584,413)	360,256
Net (decrease)/increase in rent received in advance (non-current)		(18,498)	25,109
		-----	-----
<b><i>Net cash flow from operating activities</i></b>		(20,981)	<b>671,493</b>
		-----	-----
<b><i>Cash flow from investing activities:</i></b>			
Development of investment in properties		(958,248)	(60,828)
Mortgage assets		-	-
Write back of capital expenditure on properties		-	8,790
		-----	-----
<b><i>Net cash flow from investing activities</i></b>		<b>(958,248)</b>	<b>(52,038)</b>
		-----	-----
<b>Cash flow from financing activities</b>			
Dividend payout		-	(602,548)
		-----	-----
Net increase in cash and cash equivalent		(979,229)	16,907
Cash and equivalents brought forward		2,694,705	2,677,798
		-----	-----
<b>Cash and cash equivalent at the end of the year</b>	<b>6</b>	<b>1,715,476</b>	<b>2,694,705</b>
		=====	=====

The notes on pages 18 to 37 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER, 2015**

## **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.

### ***Functional and presentation currency***

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

## UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

### *Use of estimates and judgments*

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

### **Basis of measurement**

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

## **2.2 Summary of significant accounting policies**

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

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

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

### **ii. *Investment properties***

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

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

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

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

## UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

properties being valued, values the portfolio periodically in line with the Trust Deed. The valuer, in addition to the qualifications above, should hold Financial Reporting Council (FRC) of Nigeria registration certificate in accordance with section 41 of the Financial Reporting Council of Nigeria Act, No.6 of 2011.

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

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

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

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

### iv) **Financial instruments**

#### (a) **Recognition and measurement**

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

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

Financial assets are derecognised when and only when:

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

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability (or part thereof) extinguished or

transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

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

(b) **Fair value hierarchy**

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

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

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

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

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

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

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

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

(d) **Financial assets**

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

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

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

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

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

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

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

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

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

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Were the company to sell more than an insignificant amount of held-to-maturity investments, the entire category would be tainted and reclassified as available-for-sale assets with the difference between amortised cost and fair value being accounted for in other comprehensive income (OCI). Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any impairment losses.

(e) **Financial liabilities**

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

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

(f) ***Gains and losses***

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

(g) ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate

that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**(h) *Offsetting of financial instruments***

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

**Impairment of financial assets**

• **Assets carried at amortised cost**

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

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

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

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the

amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

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

- **Assets carried at fair value**

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

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

- v. ***Provisions***

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

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

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

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

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

**vii. *Borrowings – mortgage loan***

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

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

**viii. *Related party transactions***

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

**ix *Taxes***

The Fund is not subjected to income and education taxes on its income by the concession given to the Fund. This concession was given and approved by the Federal Ministry of Finance in accordance with international best practice. This concession covers:

- Exemption from Companies Income Tax, although WHT will be imposed on dividend distribution to investors; any distribution below the prescribed threshold (i.e. 90%) will disqualify the REIT from tax exemption.
- Exemption from stamp duties to reduce transaction costs; and
- Exemption from Capital Gains Tax on the ground that income arising from sales or disposal will be ploughed back for the purchase of additional properties or distributed as dividend.

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

**x. *Unit holders equities and reserves***

*Unit issue costs*

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

*Distributions*

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

**xi. *Foreign currency translation***

*Transactions and balances*

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

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

**xii. *Revenue recognition***

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

***Rental income:***

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

***Services rendered/service charge and expenses recoverable from tenants:***

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

***Sale of completed property and Sale of property under development:***

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

**xiii. *Borrowing costs***

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

**xiv. *Expenditure recognition***

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

	<b>2015</b>	<b>2014</b>
	<b>₹'000</b>	<b>₹'000</b>
<b>3. Investment income</b>		
Rental income	413,722	540,790
Interest from deposits	330,431	335,995
Sundry income (3.1)	<u>33,749</u>	<u>3,512</u>
	777,902	880,297
	=====	=====
<b>3.1 Sundry income</b>		
Write back on provisions	20,924	-
Overprovision – AGM expenses	-	1,900
Income received on caution deposit	2,800	-
Legal fee	2,025	450
Service charge	8,000	-
Exchange gain	<u>-</u>	<u>1,162</u>
	33,749	3,512
	=====	=====
<b>4. Operating expenses</b>		
Management fee (note 16)	131,896	113,353
Provision for AGM expenses	2,500	5,000
Audit fee	5,000	5,000
Independent Member sitting allowance	1,540	980
Legal charges	1,150	1,159
Trusteeship fee	2,500	2,625
Registrars fee	390	291
Travelling expenses	462	138
Rating agency's fee	2,500	2,625
Bank charges	69	112
Subscription and donations	1,375	1,911
Valuation fees	400	-
Regulatory fee	3,420	1,641
Property manager fee	-	12,149
Property maintenance expenses	18,700	7,671
Property maintenance fund	31,116	21,631
Insurance fee	15,030	14,283
Custodian fees	<u>13,190</u>	<u>11,335</u>
	231,238	201,904
	=====	=====

