UPDC REAL ESTATE INVESTMENT TRUST

FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2018

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FOR YEAR ENDED 31 DECEMBER 2018

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PARTIES TO THE TRUST

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Fund Manager
FSDH Asset Management Limited
8th Floor
1/5 Odunlami Street
Lagos Island
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Property Manager
UACN Property Development Company Plc (UPDC)
REIT Business Manager
3rd Floor
1/5 Odunlami Street
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Registrars
First Registrars Nigeria Limited
Plot 2 Abebe Village Road,
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Custodian
UBA Plc (Global Investor Services Division)
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Banker
United Bank for Africa Plc
Head Office Branch
UBA House
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Auditor
PricewaterhouseCoopers
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Landmark Towers,
5B Water Corporation Drive
Victoria Island
Lagos
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Joint Trustees' Report on the UPDC Real Estate Investment Trust

For the Financial Statements for the period ended 31 December 2018

The Trustees present their report on the affairs of the UPDC Real Estate Investment Trust, together with the Financial Statements for the period ended 31 December, 2018.

Principal activity:

The principal activity of the UPDC Real Estate Investment Trust (the "Trust") is to pool investment in a diversified portfolio of income-generating real estate in Nigeria with high growth potential in accordance with the Trustee Investments Act, the Investments and Securities Act (2007), the Securities and Exchange Commission's Rules and Regulations and the Trust Deed (the Applicable Regulations).

Results:

The results for the period ended 31 December, 2018 are set out on pages 14 and 15.

Directors:

The Directors of the Fund Manager who served during the period under review were:

Mr. Tosayee Ogbomo	(Chairman)
Mrs. Olumayowa Ogunwemimo	(Managing Director)
Mrs. Hamda A. Ambah	(Director)
Mrs. Folasade Ogunde	(Director)
Mr. Kelechi Okoro	(Director)
Ms. Yasmin Belo-Osagie	(Director)

The Directors of the Sponsor who served during the period under review were:

Mr. Babatunde Kasali	(Chairman)
Mr. Folasope Aiyesimoju	(Managing Director)
Mrs. Halima Alao	(Director)
Mr. Adeniun Taiwo	(Director)
Mr. Adekunle Awojobi	(Director)
Prof. Okon A. Ansa	(Director)
Mrs. Awuneba Ajumogobia	(Director)

Directors' and related parties' interest in the units of the Trust:

The Directors of the Fund Manager and Sponsor with direct beneficial interest in the units of the Trust are detailed below:

Mrs. Folashade Ogunde	400,000
Mrs. Hamda A. Ambah	50,000
Mrs. Halima Alao	20,000

None of the directors of FBNQuest Trustees Limited and United Capital Trustees Limited has any direct beneficial interest in the units of the Trust.

Responsibilities of the Fund Manager:

The Investments and Securities Act, 2007 requires the Fund Manager to keep proper books of Account and prepare Annual Financial Statements, which give a true and fair view of the state of affairs of the Real Estate Investment Trust during the period covered by the financial statements.

The Fund Manager was responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any point in time, the financial position of the Trust and enable the Fund Manager to ensure that the Financial Statements comply with the Applicable Regulations.

The Fund Manager is also responsible for maintaining adequate financial resources to meet its commitments and to manage the risks to which the Fund is exposed.

Responsibilities of the Trustees:

The responsibilities of the Trustees as provided by Securities and Exchange Commission's Rules and Regulations made pursuant to the Investments and Securities Act, 2007 are as stated below:

- Monitoring the activities of the Fund Manager and the Custodian on behalf of and in the interest of the Unit Holders;
- Ensuring that the Custodian takes into custody all of the Scheme's assets and holds them in trust for the holders in accordance with the Trust Deed and the Custodial Agreement;
- Monitoring the register of Unitholders or contributors;
- Ascertaining the Fund Manager's compliance with the Applicable Regulations;
- Ascertaining that the monthly and other periodic returns/reports relating to the Fund are sent by the Fund Manager to the Commission;
- Taking all steps and executing all documents which are necessary to secure acquisitions or disposals properly made by the Fund Manager in accordance with the Trust Deed and Custodial Agreement;
- Exercising any right of voting conferred on it as the registered holder of any investment and/or forward to the Fund Manager within a reasonable time all notices of meetings, reports, circulars, proxy solicitations and any other document of a like nature for necessary action;
- Ensuring that fees and expenses of the Fund are within the prescribed limits; and

- Acting at all times in the interest and for the benefit of unit holders of the Scheme.

Administration of the Trust: During the period under review, the Fund was administered in accordance with the applicable regulations, taking into cognisance prevailing market conditions as well as preserving and minimising possible losses to unit holders' funds.

Charitable donations: The Trust did not make any charitable donations during the period.

Auditors: PricewaterhouseCoopers, the Trust's Auditors, have indicated their willingness to continue in office.

By Order of the Joint Trustees

Adekunle Awojobi
Managing Director
FBNQuest Trustees Limited
10 Keffi Street, Ikoyi
Lagos, Nigeria
06 March, 2018

Tokunbo Ajayi
Managing Director
United Capital Trustees Limited
UBA House, 57 Marina
Lagos, Nigeria
06 March, 2018

UPDC REIT FUND MANAGER'S REPORT FOR DECEMBER 2018

The Nigerian macroeconomic environment improved towards the end of 2017, as the recovery from the recession begun. The Central Bank of Nigeria (CBN) stated that the Manufacturing Purchasing Managers' Index (PMI) stood at 61.1 index points as at December 2018, indicating an expansion in the manufacturing sector for 21 consecutive months.

The value of the Naira was relatively stable in 2018. The stability can be attributed to the introduction of the CBN's policy on the Investors & Exporters (I&E) foreign exchange Window, the increase in crude oil price, the increase in foreign reserves and capital inflow.

A combination of heightened uncertainty and eroding affordability is expected to cut into demand and contribute to a weaker real estate market in 2019, and 2018 harsh economic realities made the sector to underperform in terms of yield and returns, according to industry experts. While the economy remains weak, demographic fundamentals remain strong, lack of clear policy in 2018 impacted negatively on prospective homeowners access to mortgage financing in the market. Notably, mortgage interest rates are also on the rise, further reducing buying capacity. As the activities of the Nigeria Mortgage Refinancing Company (NMRC) are yet to be felt in the market, the high interest rate are expected to further stabilise in 2019, which may worsen borrower's ability to qualify for financing.

According to the National Bureau of Statistics (NBS) third quarter (Q3) figures, Nigeria's annual inflation rate increased to 11.28 per cent in September, 0.05per cent higher than the recorded rate of 11.23per cent in August, and the second monthly rise after 18 consecutive months of a steady decline from January 2017, when it reached a 12-year high of 18.7per cent. it is expected that headline inflation will continue its climb upwards as a result of spending for the 2019 elections; the Central Bank of Nigeria (CBN) closed off Q3 at NGN 305.85 / USD at the CBN window, a depreciation of 85 kobo from the rate recorded at the end of Q2.

The CBN maintained the Monetary Policy Rate (MPR) at 14% throughout the year and retained the symmetric corridor of -5% and +2% around the MPR. It also retained the cash reserve requirement (CRR) at 22.50%; and maintained the Liquidity Ratio (LR) at 30% for Deposit Money Banks. According to the report, GDP growth is expected to be 2.25% in 2019, as a result of very weak consumer demand, and a lack of growth in government expenditure relative to the 2018 budget.

Despite the improvement in the macroeconomic environment in the later part of year 2018, the real estate market was not affected significantly by the improvement. This is mainly due the usual lag between economic recovery and the recovery market of the market*. There were fewer developments and slower take-up rate for existing properties. In order to attract tenants, Landlords had to reduce rental rates, offer longer rent-free period and reduce the tenor of leases.

Proshare** https://www.proshareng.com/news/REITS/Real-Estate-Investment-In-Sub-Saharan-Africa---The-Role-Of-The-Capital-Market/34974
The Guardian "https://guardian.ng/property/experts-predict-further-dip-in-real-estate-market/"

UPDC REIT PERFORMANCE

The current market capitalization stood at N15bn as December 2018 while the last trading price fell from N8.10 to N6.60as at 31 December 2019. While net assets attributable to unit holders grew by 19.7% to 2.6bn as 31 December 2018.

The asset allocation of the REIT as at 31 December 2018 is as stated below;

S/N	ASSET CLASS	ASSET ALLOCATION
1	Real Estate Assets	84.65%
2	Real Estate Related Assets	5.61%
3	Liquid Assets	9.63%
	Total	**100.00%**

The allocation to Real Estate asset class exceeds the target minimum of 75% while the allocation to liquid asset was below the maximum investment of 10%. This is as a result of the acquisition of additional real estate assets that met the REIT's requirements.

In the course of the year , we had identified a couple of real estate assets, and acquired the Pearl Hostel 1 at the Pan Atlantic University, Lagos and Kingsway Building Marina, Lagos. The investment in Pearl Hostel 1 & Kingsway Building reduced the current allocation in liquid assets to 9.63%.

The table below briefly describes the Real Estate assets held by the REIT, with the current rental yield and the class of tenants currently occupying the assets.

PROPERTY	LOCATION	CURRENT YIELD	PROPERTY TYPE	TENANTS	LENGTH OF TENANCY AGREEMENT	VACANCY RATE
Abebe Court	Ikoyi, Lagos	4.19%	Residential	A mix of corporate(84%) and individual(16%) client	Annually	0%
Victoria Mall Plaza Phase 1	Victoria Island, Lagos	2.04%	Residential	Corporate Client		0%
Victoria Mall Plaza Phase 2	Victoria Island, Lagos	10.92%	Commercial	Major international auditing/ consulting firm	Annually	0%

UAC Office Block	CBD, Abuja	5.37%	Commercial	Various corporate clients including four(4) banks	30% annual; 50% biennially; 20% between 3 and 5 years	8.0%
1-2 Factory Road Aba	Aba	5.30%	Commercial	Various corporate clients including a leading logistics company	67% annual; 33% between 2 and 3 years	0%
Pearl Hostel 1	Lekki Expressway, Lagos	6.65%	Residential	Multi Tenants	biennially	11%
Kingsway Building	Marina, Lagos	5.73%	Commercial	Various corporate clients including a leading logistics company	Annually	0%

The performance of the REIT was affected negatively by the challenging macroeconomic environment. In addition, the projections during the initial public offer of the REIT had assumed that the properties purchased by the REIT between 2014 and 2015 would be sold in 2017, and would generate some income. The expected income on the assumed sale was not achieved as the REIT was unable to acquire additional properties between 2014 and 2015, partly due to the macroeconomic environment and because the fund manager could not identify qualifying assets which meets the REIT's benchmark returns.

This implies that the REIT could not earn the capital appreciation on sale of property in 2017 and rental income on VMP1, as assumed in the projections. In this regard, the Fund Manager and Property Manager reviewed the projections for 2018, in line with achievable income and same was approved for adoption by the Investment Committee.

In line with the provisions of the Trust Deed, minimum of 90% of the Trust's distributable income will be distributed to unit holders at the end of every financial year. Distributable income represents the "profit after tax" less unrealised fair value gain on investment property plus realised gain on disposed investment property.

Final distributions are not accounted for until they have been ratified at the Annual General Meeting (AGM) of the unit holders. Interim distribution was approved by the Joint Trustees. Interim distribution of 31 Kobo (December 2017 was 44 Kobo) per share totalling N827.16million (Dec 2017 was N1.17billion) was paid for the six months ended 30 June 2018 while 26 Kobo totalling N688.18million (Dec 2017 was N517.53million) is being proposed as final distribution for the year ended 31 December 2018

OUTLOOK

Despite currency volatility and a recession in 2016 which had impacted private sector investment, public spending on new infrastructure has surged in 2018 and is expected to continue in 2019. However, public funds do not suffice to close the country's widening infrastructure deficit, something that has led the government to increasingly target private sector investment to launch new projects. In addition to successful bond issuances that should relieve budgetary constraints and boost transport spending, the authorities have moved to increase the deployment of public-private partnerships to deliver big-ticket projects, a strategy that has had considerable success, and should keep the industry on the path towards positive growth going into 2019.

Minimal activities are expected within the real estate sector in Q1 and Q2 2019 as we expect the election season to slow down activities across various sectors including real estate. However, we expect activities within the sector to improve by H3'19, driven by increased government spending.

The UPDC REIT portfolio is diversified and positioned to benefit from the growth opportunities in both the residential and commercial sub-segment. In addition, the Fund Manager will continue to seek additional investment in quality real estate assets and real estate related assets and ensure that the REIT continues to maintain the quality of the real estate assets in its portfolio and also invest in high yielding investment grade real estate related assets in order to deliver on its promise to generate and distribute competitive returns to its unit holders.

Olumayowa Ogunwemimo
Managing Director, FSDH Asset Management Limited

STATEMENT OF THE FUND MANAGER'S RESPONSIBILITIES

The Fund Manager is responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Trust for the year ended 31 December 2018 and of the net income for the period ended 31 December 2018.

The responsibilities include ensuring that:

i. the Trust keeps accounting records which disclose with reasonable accuracy the financial position of the Trust and which ensure that the financial statements comply with the requirements of the relevant accounting standards;
ii. appropriate and adequate internal controls are established to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities;
iii. the Trust prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and
iv. it is appropriate for the financial statements to be prepared on a going concern basis.

The Fund Manager accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with:

i. International Financial Reporting Standards
ii. Financial Reporting Council of Nigeria Act
iii. Investments and Securities Act
iv. Relevant circulars issued by the Securities and Exchange Commission.

The Fund Manager further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Fund Manager to indicate that the Trust will not remain a going concern for at least twelve months from the date of this statement.

BY ORDER OF THE FUND MANAGER
FSDH Asset Management Limited

Hamda Ambah
Director
FRC/2013/CISN/00000001749
7 March 2019

Olumayowa Ogunwemimo
Director
FRC/2013/ICAN/00000001742
7 March 2019

Independent auditor's report

To the Members of UPDC Real Estate Investment Trust

Report on the audit of the financial statements

Our opinion

In our opinion, UPDC Real Estate Investment Trust's ("the Trust's") financial statements give a true and fair view of the financial position of the Trust as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Investments and Securities Act and the Financial Reporting Council of Nigeria Act.

What we have audited

UPDC Real Estate Investment Trust's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2018;
- the statement of financial position as at 31 December 2018;
- the statement of changes in units and reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Trust in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties – N29.3 billion (refer to notes 2.7, 4.3 and 16) We focused on this balance because significant judgement and estimate is made by management. The estimation process is very complex and the valuation technique adopted for each property is determined by taking into consideration the current use of the property and the availability of market data on recent sales activities.	We assessed the independence, qualifications and expertise of the Fund manager's valuation experts to determine whether there were any matters that might have affected their objectivity or competence. We obtained the valuation reports prepared by the Fund Manager for all properties and assessed whether the valuation technique adopted for each property was suitable in determining the fair value of the property. We carried out procedures to test whether property-specific information supplied to the valuation experts (such as rental income and title held on each property) reflected the underlying property records held by the Trust. We used property specific information and external data to independently develop a range of estimates and compared to the Fund Manager's estimates. We also reviewed the disclosure for compliance with relevant standards.

Other information

The Fund Manager is responsible for the other information. The other information comprises: Parties to the Trust, Trustees' report, Fund Manager's Report, Statement of the Fund Manager's Responsibilities, Statement of value added and Five Year financial summary but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Fund Manager and those charged with governance for the financial statements

The Fund Manager is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Investments and Securities Act, the Financial Reporting Council of Nigeria Act, and for such internal control as the Fund Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Fund Manager either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0921406

Chidi Ojechi

For: **PricewaterhouseCoopers**
Chartered Accountants
Lagos, Nigeria

11 March 2019

Engagement Partner: Chidi Ojechi
FRC/2017/ICAN/00000015955

STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2018 N'000	31 December 2017 N'000
Rental income	6	**1,324,867**	1,124,723
Fair value gain on investment property	16	**1,774,014**	356,410
Interet income on deposit with banks		**24,455**	7,434
Interest income on assets measured at fair value through profit or loss	7	**812,386**	1,123,605
Net (loss)/gain on financial assets held for trading	8	**(71,221)**	79,696
Net loss on financial assets at fair value through profit or loss	9	**(812,963)**	(139,474)
Other income	10	**1,155**	85,385
Net income		**3,052,693**	2,637,779
Operating expenses	11	**(407,930)**	(429,432)
Profit before tax		**2,644,763**	2,208,347
Tax		**-**	-
Profit after tax		**2,644,763**	2,208,347
Increase in net assets attributable to unit holders		**2,644,763**	2,208,347
Earnings per unit attributable to unit holders of the Trust			
Earnings per unit - basic and diluted (Naira)	24	**0.99**	0.83

The accompanying notes form an integral part of these financial statements.

UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2018

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2018 N'000	31 December 2017 N'000
Assets:			
Balances with Banks	12	**34,287**	455,580
Financial assets held for trading	13	**3,932,783**	4,858,866
Financial assets at fair value through profit or loss	14	**-**	2,016,969
Other assets	15	**64,899**	157,188
Investment property	16	**29,289,132**	23,869,750
Property and equipment	17	**85,843**	89,518
Total assets		**33,406,944**	31,447,871
Liabilities:			
Accounts payable	18	**69,928**	53,563
Rent received in advance	19	**787,649**	155,569
Total liabilities		**857,577**	209,132
Net assets attributable to unit holders of the Trust		**32,549,367**	31,238,739
Represented by:			
Units and reserves attributable to unit holders of the Trust			
Unit holders' contributions	20	**26,682,695**	26,682,695
Retained earnings		**5,866,672**	4,556,044
		32,549,367	31,238,739

The accompanying notes form an integral part of these financial statements.