	2015	2014
<b>5. Taxation</b>	<b>₦'000</b>	<b>₦'000</b>
Withholding tax paid	3,115	33,600
	=====	=====

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

	2015	2014
<b>6. Cash and cash equivalents</b>	<b>₦'000</b>	<b>₦'000</b>
Cash in hand	51	1
Cash at bank	94,431	17,091
Short-term deposits	<u>1,620,994</u>	<u>2,677,613</u>
	1,715,476	2,694,705
	=====	=====

The details of short term deposits are:

	<b>Principal Amount ₦'000</b>
Keystone Bank plc	281,198
Skye Bank Plc	<u>1,339,796</u>
	1,620,994
	-----

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

	2015	2014
<b>7. Other assets – prepayments</b>	<b>₦'000</b>	<b>₦'000</b>
Insurance – fire and special peril policy	4,907	6,244
	=====	=====

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

11A Sapara Williams Street, Victoria Island, Lagos	358	410
9, Mike Akhigbe Way, Abuja	350	126
Plot 3, Block A4, Olusegun Aina Street, Ikoyi	350	243
28A, Rumens Street, Ikoyi	350	808
Victors Court 2, Palace Road, Parkview, Ikoyi	751	1,999
Continental Court, Sinari Daranijo Street, Victoria Island	751	-
Block 4-6 McDonald Road Ikoyi, Lagos	628	836
Legacy properties	<u>1,369</u>	<u>1,822</u>
	4,907	6,244
	=====	=====

**8. Trade and other receivables*****Rent receivable:***

Rent and service charge receivable (note 8.1)	118,527	147,683
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***Other receivables:***

Interest receivable (note 8.2)	39,688	77,726
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Union Homes Suspense Account (note 8.3)	<u>816</u>	<u>-</u>
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	<u>159,031</u>	<u>225,409</u>
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**8.1 Rent receivable**

Rent receivable on properties as at 31 December, 2015 comprises of rent due on the following properties:

	<b>2015</b>	<b>2014</b>
McDonald Court, Block 4-6 McDonald Road Ikoyi, Lagos	<b>₦'000</b>	<b>₦'000</b>
Legacy properties	39,123	40,545
9, Mike Akhigbe Way, Abuja	64,030	91,628
	<u>15,374</u>	<u>15,510</u>
	<u>118,527</u>	<u>147,683</u>

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**8.2 Interest receivable**

Interest receivable are accrued interests on short term deposits with Keystone Bank Plc and Skye Bank Plc. The deposits have maturity periods of between one day and three months.

**8.3 Others**

	816	-
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This balance represents amount receivable from Union Homes Plc in respect of expenses incurred on their behalf as fund managers.

**9. Investment properties**

Completed investment property		
At start of the period	9,719,625	11,603,572
Capital expenditure on property during the year	958,248	60,828
Refund from Lagos State on Awolowo property	-	(8,790)
Revaluation loss	<u>-</u>	<u>(1,935,985)</u>
At end of the period	<u>10,677,873</u>	<u>9,719,625</u>

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**Movement in the year ended 31 December, 2015**