SIGNED ON BEHALF OF THE DIRECTORS OF THE FUND MANAGER ON 7TH MARCH 2019 BY

Hamda Ambah (Director of the Fund Manager)
FRC/2013/CISN/00000001749

Olumayowa Ogunwemimo (Director of the Fund Manager)
FRC/2013/ICAN/00000001742

Additional Certification:

Wasiu Shafe (Chief Financial Officer of the Fund Manager)
FRC/2015/ICAN/00000012973

STATEMENT OF CHANGES IN UNITS AND RESERVES

ATTRIBUTABLE TO UNIT HOLDERS OF THE TRUST

	Unitholders' contributions	Retained earnings	Total
	N'000	**N'000**	**N'000**
At 1 January 2017	26,682,695	4,169,056	30,851,751
Comprehensive income			
Profit for the year	-	2,208,347	2,208,347
Transactions with unit holders in their capacity as unit holders: Distribution paid to unit holders	-	(1,821,359)	(1,821,359)
	-	386,988	386,988
At 31 December 2017	**26,682,695**	**4,556,044**	**31,238,739**
Comprehensive income			
Profit for the year	-	2,644,763	2,644,763
		2,644,763	2,644,763
Transactions with unit holders in their capacity as unit holders: Distributions paid to unit holders	-	(1,334,135)	(1,334,135)
	-	1,310,628	1,310,628
At 31 December 2018	**26,682,695**	**5,866,672**	**32,549,367**

STATEMENT OF CASH FLOWS

	Notes	**31 December 2018**	31 December 2017
		N'000	N'000
Cash flow from operating activities			
Cash generated from operating activities	21	**3,203,545**	80,162
Interest received		**828,552**	996,462
Net cash flow generated from operating activities		**4,032,097**	1,076,624
Cash flows from investing activities			
Additional investment in First Festival Mall	14	**(42,845)**	(85,132)
Acquisition of investment property	16	**(3,605,919)**	-
Improvement of investment property	16	**(39,449)**	(84,777)
Proceeds from sale of investment	14	**1,091,903**	725,523
Purchase of property and equipment	17	**(77,520)**	(16,000)
Net cash (used) in /generated from investing activities		**(2,673,830)**	539,614
Cash flows from financing activities			
Distributions paid to unit holders		**(1,334,135)**	(1,821,359)
Net cash flow used in financing activities		**(1,334,135)**	(1,821,359)
Net increase/(decrease) in cash and cash equivalent for the period		**24,132**	(205,121)
Analysis of changes in cash and cash equivalents:			
Cash and cash equivalents at start of period		**1,264,994**	1,470,115
Net increase/(decrease) in cash and cash equivalent for the period		**24,132**	(205,121)
Cash and cash equivalents at end of period	22	**1,289,126**	1,264,994

The accompanying notes form an integral part of these financial statements.

1 General information

The UPDC Real Estate Investment Trust the “Trust”, established in June 6 2013, is a close-ended Real Estate Investment Trust which is listed on the Nigerian Stock Exchange (NSE). The units of the Trust can be bought and sold through a licensed stockbroker on the floor of the exchange.

The primary objective of the Trust is to enable investors earn stable income while preserving capital over the long term. This is achieved by ensuring stable cash distributions from investments in a diversified portfolio of income–producing real estate property and to improve and maximize unit value through the ongoing management of the Trust's assets, acquisitions and development of additional income-producing real estate property.

These financial statements were approved and authorised for issue by the Investment Committee on the 1st of March 2019.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). Additional information required by national regulations is included where appropriate. The financial statements have been prepared in accordance with the going concern principle under the historical cost convention as modified by the measurement of certain financial assets and investment property held at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Fund Manager to exercise its judgement in the process of applying the Trust’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Fund Manager believes that the underlying assumptions are appropriate and that the Trust’s financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements are presented in Naira, which is the Trust’s functional and presentation currency. The figures shown in the financial statements are stated in thousands of Naira, unless otherwise stated.

2.1 Summary of significant accounting policies

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

New and amended standards and interpretations

Standards and interpretations effective during the reporting period

The following standard(s) became effective in the annual period starting from 1st January, 2018. The new reporting requirements as a result of the new standards and amendments have been evaluated and their impact or otherwise are noted below:

- **IFRS 15 Revenue from Contracts with Customers**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services, IFRIC 4 which covers determination of whether an arrangement contains a lease and IAS 11 which covers construction contracts.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g. IFRS 9, and IFRS 16 Leases).

Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The following five step model in IFRS 15 is applied in determining when to recognise revenue, and at what amount:

a) Identify the contract(s) with a customer
b) Identify the performance obligations in the contract
c) Determine the transaction price
d) Allocate the transaction price to the performance obligations in the contract
e) Recognise revenue when (or as) the entity satisfies a performance obligation

The standard has no significant impact on the Trust’s financial statements as the current policies of the Trust are aligned with the new standard on revenue recognition.
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- **IFRS 9 - Financial instruments**

The Trust has adopted IFRS 9 with a transition date of 1 January 2018. This resulted in changes in accounting policies but there were no adjustments to the amounts previously recognised in the financial statements because the assets are measured at fair value through profit or loss (FVTPL). The Trust did not early adopt IFRS 9 in previous periods

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 introduces a new approach for classification and measurement of financial instruments, a more forward looking Impairment methodology and a new general hedge accounting requirement

Classification and Measurement

IFRS 9 requires financial assets to be classified into one of three measurement categories: fair value through profit or loss, fair value through other comprehensive income and amortised cost.
Financial assets will be measured at amortised cost if they are held within a business model with the objective of which is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Financial assets not meeting either of these two business models; and all equity instruments (unless designated at inception to fair value through other comprehensive income); and all derivatives are measured at fair value through profit or loss.

The Fund Manager has undertaken an assessment to determine the impact of changes in classification and measurement of the financial assets. The standard has no significant impact on the financial assets of the Trust.

IFRS 9 retains most of the existing requirements for financial liabilities. However, for financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk shall be presented in Other Comprehensive Income.

Impairment Methodology

The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, debt instruments measured at fair value through other comprehensive income, lease receivables and loan commitments.

IFRS 9 replaces the existing ‘incurred loss’ impairment approach with an Expected Credit Loss (‘ECL’) model, resulting in earlier recognition of credit losses compared with IAS 39. Expected credit losses are the unbiased probability weighted average credit losses determined by evaluating a range of possible outcomes and future economic conditions.

The ECL model has three stages. Entities are required to recognise a 12 month expected loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk since initial recognition (stage 2). Stage 3 requires objective evidence that an asset is credit-impaired, which is similar to the guidance on incurred losses in IAS 39. The requirement to recognise lifetime ECL for loans which have experienced a significant increase in credit risk since origination, but which are not credit impaired, does not exist under IAS 39.

The assessment of whether an asset is in stage 1 or 2 considers the relative change in the probability of default occurring over the expected life of the instrument, not the change in the amount of expected credit losses. Reasonable and supportable forward looking information will also be used in determining the stage allocation. In general, assets more than 30 days past due, but not credit impaired, will be classed as stage 2.

IFRS 9 requires the use of more forward looking information including reasonable and supportable forecasts of future economic conditions. The Fund Manager has developed the capability to model a number of economic scenarios and capture the impact on credit losses to ensure the overall ECL represents a reasonable distribution of economic outcomes. Appropriate governance and oversight has been established around the process.

IFRS 9 also allows entities to apply a ‘simplified approach’ for trade receivables, contract assets and lease receivables. The simplified approach allows entities to recognise lifetime expected losses on all these assets without the need to identify significant increases in credit risk. Certain accounting policy choices apply. Key to this approach is existence of credit risk along which lines receivables with similar credit characteristics are grouped, determine historical loss rates and consider appropriate forward looking macro-economic factors.

The new impairment requirements will only impact on the Trust's balances with banks, rent receivables and receivables from property manager.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Trust's financial assets and financial liabilities as at 1 January 2018:

01-Jan-18	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amounts under IAS 39**	**New carrying amounts under IFRS 9**
In thousands of Nigerian Naira				
Financial assets:				
Cash and bank balances				
Bank balances	Loans and receivables	Amortised cost	455,580	455,580
Financial assets at fair value through profit or loss				
- Nigerian Treasury Bills	Held for trading	Fair value through profit or loss	4,284,128	4,284,128
- Corporate Bonds	Held for trading	Fair value through profit or loss	574,738	574,738
- Investment in real estate development	Fair value through profit or loss	Fair value through profit or loss	2,016,969	2,016,969
Other assets				
- Receivables	Loans and receivables	Amortised cost	157,188	157,188
Other liabilities				
- Accounts payable	Amortised cost	Amortised cost	53,563	53,563
- Rent received in advance	Amortised cost	Amortised cost	155,569	155,569

Rent receivable and receivables from property manager was assessed for impairment under IFRS 9 using the simplified approach . However, the impairment resulting from this approach was immaterial and has not been reflected in the financial statements. See note 2.4

2.2 Standards and interpretations issued/amended but not yet effective

The Trust has not early adopt the following new standard(s) in preparing these financial statements as it plans to adopt these standards at their respective effective dates if applicable.

The following standard(s) have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2018:

IFRS 16 – Leases

The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets.
Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. The Trust is expected to adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

The Fund Manager has evaluated the standard and established that it will not have any impact on its financial statements as there are currently no long term lease contracts in place.

Annual Improvements

The following improvements are relevant:
• IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.
• IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

2.3 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Trust revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Trust commits to purchase or sell the asset.

At initial recognition, the Trust measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI which results in an accounting loss being recognised in the income statement when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, IFRS 9 the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial assets

Classification and subsequent measurement

From 1 January 2018, the Trust has applied IFRS 9 and classified its financial assets in the following measurement categories:

• Fair value through profit or loss (FVPL);
• Amortised cost.
The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:
(i) the Trust's business model for managing the asset; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Trust classifies its debt instruments into one of the following three measurement categories:

a) Financial assets measured at amortised cost

These represent assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

b) Financial assets measured at FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through
Other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in the income statement.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified
from equity to profit or loss and recognised in income. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. The Trust does not have any assets measured at FVOCI

c) Financial assets measured at FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in the income statement and presented in the income statement within 'Net gains on financial instruments held for trading' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in income. Interest income from these financial assets is included in 'Interest income'.

SPPI Test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund Manager assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Fund Manager considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The Trust reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

C) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Trust subsequently measures all equity investments at fair value through profit or loss. Dividends, when representing a return on such investments, continue to be recognised in the income statement as other income when the Trust's right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the "Net gains on financial instruments held for trading' line in the income statement.

Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Trust tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Financial liabilities

Classification and measurement
In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost. The trust's financial liabilities includes Rent received in advance, fees payable and accrued expenses.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). For instance, when the rents are earned and/or the accrued fees paid.

The Trust classifies non-derivative financial assets into the following categories: financial assets at amortised cost and financial assets at fair value through profit or loss. The Fund classifies non-derivative financial liabilities into the following categories: financial liabilities at amortised cost and other financial liabilities.

Category (as defined by IFRS 9)	Classes as determined by the Trust		Subclasses
Financial assets	Amortised cost	Bank balances	Balances with banks
		Other assets	Rent receivables
			Receivable from property manager
	Financial assets held for trading (FVTPL)	Financial assets held for trading	Treasury bills
			Corporate bonds
		Financial assets at fair value through profit or loss	Unquoted equity
			Loan to Investee company
			Investment in real estate development
Financial liabilities	Financial liabilities at amortised cost	Account payables	Fund manager's fee payable
			Custodian fees payable
			Dividend payable
			Accrued expenses
		Rent received in advance	Rent received in advance

2.4 Impairment

For trade receivables that do not contain a significant financing component, the loss allowance is measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL. As a practical expedient, a provision matrix has been used to estimate ECL for these assets.

The provision matrix simply involves applying the relevant loss rates to the balances outstanding across the different age bands i.e. rates applied depends on the number of days that a trade receivable is past due.

The loss rate is determined based on historical losses rate over a three-year period. The loss definition is any receivables balance that is over 365 days. The estimated historical loss rates have been appropriately adjusted to reflect the expected future changes using macroeconomic variables which serve as indicators of losses. Macro variables considered include GDP growth rate, inflation rate and exchange rate respectively.

Based on the assessment as at 31 December 2018, the loss rates for each age bucket are as follows:

Age bucket	Loss rate (%)
0-30 days	0%
31-60 days	0%
61-180 days	0%
Above 181 days	18%

2.5 Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Trust determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Trust's procedures for recovery of amounts due

2.6 Offsetting 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.7 Investment property

Investment property include income producing properties and property under development (land or building, or part of a building, or both) that are held by the Trust to earn rental income or for capital appreciation or both but are not for sale in the ordinary course of business, use in the production or supply of goods and services or for administrative purposes.

Investment property are initially recognized at property cost including related transaction costs.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value. Investment property under construction for which the fair value cannot be determined reliably, but for which the Trust expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier. Fair value is based on active market prices, adjusted, if necessary, for differences in the nature, location or condition of the specific asset. If this information is not available, the Trust uses alternative valuation methods, such as recent prices on less active markets. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the statement of comprehensive income. Investment property are derecognised when they have been disposed or when no further economic benefits are expected from the property.

For investment property, the fair valuation is carried out by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment property valued. For all investment property, their current use equates to the highest and best use.

Income on disposal of investment properties are recognised in the statement of comprehensive income as 'net gain/loss on disposal of investment property'.

2.8 Interest income and expense

Interest income for all interest-bearing financial instruments are recognised within ‘interest income' in the statement of comprehensive income using the effective interest method. The Trust does not have any interest expense as at the reporting date.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:
(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
(b) Financial assets that are not ‘POCI’ but have subsequently become credit-impaired (or ‘stage 3’), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.9 Rental income from property

Rental income from investment property is recognised on a straight-line basis over the lease term. When the Trust provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Rental Income earned but yet to be paid by the tenant(s) is recorded as "rent receivables" in the notes to the account and reported under "other assets" in the statement of financial position.

Rent paid in advance and yet to be earned are recorded as "Rent received in advance" in the statement of financial position.

2.10 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. An asset is recognised when it is probable that economic benefits associated with the item flow to the Trust and the cost of the item can be reliable measured.
The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognized net within other operating income in statement of comprehensive income.
The assets' carrying values and useful lives are reviewed, and written down if appropriate, at each date of the statement of financial position. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Trust and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to- day servicing of property and equipment are recognised in statement of comprehensive income.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5. A non-current asset or disposal company is not depreciated while it is classified as held for sale.

The estimated useful lives for the period are as follows:

-Office equipment	- 33.33%
-Fixtures & fittings	- 33.33%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

2.11 Cash and cash equivalents

For the purposes of statement of cash flow, cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. Hence this includes cash in hand and cash equivalents that are readily convertible to known amount of cash, are subject to insignificant risk of changes in value and whose original maturity is three months or less. This includes placements with banks and other short-term highly liquid investments which originally matures in three months or less (such as treasury bills with less than 3 months maturity)

2.12 Taxation

The Trust is domiciled in Nigeria. There is no income, estate, corporation, capital gains or other gains or taxes payable by the Trust. The Trust only incurs withholding taxes on dividend and rental income. The Trust did not earn any dividend income during the period ended 31 December 2017 (December 2016: Nil). The Trust also charges value added tax on sale of investment property or any part thereof and remits same to the responsible tax authorities.

2.13 Distributions

Distributions are recognised in retained earnings in the period in which they are approved by the Joint Trustees. Distributions for the year that are declared after the date of the statement of financial position are dealt with in the subsequent events note in the financial statement.

2.14 Unit holding

Holdings of the Trust are classified as unit holding. Incremental costs directly attributable to the issue of new units, are shown as a deduction against unitholders contributions.

2.15 Earnings per unit

Basic earnings per unit is calculated by dividing the profit/(loss) for the year by the weighted average number of units in issue during the period.

Diluted earnings per unit is calculated by adjusting the weighted average number of units outstanding to assume conversion of all dilutive potential units.

3 Risk Management Objective and Policies

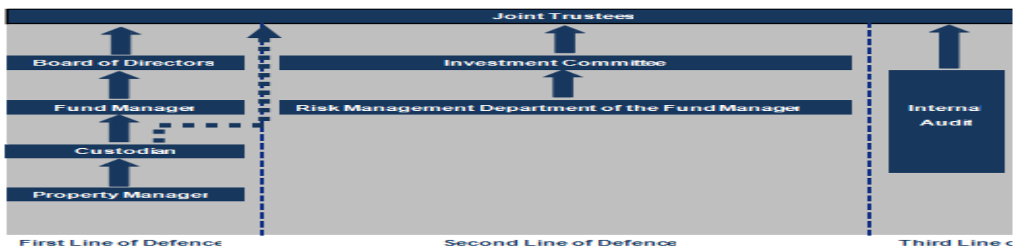
3.1 Financial risk management

The Trust generates revenues for unit holders by investing in various income generating activities which include rental income on investment property, trading real estate equity securities on the stock exchange and trading in government securities. These activities expose the Trust to a variety of financial risks, including credit, liquidity risk and the effects of changes in debt and equity market prices and interest rates. The Trust's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the Fund Managers under direction of the Investment Committee and FSDH Merchant Bank Limited's Group Risk Management Department. The Investment Committee works within policies approved by the Trust's Trustee. Fund Managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against these risks. The Group Risk Department provides the Fund Managers with written guidelines for appropriate investments. These guidelines are reviewed on a regular basis and are within the Collective Investment Scheme regulations issued by the Securities and Exchange Commission (SEC).

The investment risk management framework also adheres to regulatory requirements in relation to investment policies; assets mix, valuation, diversification, asset and liability matching, and risk management. It also includes setting market, credit, liquidity and other investment risk management strategies and policies, developing management procedures to ensure that investments are only transacted in line with these policies, and having an appropriate system of measurement, monitoring, reporting and control underpinning investment activities.

Risk Management Governance structure



The Trust investments are made by the Fund Manager with the consent and approval of the Investment Committee in any of the following asset classes and in accordance with the maximum limit allowed. The limit allowed for each investment class is as stated below:

Asset Class	Minimum Limit	Maximum Limit
Real estate property	75.00%	100.00%
Real estate related assets	0.00%	25.00%
Liquid assets	0.00%	10.00%

This implies that:

1. A maximum of 100% or a minimum of 75% of the REIT's assets may be invested in real estate (property)
2. A maximum of 25% or a minimum of 0% of the REIT's assets may be invested in real estate related assets such as equities of a real estate company
3. A maximum of 10% or a minimum of 0% of the REIT's assets may be invested in liquid assets

The Investment Committee is made up of three independent members (one of whom is the Chairman) who are seasoned professionals in real estate business and two representatives each of the Fund manager, trustees and property manager.