	1/1/2015	Net Additions/ disposals	31/12/2015
	N'000	N'000	N'000
Apartment at McDonald Court			
Block 4-6 McDonald Road, Ikoyi Lagos	1,120,625	-	1,120,625
11A, Sapara Williams Street, V.I.	1,160,000	264,535	1,424,535
Plot 3, Block A4, Olusegun Aina Street, Ikoyi	450,000	-	450,000
9 Mike Akhigbe Way, Abuja	330,000	-	330,000
1 Sinar Daranijo Street, Victoria Island	2,200,000	-	2,200,000
Victors Courts 2, Palace Road, Parkview, Ikoyi	300,000	-	300,000
28a, Rumens Street, Ikoyi	1,690,000	12,243	1,702,243
Amina Court	-	310,900	310,900
Locke Apartments	-	370,570	370,570
<b>Legacy Properties, Onipanu Lagos:</b>			
UHSL Plc, 153 Ikorodu Road	785,000	-	785,000
UHSL Plc, 32 Awolowo Road, Ikoyi	508,000	-	508,000
UHSL Plc, 64, Opebi Road Ikeja	356,000	-	356,000
Crescent, Garki Abuja	820,000	-	820,000
	<u>9,719,625</u>	<u>958,248</u>	<u>10,677,873</u>
	=====	=====	=====

**Movement in the year ended 31 December, 2014**

	1/1/2014	Additions	Refund	31/12/2015
	N'000	N'000	N'000	N'000
Apartment at McDonald Court				
Block 4-6 McDonald Rd, Ikoyi Lagos	1,231,412	12,010	-	1,243,422
11A Sapara Williams Str. V/I Lagos	2,460,015	16,450	-	2,476,465
Plot 3, Block A4, Olusegun Aina Str. Ikoyi	577,156	-	-	577,156
9, Mike Akhigbe Way, Abuja	285,330	-	-	285,330
1 Sinar Daranijo Street, V/I	2,114,408	-	-	2,114,408
Victors Courts, No. 2, Palace Rd, Parkview	473,460	-	-	473,460
28a, Rumens Street, Ikoyi	1,952,911	22,634	-	1,975,544
<b>Legacy Properties, Onipanu, Lagos</b>				
UHSL, 153, Ikorodu Road	749,198	6,585	-	755,783
UHSL 32, Awolowo Road, Ikoyi	503,336	300	(8,790)	494,846
UHSL 64, Opebi Road, Ikeja	374,599	-	-	374,599
UHSL Plot 1479 Ogoaro crescent, Garki, Abuja	881,748	2,849	-	884,597
	<u>11,603,572</u>	<u>60,828</u>	<u>(8,790)</u>	<u>11,655,610</u>
	=====	=====	=====	=====

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

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**Market value as estimated by external valuer**

Investment properties are valued periodically. As at 31 December, 2015 if, the value of the properties were as follows:-

<b>Description</b>	<b>Cost</b>	<b>Revalued Amount</b>	<b>Gain/(loss)</b>	<b>Date</b>	<b>Name of valuer</b>
	<b>₦'000</b>	<b>₦'000</b>	<b>₦'000</b>		
UH Legacy properties					
153, Ikorodu Road	755,783	785,000	29,217	-	-
32, Awolowo Rd. Ikoyi	494,846	508,000	13,154		
64, Opebi Rd. Ikeja	374,599	356,000	(18,599)		
1479 Ogoaro Garki, Abuja	884,597	820,000	(64,597)	Dec-14	Jide Taiwo
McDonald Court Ikoyi	1,243,422	1,120,625	(122,797)	Dec-14	Diya Fatimilehin
11B, Sapara Williams	2,476,465	1,160,000	(1,316,465)	Dec-14	Bode Adediji
1 Sinar Daranijo VI	2,114,408	2,200,000	85,592	Dec-14	Bode Adediji
Olusegun Aina Ikoyi	577,156	450,000	(127,156)	Dec-14	Bode Adediji
Victors Court	473,460	300,000	(173,460)	Dec-14	Boye Komolafe
28A, Rumens Str. Ikoyi	1,975,544	1,690,000	(285,544)	Dec-14	Boye Komolafe
Mike Akhigbe Abuja	<u>285,330</u>	<u>330,000</u>	<u>44,670</u>		
	<u>11,655,610</u>	<u>9,719,625</u>	<u>(1,935,985)</u>		

	<b>2015</b>	<b>2014</b>
	<b>₦'000</b>	<b>₦'000</b>
<b>10. Rent received in advance</b>		
At 31 December	169,614	216,814
	=====	=====
<i>Analysed into:</i>		
Current liability	147,442	176,144
Non-current liability	<u>22,172</u>	<u>40,670</u>
	<u>169,614</u>	<u>216,814</u>
	=====	=====
<b>Movement in rent received in advance</b>		
Balance at beginning	216,814	109,178
Recognised as income during the year	(237,350)	(540,789)
Rent received during year	<u>190,150</u>	<u>648,427</u>
Balance at end	<u>169,614</u>	<u>216,814</u>
	=====	=====