The Trust's financial instruments are categorised as follows:

31 December 2018	**Financial Assets**			**Financial Liabilities**
In thousands of Nigerian Naira	**Amortised cost**	**Held-for-trading**	**Financial assets at fair value through profit or loss**	**At amortised cost**
Financial assets:	N'000	N'000	N'000	N'000
Bank balances				
-Balances with banks	34,287	-	-	-
Financial assets held for trading				
- Treasury bills	-	3,129,574	-	-
- Corporate bonds	-	803,209	-	-
Other assets				
- Rent receivables	23,144	-	-	-
Financial liabilities:				
Account payable	-	-	-	69,507

31 December 2017	Financial Assets			Financial Liabilities
In thousands of Nigerian Naira	**Loans and receivables**	**Held-for-trading**	**Financial assets at fair value through profit or loss**	**At amortised cost**
Financial assets:	N'000	N'000	N'000	N'000
Bank balances				
-Placement with banks	455,580	-	-	-
Financial assets held for trading				
- Treasury bills	-	4,284,128	-	-
- Corporate bonds	-	574,738	-	-
Financial assets at fair value through profit or loss				
- Investment in First Festival Mall (Note 14.1)	-	-	925,065	-
- Investment in real estate development			1,091,903	
Other assets				
- Rent receivables	19,537	-	-	-
- Receivable from property manager	129,005			
Financial liabilities:				
Accounts payable	-	-	-	50,267

3.2 Liquidity risk

Liquidity risk is the risk that the Trust though solvent, has insufficient liquid assets to meet its obligations such as operational costs and distribution to unit holders when they fall due. The liquidity profile of the Trust is a function of the asset mix as enunciated in the investment guidelines. To the extent that they are predictable, immediate demands for cash are not expected to pose undue liquidity risk for the Trust. An immediate demand for cash can only be a risk if there is liquidity shortage. The Trust will invest 10% of its total portfolio in liquid assets of diversified nature and staggered tenors in order to ensure that it is always able to meet its obligations.

The Trust being a closed ended Trust would not be faced with liquidity requests for redemption of units as units can only be sold to willing buyer(s) on the floor of the Nigerian Stock Exchange (NSE)

Liquidity maturity analysis

The tables below analyse the Trust's financial assets and financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2018

Financial assets	Due on demand	Due within 3 months	Due within 3 & 12 months	More than 1 year	Total
	N'000	N'000	N'000	N'000	N'000
Bank balances					
- Balances with banks	34,287	-	-	-	34,287
Rent receivable	23,144	-	-	-	23,144
Receivable from property manager	30,249	-	-	-	30,249
Financial assets held for trading					
- Treasury bills	-	1,799,681	1,569,277	-	3,368,958
- Corporate bonds	-	25,500	101,970	806,848	934,318
	87,680	1,825,181	1,671,247	806,848	4,390,956
Financial liabilities	-	69,507	-	-	69,507
Net financial asset	87,680	1,755,674	1,671,247	806,848	4,321,449
Net assets attributable to equity holders					32,549,367
Percentage of liquid financial assets to Net assets attributable to equity holders					13%

31 December 2017

Financial assets	Due on demand	Due within 3 months	Due within 3 & 12 months	More than 1 year	Total
	N'000	N'000	N'000	N'000	N'000
Bank balances					
- Balances with banks	455,580	-	-	-	455,580
Rent receivable	19,537	-	-	-	19,537
Receivable from property manager	-	-	-	129,005	129,005
Financial assets held for trading					
- Treasury bills	-	1,243,720	3,218,000	-	4,461,720
- Corporate bonds	-	25,500	63,165	828,568	917,233
Financial assets at fair value through profit or loss					
- Investment in First Festival Mall (Note 14.1)	-	-	-	925,065	925,065
- Investment in real estate development	-	-	-	1,091,903	1,091,903
	475,117	1,269,220	3,281,165	2,974,541	8,000,043
Financial liabilities	-	50,267	-	-	50,267
Net financial asset	475,117	1,218,953	3,281,165	2,974,541	7,949,776
Net assets attributable to equity holders					31,238,739
Percentage of liquid financial assets to Net assets attributable to equity holders					26%

3.3 Credit risk

The Trust is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The main concentration to which the Trust is exposed arises from the Trust's investments in debt securities. The Trust is also exposed to counterparty credit risk on cash and cash equivalents, and rent receivable from tenants. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal.

The Trust considers the credit exposure to geographical sectors as immaterial as all the credit risk exposures are domiciled in Nigeria for all periods.

The maximum exposure to credit risk is the carrying amount of the financial assets as set out below.

Sector analysis of credit risk exposure

31 December 2018

	Bank balances	Financial assets held for trading	Financial assets at fair value through profit or loss	Receivables	Maximum Exposure
	N'000	N'000	N'000	N'000	N'000
Government	-	3,129,574	-	-	3,129,574
Financial Institutions	34,287	-	-	-	34,287
Corporate	-	803,209	-	30,249	833,458
Others	-	-	-	23,144	23,144
	34,287	3,932,783	-	53,393	4,020,463

31 December 2017

	Bank balances	Financial assets held for trading	Financial assets at fair value through profit or loss	Receivables	Maximum Exposure
	N'000	N'000	N'000	N'000	N'000
Government	-	1,232,262	-	-	1,232,262
Financial Institutions	455,580	-	-	-	455,580
Corporate	-	574,738	925,065	129,005	1,628,808
Others	-	-	-	19,537	19,537
	455,580	1,807,000	925,065	148,542	3,336,187

The financial assets to which the Trust is exposed are mainly Federal Government of Nigeria (FGN) treasury bills to which as Nigeria's sovereign obligations, have low credit risk, corporate bonds and placement with banks.

A rating grid which shows the ratings of debt securities is illustrated below.

	31 December 2018 N'000	31 December 2017 N'000
A	34,287	455,580
AAA	3,456,210	280,974
BBB	169,112	300,560
Unrated	307,346	2,176,864
	3,966,955	3,213,979

The credit quality above was assessed with reference to Agusto & Co's rating (credit rating agency) at 31 December 2018 and 31 December 2017.

Past due but not impaired

As at 31 December 2018, receivables of N23.14million (2017: N19.54million) were past due but not impaired. These relate to a number of tenants for whom there are no recent history of default. The ageing analysis of these rent receivables is as follows:

	31 December 2018 N'000	31 December 2017 N'000
Up to 3 months	1,285	1,285
3 to 9 months	21,859	18,252
	23,144	19,537

All other financial assets were neither past due nor impaired.

3.4 Market risk

(a) Price risk

This is the risk that prevailing market forces of demand and supply may negatively impact the Trust's underlying asset values and its ability to attain projected performance based on declining rental income and therefore result in reduced distributions to investors.

The Trust's exposures to the capital market make it susceptible to movements of prices of debt securities' in its portfolio. It is expected that some of the Trust's equity investments may be quoted on the Nigerian Stock Exchange (NSE). In managing the risk arising from this class of investments, the Trust ensures diversification of its portfolio to include different sectors of the economy. Diversification of the portfolio is done in accordance with limits set by the Trust's Trust Deed and Investment Committee which provides for investments subject to a maximum of 25% of the value of the Trust in equities. The Trust's investment in treasury bills and corporate bonds are also quoted on the Financial Market Dealers Quotations (FMDQ).

The Trust's does not have any equity investment affected by price movement as at 31 December 2018

Over-supply and/or softening demand for real estate as a function of general economic conditions, will impact property values and rental income, as demand and supply imbalance will have a negative impact on real estate prices. Consequently, reduced occupancy levels and declining rental values will affect the Trust's operating performance, portfolio valuation and ultimately its capacity to distribute returns to investors.

With the expertise and track record of the Fund Manager, Property Manager and members of the Investment Committee, we expect that adverse changes in market conditions shall be effectively managed to ensure minimal impact on the operations and value of the Trust. Potential changes in market risk indicators such as adverse economic conditions that impact price of the underlying asset values are expected to be tabled before the Investment Committee by the Fund Manager for deliberation to ensure effective and proactive assessment and management of the risk.

Classification of financial assets

	31 December 2018 N'000	31 December 2017 N'000
Financial assets held for trading	3,932,783	4,858,866
	3,932,783	4,858,866

The impact on the Trust's net asset attributable to unit holders if prices of financial asset held had increased or decreased by 5% with all other variables held constant is shown below:

Increase	196,639	242,943
Decrease	(196,639)	(242,943)

(b) Cashflow and fair value Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cashflows. The Trust's exposure to cashflow interest rate risk which is the risk that the future cashflows of a financial asset will fluctuate because of changes in market interest rates is minimal as it holds mainly cash and cash equivalents with fixed interest and has no interest bearing financial liabilities.

The Trust also holds fixed interest securities which expose the Trust to fair value interest rate risk. The Trust's fixed interest rate financial assets are government securities (treasury bills), Corporate bonds and call balances with financial institutions.

However, the Trust may be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Trust invests. The risk here is not significant since the assets are fair value through profit or loss. The sensitivity of this on the Trust's net assets attributable to equity holders is represented in the table below.

The table below shows the impact on the Trust's profit before tax if interest rates on the financial assets held for trading had increased by 100 basis points, with all other variables held constant.

	31 December 2018 N'000	31 December 2017 N'000
Effect of 100 basis points movement on profit before tax		
Increase	39,328	48,589
Decrease	(39,328)	(48,589)

(c) Foreign exchange risk

The Trust did not have investments denominated in foreign currency as at 31 December 2018 (December 2017: Nil) and as a result was not exposed to foreign exchange risk.

3.5 Capital management

The capital of the Trust is represented by equity. The Trust is a closed-ended Trust as such there are no daily subscriptions and redemptions that can affect the capital of the Trust as the Trust can only be traded at prices determined by the forces of demand and supply on the Nigerian Stock Exchange.

The Fund Manager's objectives when managing capital are to safeguard the Trust's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Trust may adjust the amount of distributions paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt. Also there is no regulatory capital requirement for the Trust.

3.6 Fair value estimation

Financial assets and liabilities not measured at fair value

	31 December 2018	
	Carrying Value	**Fair value**
Financial assets	**N'000**	**N'000**
Bank balances		
- Placement with banks	34,287	34,287
- Other assets	53,393	53,393
	87,680	87,680
Financial Liabilities		
Other liabilities	69,507	69,507
	69,507	69,507

	31 December 2017	
	Carrying Value	Fair value
Financial assets	N'000	N'000
Bank balances		
- Placement with banks	455,580	455,580
- Other assets	148,542	148,542
	604,122	604,122
Financial Liabilities		
Other liabilities	50,267	50,267
	50,267	50,267

For financial assets and liabilities not measured at fair value, their carrying values are reasonable approximation of their fair value.

Fair value hierarchy of financial assets and liabilities not measured at fair value is shown below.

At 31 December 2018 (N'000)

	Level 3	**Total**
Balances with banks	34,287	34,287
Other assets	53,393	53,393
	87,680	87,680
Other liabilities	69,507	69,507
	69,507	69,507

At 31 December 2017 (N'000)

	Level 3	**Total**
Balances with banks	455,580	455,580
Other assets	148,542	148,542
	604,122	604,122
Other liabilities	50,267	50,267
	50,267	50,267

Financial instruments measured at fair value

Treasury bills and bonds

Treasury bills represent short term instruments issued by the Central Bank of Nigeria. Bonds are debt instruments or contracts issued for an agreed period of time. The investor lends an amount of money to the issuer and earns interest on the investment until the maturity of the bond when the principal will be repaid. The fair value of actively traded treasury bills and bonds are determined with reference to quoted prices (unadjusted) in an active market for identical assets.

The fair values for bonds are obtained from the Financial Markets Dealers Quotations (FMDQ) bond price index. The bond prices are model prices derived from a modelled yield. The modelled yield is calculated by adding a risk premium to the valuation yield (corresponding tenor to maturity (TTM) yield interpolated off the FGN bond theoretical spot rate curve). This is used to calculate the bond bid price.

Risk premiums are derived by 2 methods described below;

1. Apply risk spread on latest acceptable trade for the respective bonds i.e. determine the spread between the bond yield on the latest acceptable trade and the FGN bond spot rate of comparable TTM.

2. Apply risk spread at issuance i.e. determine the spread between the bond yield at issuance and the FGN bond spot rate of comparable TTM. However, where the risk spread at issuance is less than 1% (100 basis points), a base risk premium of 100 basis points is applied.

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Trust's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs) This hierarchy requires the use of observable market data when available.

The Trust considers relevant and observable market prices in its valuations where possible.

Fair value hierarchy of financial assets is shown below

At 31 December 2018 (N'000)

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
- Held for trading	3,129,574	803,209	-	3,932,783
	3,129,574	803,209	-	3,932,783

At 31 December 2017 (N'000)

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
- Held for trading	4,114,387	**744,479**	-	4,858,866
- Financial assets at fair value through profit or loss	**-**	**-**	2,016,968	2,016,968
	4,114,387	744,479	2,016,968	6,875,834

Reconciliation of Level 3 items

The following table presents the changes in level 3 items for the periods ended 31 December 2018 and 31 December 2017:

	31 December 2018		
	Investment in James Pinnock	**Investment in First Festival Mall**	**Total**
	N'000	N'000	N'000
Opening balance	1,091,903	925,066	2,016,969
Additional investment	-	42,845	42,845
Fair valuation loss	-	(967,910)	(967,910)
Repayment	(1,091,903)	-	(1,091,903)
Closing balance	-	-	-

	31 December 2017		
	Investment in James Pinnock	Investment in First Festival Mall	Total
	N'000	N'000	N'000
Opening balance	1,632,205	1,052,740	2,684,945
Additional investment	-	85,132	85,132
Fair valuation loss	-	(324,695)	(324,695)
Repayment	(725,523)	-	(725,523)
Interest recognised in statement of comprehensive income	185,221	111,889	297,111
Closing balance	1,091,903	925,066	2,016,969

Valuation technique used valuation of Level 3 items:

- In 2017, Asset-based Approach was used for investments in both James Pinnock and First Festival Mall.

Sensitivity Analysis of Festival Mall investment on level 3:

Below is the sensitivity analysis of changes in parameter used in the valuation of the First Festival Mall property. This shows the effect on the valuation if there is a plus or minus 2.50% in the valuation table scale used.

	31 December 2018 N'000	31 December 2017 N'000
Fair Value of investment in Festival Mall and James Pinnock	-	2,016,969
Impact on the Trust's profit or loss if valuation scale/rate used increase by 5%	-	100,848
Impact on the Trust's profit or loss if valuation scale/rate used decrease by 5%	-	(100,848)

4 Critical accounting estimates and judgements

The Trust's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Fund Manager makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standards. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Fund Manager's judgements for certain items are especially critical for the Trust's results and financial situation due to their materiality. These judgements and estimates include:

4.1 Equity holders classification

The units of the Trust are not redeemable and are therefore not carried as financial liabilities. The Trust is a close-ended trust.

Units are bought or redeemed at prices determined by the forces of demand and supply on the Nigerian Stock Exchange (NSE) with no guarantees to the equity holders of principal or return.

The units are treated as equity in line with IAS 32/ IFRS 9.

4.2 Classification and measurement of financial assets

Financial assets that are measured on the basis of fair value are designated at fair value through profit or loss at initial recognition. The Trust has elected to measure its investment in First Festival Mall Limited at fair value through profit or loss.

4.3 Valuation of investment property

Investment property include income producing property and property under development (land or building, or part of a building, or both) that are held by the Trust to earn rentals or for capital appreciation or both.

The Trust's investment property are measured at fair value. The Trust holds five investment property being office and residential buildings in Lagos, Abuja and Aba. The buildings are as listed below:

Property State	**Abebe Court, Ikoyi Lagos N'000**	**VMP I, Victoria Island Lagos N'000**	**VMP II, Victoria Island Lagos N'000**	**UAC Commercial Complex, Abuja FCT Abuja N'000**	**No 1 -2 Factory Road, Aba Abia N'000**	**Pearl Hostel, Ibeju-Lekki Lagos N'000**	**Kingsway Building, Marina Lagos N'000**	**Total N'000**
Beginning balance	4,247,000	8,725,800	8,636,700	1,483,000	777,250	-	-	**23,869,750**
Additions during the period	-	-	-	-	-	405,919	3,200,000	**3,605,919**
Improvement	5,629	18,848	-	1,421	854	12,697	-	**39,449**
Unrealised fair value gain/(loss) recognised in the statement comprehensive income	(78,629)	355,353	1,173,300	75,579	21,896	(16,329)	242,845	**1,774,014**
Fair value at 31 December 2018	**4,174,000**	**9,100,000**	**9,810,000**	**1,560,000**	**800,000**	**402,287**	**3,442,845**	**29,289,132**

Valuation Process

The fair value is based on valuation prepared by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The professional valuer engaged for the preparation of the valuation reports are JOE AKHIGBE & ASSOCIATES, FRCN number (FRC/2012/NIESV/00000000292) and STEVE AKHIGBEMIDU & CO, FRCN number (FRC/2013/NIESV/00000001442). The same valuers were used in 2017.

After the submission of the valuation report from the valuer, the Investment Committee which comprises of highly knowledgeable professionals in real estate business reviews the report.

At the financial year end, the Fund Manager and the Property Manager:

- verify all major inputs to the independent valuation report;
- assess property valuation method used and movements when compared to the prior year valuation report;
- hold discussions with the independent valuer.

Valuation techniques

In carrying out the valuation, below are the various methods adopted by the valuer in determining the market value of investment property.

- Direct market comparison method
- Investment/income capitalisation method

The adoption of these methods for a particular property depends on the type and market condition of the property. Two or all of the above methods could be used for a particular property at a particular time by way of cross-checking figures. The valuer uses his discretion to adopt the most appropriate method suitable to that type of property being valued.

Direct market comparison is the most reliable and used where there is a form of recent sales price and current construction cost rate. This method was adopted for the valuation of the Abebe Court, Ikoyi because there is evidence of recent sales price. This prices were analysed and compared with the prevailing market prices of similar property within the neighbourhood.

Investment/income capitalisation method is usually adopted in determining the market value of an income producing property in the form of rentals. This method stands more appropriate in the absence of direct market comparison discussed above.