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

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**31 December, 2015**

<b>Property at</b>	<b>Type</b>	<b>Current Portion N'000</b>	<b>Non-current portion N'000</b>	<b>Expiry date</b>
Locke Apartment at Lekki	Residential	35,384	-	3/09/2016
Rumens Road	Residential	27,282	7,715	13/12/2017
Victors Court	Residential	2,808	-	22/7/2016
Amina Court at Abuja	Residential	26,600	10,494	24/5/2014
Sinari Daranjo	Residential	37,028	-	31/3/2016
Olusegun Aina	Residential	8,422	-	31/10/2016
McDonald Court	Residential	5,517	-	30/9/2016
Mike Akhigbe Jabi	Residential	<u>4,401</u>	<u>3,963</u>	28/2/2018
		147,442	22,172	
		=====	=====	

**31 December, 2014**

<b>Property at</b>	<b>Type</b>	<b>Current Portion N'000</b>	<b>Non-current portion N'000</b>	<b>Expiry date</b>
Sinari Daranijo	Residential	150,171	37,028	31/3/2016
Olusegun Aina	Residential	9,250	-	31/10/2015
McDonald Road	Residential	12,186	-	31/10/2015
Mike Akhigbe Jabi	Residential	<u>4,537</u>	<u>3,642</u>	28/2/2018
		176,144	40,670	
		=====	=====	

**11. Payables to related parties**

	<b>2015 N'000</b>	<b>2014 N'000</b>
Management fee – UHSL Plc	108,648	113,457
Sundry payables – UHSL Plc	-	<u>5,306</u>
	<u>108,648</u>	118,763
	=====	=====

Sundry payables relate to those expenditure incurred on behalf of the Fund by the Fund Manager i.e. Union Homes Savings and Loans Plc and which was paid off in January, 2015 to align with SEC regulations.

**12. Accruals and other payables**

Accruals (12.1)	149,719	194,917
Other payables (12.2.)	<u>36,008</u>	<u>575,223</u>
	185,727	770,140
	=====	=====

	<b>2015</b> <b>₦'000</b>	<b>2014</b> <b>₦'000</b>
<b>12.1 Accruals</b>		
Accrued income	118,527	147,683
Accrued AGM expenses	9,568	10,000
Interest received in advance	16,624	27,234
Audit and other professional fees	<u>5,000</u>	<u>10,000</u>
	149,719	194,917
	-----	-----
<b>12.2 Other payables</b>		
Sundry customers	5,570	7,573
Trusteeship fee	5,250	5,250
Rating agency fee	7,750	5,250
Dividend payable	-	532,542
Withholding tax	4,248	35
Custodian fees	<u>13,190</u>	<u>24,573</u>
	36,008	575,223
	=====	=====

Trusteeship and rating agency fees are computed at rates specified.

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

Management fee	1% of net assets
Trustee fee	₦2,500,000 minimum
Rating agency fee	₦2,500,000
Registrars fee	on transaction basis
Guarantors fee	0.5% of net assets
Custodian fees	0.10% of net assets

	<b>₦'000</b>	<b>₦'000</b>
<b>13. Provisions</b>		
<b>Property maintenance fund</b>		
At beginning	21,631	15,447
Incurred during the year	<u>(40,331)</u>	<u>(23,118)</u>
Charge to income statement- Admin expenses	<u>(18,700)</u>	<u>(7,671)</u>
	=====	=====
Provision for the year (13.1)	<u>31,116</u>	<u>21,631</u>
At the end	31,116	21,631
	=====	=====

13.1 Provision for the annual property maintenance fund was 4% of the gross income (2014:4% of rental income) earned in the year. This amount is set aside to meet incidental maintenance costs of the Fund's Property.