This method was adopted for the VMP I, VMP II, Pearl Hostel, Kingsway Building, UAC commercial complex, Abuja and 1-2, Factory Road, Aba because these property are income generating and there are evidence of current rentals earned on the property

Investment property and valuation methods and assumptions used

Property **State**	**Abebe Court, Ikoyi** **Lagos** **N'000**	**VMP I, Victoria Island** **Lagos** **N'000**	**VMP II, Victoria Island** **Lagos** **N'000**	**UAC Commercial Complex, FCT Abuja** **N'000**	**No 1 -2 Factory Road, Aba** **Abia** **N'000**	**Pearl Hostel, Ibeju-Lekki** **Lagos** **N'000**	**Kingsway Building, Marina** **Lagos** **N'000**
Valuation method	Market value	Investment / Income capitalisation	Investment / Income capitalisation	Investment / Income capitalisation	Investment / Income capitalisation	Investment / Income capitalisation	Investment / Income capitalisation
Reasons for method used	Availability of evidence of recent sale	Available rental income	Available rental income	Available rental income	No comparable rent in the environment	Available rental income	Available rental income
Assumptions used on income capitalisation method							
Number of years	N/A	Unexpired lease in the property is 86yrs	Unexpired lease in the property is 86yrs	Unexpired lease in the property is 70yrs	Unexpired lease in the property is 80yrs	Unexpired lease in the property is 21yrs	Unexpired lease in the property is 20yrs
Rate of outgoing (deduction for repairs & maintenance)		9.0%	10.0%	17.5%	15%	18%	18%

Fair value hierarchy of investment property is shown below

At 31 December 2018 (N'000)

	Level 2	**Level 3**	**Total**
Investment property:			
- Abebe Court, Ikoyi, Lagos	4,174,000	-	4,174,000
- VMP I, Victoria Island, Lagos	-	9,100,000	9,100,000
- VMP II, Victoria Island, Lagos	-	9,810,000	9,810,000
- UAC Commercial Complex, Abuja	-	1,560,000	1,560,000
- No 1 -2 Factory Road, Aba	-	800,000	800,000
- Pearl Hostel, Ibeju-Lekki, Lagos		402,287	402,287
- Kingsway Building, Marina, Lagos		3,442,845	3,442,845
	4,174,000	25,115,132	29,289,132

At 31 December 2017 (N'000)

	Level 2	**Level 3**	**Total**
Investment property:			
- Abebe Court, Ikoyi, Lagos	4,247,000	-	4,247,000
- VMP I, Victoria Island, Lagos	-	8,725,800	8,725,800
- VMP II, Victoria Island, Lagos	-	8,636,700	8,636,700
- UAC Commercial Complex, Abuja	-	1,483,000	1,483,000
- No 1 -2 Factory Road, Aba	-	777,250	777,250
	4,247,000	19,622,750	23,869,750

Sensitivity Analysis of property on level 3:

Below is the sensitivity analysis of changes in parameter used in the valuation of the investment property. This shows the effect on the valuation if there is a plus or minus 0.50% in the valuation table scale used for the purpose of the valuation.

31 December 2018

property:	**Abebe Court, Ikoyi Lagos**	**VMP I, Victoria Island Lagos**	**VMP II, Victoria Island Lagos**	**UAC Commercial Complex, Abuja FCT Abuja**	**No 1 -2 Factory Road, Aba Abia**	**Pearl Hostel, Ibeju-Lekki Lagos**	**Kingsway Building, Marina Lagos**
Valuation Method	Market value	Income capitalisation	Income capitalisation	Income capitalisation	Income capitalisation	Income capitalisation	Income capitalisation
Sensitivity Analysis:	+/- 5% of Market Value	+/- 0.5% on capitalisation rate	+/- 0.5% on capitalisation rate	+/- 0.5% on capitalisation rate	+/- 0.5% on capitalisation rate	+/- 0.5% on capitalisation rate	+/- 0.5% on capitalisation rate
Impact of increase in valuation scale/rate	(208,700)	(733,040)	(635,000)	(129,825)	(53,393)	(71,924)	(672,504)
Impact of decrease in valuation scale/rate	208,700	866,320	793,750	155,790	61,608	83,911	448,336

31 December 2017

property:	**Abebe Court, Ikoyi Lagos**	**VMP I, Victoria Island Lagos**	**VMP II, Victoria Island Lagos**	**UAC Commercial Complex, Abuja FCT Abuja**	**No 1 -2 Factory Road, Aba Abia**
Valuation Method	Market value	Income capitalisation	Income capitalisation	Income capitalisation	Depreciation replacement cost method
Valuation Rate/Basis	No of years in the property is 30yrs	No of years in the property is 89yrs	No of years in the property is 89yrs	No of years in the property is 71yrs	No of years in the property is 83yrs
Sensitivity Analysis:	+/- 5% of Market Value	+/- 0.5% on capitalisation rate	+/- 0.5% on capitalisation rate	+/- 0.5% on capitalisation rate	+/- 5% of Depreciation rate
Impact of increase in valuation scale/rate	(212,350)	(727,148)	(653,241)	(123,607)	(38,863)
Impact of decrease in valuation scale/rate	212,350	872,577	772,012	148,329	38,863

5 Segment information

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments. The Trust operates only one line of business, which is investing in real estate assets and other liquid assets to earn rentals or for capital appreciation or both in line with its Trust Deed. The Fund Manager does not consider it necessary to report the Trust's operations by both business and geographical segments.

	31 December 2018	31 December 2017
	₦'000	₦'000
6 Rental Income		
Rental Income	**1,324,867**	1,124,723
	1,324,867	1,124,723

	31 December 2018	31 December 2017
7 Interest income on assets measured at fair value through profit or loss		
Held for trading assets:		
Corporate bonds	**120,964**	96,725
Treasury bills	**691,422**	914,991
Financial assets designated at fair value thorugh profit or loss:		
Loans to investee company	**-**	111,889
	812,386	1,123,605

	31 December 2018	31 December 2017
8 Net (loss)/gain on financial assets held for trading		
Trading (loss)/income	**(11,318)**	30,090
Fair value (loss)/gain on held for trading instruments	**(59,903)**	49,606
	(71,221)	79,696

	31 December 2018	31 December 2017
9 Net loss on financial assets at fair value through profit or loss		
Income from investment in real estate development	**154,947**	-
Fair value gain on James Pinnock investment	**-**	185,221
Fair value loss on First Festival Mall investment	**(967,910)**	(324,695)
	(812,963)	(139,474)

	31 December 2018	31 December 2017
10 Other income		
Proceeds from sale of scrap items	**1,155**	-
Reversal of withholding tax written-off	**-**	82,575
Others	**-**	2,810
	1,155	85,385

	31 December 2018	31 December 2017
	₦'000	₦'000
11 Operating expenses		
Fund manager's fee	**107,963**	109,467
Property maintenance expenses	**104,669**	133,879
Registrar's fees	**1,889**	1,889
Trustees' fees	**4,000**	4,400
Audit fees	**7,350**	6,600
Professional fees	**17,508**	44,799
Custodian fees	**22,254**	21,934
AGM Expenses	**4,405**	6,362
Printing, advert and travels	**1,289**	454
Property manager's fees	**39,050**	33,113
Insurance premium	**9,000**	9,477
Depreciation(see note 17)	**81,195**	53,133
Other operating expenses	**7,358**	3,925
	407,930	429,432

12 Balances with banks

- Current account with banks in Nigeria		
Balances with banks	**34,287**	455,580
	34,287	455,580

Balances with banks represents call account balance with United Bank of Africa (UBA) PLC.

13 Financial assets held for trading

	31 December 2018 N’000	31 December 2017 N’000
Treasury bills with maturity of 90 days or less	**1,764,792**	1,232,262
Treasury bills with maturity above 90 days	**1,364,782**	3,051,866
Corporate bonds	**803,209**	574,738
	3,932,783	4,858,866
Current	**3,932,783**	4,858,866
	3,932,783	4,858,866

14 Financial assets at fair value through profit or loss

First Festival Mall Limited		
- Investment in First Festival Mall (Note 14.1)	**-**	925,065
- Investment in real estate development (James Pinnock Estate) (Note 14.2)	**-**	1,091,903
	-	2,016,969
14.1 Analysis of investment in First Festival Mall:		
Opening balance	**925,065**	1,052,740
Additional investment	**42,845**	85,132
Interest income on loans (Note 7)	**-**	111,889
Fair value (loss) (Note 9)	**(967,910)**	(324,695)
	-	925,065
14.2 Analysis of investment in James Pinnock Estate:		
Opening balance	**1,091,903**	1,632,205
Principal repayment during the year	**(1,091,903)**	(725,523)
Fair value gain (Note 9)	**-**	185,221
	-	1,091,903
Current	**-**	1,091,903
Non-Current	**-**	925,065
	-	2,016,969

Financial assets at fair value through profit or loss consists of the Fund's investments in First Festival Mall Limited. Mark-to-market loss was recorded on the investment in First Festival Mall during the year as the forced sale value of the underlying property was unable to cover its total outstanding obligations.

	31 December 2018 N'000	31 December 2017 N'000
15 Other assets		
Financial:		
Receivable from property manager	**30,249**	129,005
Rent receivables	**23,144**	19,537
	53,393	148,542
Non financial:		
Prepaid expenses	**10,182**	8,145
WHT receivables	**1,324**	501
	11,506	8,646
	64,899	157,188
Current	**64,899**	157,188
Non-Current	**-**	-
	64,899	157,188

	31 December 2018 N'000	31 December 2017 N'000
16 Investment property		
Beginning balance	**23,869,750**	23,428,563
Additions	**3,605,919**	-
Improvement	**39,449**	84,777
Fair value gain/(loss)	**1,774,014**	356,410
	29,289,132	23,869,750
Non-Current	**29,289,132**	23,869,750

Details of the investment property is in note 4.3.