<b>14. Unit holders equity</b>	<b>₦'000</b>	<b>₦'000</b>
Units offered for subscription:		
970,873,787 units at ₦51.50 each	50,000,000	50,000,000
Units issued and fully paid up		
250,019,781 units at ₦50 each (nominal value)	12,500,989	12,500,989
	=====	=====

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

	<b>2015</b>	<b>2014</b>
	<b>₦</b>	<b>₦</b>
<b>15. Retained earnings</b>		
At the beginning	(982,356)	1,443,926
2012 dividend paid	-	(602,548)
2014 dividend accrued	-	(532,542)
	-----	-----
	(982,356)	308,836
Transfer from income statement	543,549	(1,291,192)
	(438,807)	(982,356)
	=====	=====

#### 16. Related party transactions

During the period, the following related party transactions took place

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

#### i) Units held by related parties: -

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

	<b>Number of Units</b>	<b>% holding</b>
Union Bank of Nigeria Plc	48,543,689	19.42
Union Homes Savings & Loans Plc	97,027,379	38.81
Union Homes Staff	3,109,150	1.24
	=====	

These transactions were done at arm's length.

ii) **Management fee**

Management fee payable for the year ended 31 December, 2015 in respect of this service is calculated at 1% of the net asset value of the Fund. This has been calculated to be ₦131,896,245 which represents 16.96% per annum of the gross income for the year.

17. **Going concern**

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

18. **Contingent Liabilities**

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

19. **Comparative figures**

Some comparative figures has been represented during the year to give a better presentation consistent with the current year disclosure.

20. **Approval of Financial Statements**

These financial statements were approved by the Investment Committee of the company on 10 March, 2016.

UNION HOMES REAL ESTATES INVESTMENT TRUST (REIT)

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STATEMENT OF VALUE ADDED  
FOR THE YEAR ENDED 31 DECEMBER, 2015

	2015		2014	
	N'000	%	N'000	%
Gross earnings	777,902		880,297	
<b><i>Deduct:</i></b>				
Administrative overheads and payments for other services	<u>(99,342)</u>		<u>(2,024,536)</u>	
<b>Value added</b>	678,560	100	(1,144,239)	(100)
	=====	=====	=====	=====
<b>Applied as follows:</b>				
Fund manager's remuneration	131,896	19	113,353	10
Government as taxes	3,115	1	33,600	3
Retained earnings for future expansion and distribution	<u>543,549</u>	<u>80</u>	<u>(1,291,192)</u>	<u>(113)</u>
<b>Value added</b>	678,560	100	(1,144,239)	(100)
	=====	=====	=====	=====

## FINANCIAL SUMMARY

	12 Months 31/12/2015 ₦'000	12 Months 31/12/2014 ₦'000	13 Months 31/12/2013 ₦'000	12 Months 30/12/2012 ₦'000	12 Months 30/11/2011 ₦'000
Cash and cash equivalents	1,715,476	2,694,705	2,677,798	1,987,931	3,180,806
Other assets	4,907	6,244	5,172	2,842	7,828
Trade and other receivables	159,031	225,409	328,739	246,144	47,070
Investment properties	10,677,873	9,719,625	11,603,572	11,539,236	11,166,619
Financial assets held to maturity	-	-	-	330,352	-
	12,557,287	12,645,983	14,615,281	14,106,506	14,402,324
	=====	=====	=====	=====	=====
<b>Liabilities</b>					
Rent received in advance	169,615	216,815	109,178	230,831	698,511
Payables to related parties	108,648	118,763	135,858	274,060	338,211
Accruals and other payables	185,727	770,140	409,884	229,135	68,212
Provisions	31,116	21,631	15,447	20,779	22,485
	495,105	1,127,349	670,367	754,807	1,127,420
	=====	=====	=====	=====	=====
<b>Equity</b>					
Unit holders equity	12,500,989	12,500,989	12,500,989	12,500,989	12,500,989
Retained earnings	(438,807)	(982,355)	1,443,925	850,710	773,915
	12,062,182	11,518,634	13,944,914	13,351,699	13,274,904
	12,557,287	12,645,983	14,615,281	14,106,506	14,402,324
	=====	=====	=====	=====	=====
<b>Profit and loss</b>					
Investment income	777,902	880,297	844,559	1,028,587	929,205
	=====	=====	=====	=====	=====
Loss/profit before taxation	546,664	(1,256,583)	623,380	710,170	669,396
Taxation	(3,115)	(33,599)	(30,165)	(39,663)	(38,906)
<b>Profit after taxation</b>	543,549	(1,290,182)	593,215	670,507	630,489
	=====	=====	=====	=====	=====
<b>Per share information</b>					
Basic earnings per share (₦)	2.17	(5.16)	2.37	2.68	2.52
Net assets per share (₦)	48.24	46.07	55.78	53.40	53.10
Dividend paid (₦)		2.13	2.41	2.41	2.27
	=====	=====	=====	=====	=====