17 Property and equipment	**Office equipment N'000**	**Fixtures & fittings N'000**	**Total N'000**
Cost			
At 1 January 2018	**166,065**	**-**	**166,065**
Additions	**-**	**77,520**	**77,520**
At 31 December 2018	**166,065**	**77,520**	**243,585**
Accumulated depreciation			
At 1 January 2018	**76,547**	**-**	**76,547**
Charge for the year	**55,355**	**25,840**	**81,195**
At 31 December 2018	**131,902**	**25,840**	**157,742**
Net book amount at 1 January 2018	**89,518**	**-**	**89,518**
Net book amount at 31 December 2018	**34,163**	**51,680**	**85,843**

17 Property and equipment continued	Office equipment N'000	Furnitures & fittings N'000	Total N'000
Cost			
At 1 January 2017	150,065	-	150,065
Additions	16,000	-	16,000
At 31 December 2017	166,065	-	166,065
Accumulated depreciation			
At 1 January	23,414	-	23,414
Charge for the year	53,133	-	53,133
At 31 December 2017	76,547	-	76,547
Net book amount at 1 January 2017	126,651	-	126,651
Net book amount at 31 December 2017	89,518	-	89,518

18 Other liabilities		
Financial liabilities:		
Fund manager's fee payable	**28,379**	25,953
Custodian fees payable	**5,444**	10,929
Dividend payable	**6,757**	1,886
Caution Deposits	**600**	-
Accrued expenses	**28,327**	11,499
	69,507	50,267
Non financial Liabilities		
VAT payable	**421**	3,296
	421	3,296
	69,928	53,563
Current	**69,928**	53,563
Non-Current	**-**	-
	69,928	53,563

	31 December 2018 N'000	31 December 2017 N'000
19 Rent received in advance		
Rent received in advance	**787,649**	155,569
	787,649	155,569
Current	**389,675**	127,707
Non-Current	**397,974**	27,862
	787,649	155,569

20 Unit holders' contribution		
Authorised		
3,000,000,000 units of N10 each	**30,000,000**	30,000,000
Issued and fully paid		
2,668,269,500 units of N10 each	**26,682,695**	26,682,695

		31 December 2018	31 December 2017
			N'000
21 Cash generated from operations	Notes	**₦'000**	₦'000
Reconciliation of profit after tax to cash generated from operations:			
Profit after tax		**2,644,763**	2,208,347
Adjustment for:			
– Fair value gain on investment property	16	**(1,774,014)**	(356,410)
– Depreciation	17	**81,195**	53,133
– Fair value loss/(gain) on financial assets held for trading	8	**59,903**	(49,606)
– Fair value loss on financial assets at fair value through profit or loss	9	**967,910**	139,474
– Net interest income	7	**(812,386)**	(1,123,605)
– Interet income on deposit with banks		**(24,455)**	(7,434)
Changes in working capital:			
– Financial instruments held for trading		**1,319,896**	44,549
–Other assets		**92,289**	101,457
–Account payables		**16,365**	(48,319)
–Rent received in advance		**632,080**	(881,424)
Cash generated from operations		**3,203,545**	80,162

22 Cash and cash equivalents

	31 December 2018	31 December 2017
For purposes of the cash flow statement, cash and cash equivalents comprises:		
- Treasury bills	**1,254,839**	809,414
- Balances with banks (Note 12)	**34,287**	455,580
	1,289,126	1,264,994

For the purposes of statement of cash flow, cash and cash equivalents are balances that are held for the primary purpose of meeting short term cash commitments. This includes deposit held on call with banks and other short-term highly liquid investments which originally matures in three months or less from when the Trust became a party to the instrument.

23 Related party transactions

The Trust is managed by FSDH Asset Management Limited (FSDH AM). FSDH AM is a subsidiary of FSDH Merchant Bank Limited which owns 99.7% of the Company's share capital. FSDH AM is a co-subsidiary with FSDH Securities Limited, a company engaged in stockbroking activities.

During the period, the following related party activities occurred:

Entity	Relationship	Type of transaction	2018 balance N'000	2017 balance N'000
FSDH Asset Management	Fund manager	Management fee	107,963	109,467
UACN Property Development Company Plc	Property manager	Acquisition of investment property (Kingsway Buildings)	3,200,000	-

UACN Property Development Company Plc	Property manager	Property management fee	39,050	33,113
First Festival Mall Limited	Investee	Shareholder Loan to investee	-	925,065
First Festival Mall Limited	Investee	Interest income on loan to investee	-	111,889
UBA Trustees Limited	Trustee	Trustee fee	2,000	2,200
FBN Trustees Limited	Trustee	Trustee fee	2,000	2,200

Key management staff has been defined as members of management staff of the Fund Manager and its other related companies. No compensation was paid to key management staff during the period (December 2017: Nil).

Units held by related parties to the Trust are listed below:

	31 December 2018 Units ₦'000	31 December 2017 Units ₦'000
Direct - UPDC	**1,648,915**	1,648,915
Indirect	-	-
Mrs. Folashade Ogunde	**400**	400
Mrs. Hamda A. Ambah	**50**	50
Mrs. Halima Alao	**20**	20
Mrs. Niun Taiwo	**20**	20

24 Earnings per unit

(i) Basic

Basic earnings per unit is calculated by dividing the net profit after tax attributable to the unit holders of the Trust by the number of units in issue during the period.

	31 December 2018	31 December 2017
Profit after tax attributable to unit holders of the Trust (N'000)	**2,644,763**	2,208,347
Number of ordinary units in issue (000)	**2,668,270**	2,668,270
Basic earnings per unit (expressed in Naira per share)	**0.99**	0.83

(ii) Diluted

The Trust does not have potential units with convertible options and therefore there is no dilutive impact on the profit attributable to the equity holders.

Diluted earnings per unit (expressed in Naira per share)	**0.99**	0.83

25 Distributions	**31 December 2018 ₦'000**	31 December 2017 ₦'000
Proposed distribution	**1,515,341**	1,691,570

In line with the provisions of the Trust Deed, minimum of 90% of the Trust's distributable income will be distributed to unit holders at the end of every financial year. Distributable income represents the "profit after tax" less unrealised fair value gain on investment property plus realised gain on disposed investment property.

Final distributions are not accounted for until they have been ratified at the Annual General Meeting (AGM) of the unit holders. Interim distribution was approved by the Joint Trustees. Interim distribution of 31 Kobo (December 2017 was 44 Kobo) per share totalling N827.16million (Dec 2017 was N1.17billion) was paid for the six months ended 30 June 2018 while 26 Kobo totalling N688.18million (Dec 2017 was N517.53million) is being proposed as final distribution for the year ended 31 December 2018.

The proposed final distribution of 26 kobo will be accounted for, as an appropriation of retained earnings in the year ending 31 December 2019.

Reconciliation of distribution	**₦'000**	₦'000
Profit after tax	**2,644,763**	2,208,347
Add realised gain on investment property	**-**	-
Less interest on investee loan - First Festival Mall Limited	**-**	(111,889)
Add fair value loss on assets at fair value through profit or loss	**812,963**	139,474
Less fair value gain on investment property	**(1,774,014)**	(356,410)
Distributable income	**1,683,712**	1,879,522
Proposed distribution at 90% of distributable income	**1,515,341**	1,691,570
Interim distribution paid	**827,164**	1,174,039
Distribution proposed	**688,177**	517,531
Total distribution	**1,515,341**	1,691,570
Interim distribution paid per unit (Naira)	**0.31**	0.44
Distribution proposed per unit (Naira)	**0.26**	0.19
Total distribution per unit (Naira)	**0.57**	0.63

26 Events after statement of financial position date

There were no events subsequent to the financial position date which require adjustments to, or disclosure in these financial statements.

27 Capital commitments

The Trust had no capital commitments as at end of the period ended 31 December 2018 (31 December 2017: Nil).

28 Contingent liabilities

The Trust had no contingent liabilities as at end of the period ended 31 December 2018 (31 December 2017: Nil).

UPDC REAL ESTATE INVESTMENT TRUST
OTHER NATIONAL DISCLOSURES
FOR YEAR ENDED 31 DECEMBER 2018
VALUE ADDED STATEMENTS

	Dec 2018 ₦'000	%	Dec 2017 ₦'000	%
Gross income	**3,052,693**	111	2,637,779	114
Bought-in-materials and services (local)	**(299,967)**	(11)	(319,965)	(14)
Value added	**2,752,726**	100	2,317,814	100
Distribution of value added:				
To Government:				
Tax	**-**	-	-	-
To Fund Manager:				
Fund manager's fee	**107,963**	4	109,467	5
Retained in the fund:				
Retained earnings	**2,644,763**	96	2,208,347	95
	2,752,726	**100**	**2,317,814**	**100**

UPDC REAL ESTATE INVESTMENT TRUST
OTHER NATIONAL DISCLOSURES
FOR YEAR ENDED 31 DECEMBER 2018

FIVE YEAR FINANCIAL SUMMARY

	Dec 2018	Dec 2017	Dec 2016	Dec 2015	19 months to Dec 2014
	₦'000	₦'000	₦'000	₦'000	₦'000
ASSETS					
Bank balances	**34,287**	455,580	7,307	2,799,647	72,889
Financial assets held for trading	**3,932,783**	4,858,866	5,484,515	3,992,646	6,422,138
Financial assets at fair value through profit or loss	**-**	2,016,969	2,684,945	2,294,124	694,600
Other assets	**64,899**	157,188	258,645	254,553	29,460
Property and equipment	**85,843**	89,518	126,651	-	-
Investment property	**29,289,132**	23,869,750	23,428,563	23,633,200	23,708,000
TOTAL ASSETS	**33,406,944**	31,447,870	31,990,626	32,974,170	30,927,087
LIABILITIES					
Other liabilities	**857,577**	209,132	1,138,875	1,926,864	894,788
Net assets attributable to unitholders	**32,549,367**	31,238,738	30,851,751	31,047,306	30,032,299
Represented by:					
Unit holders' contributions	**26,682,695**	26,682,695	26,682,695	26,682,695	26,682,695
Retained earnings	**5,866,672**	4,556,044	4,169,056	4,364,611	3,349,604
	32,549,367	31,238,739	30,851,751	31,047,306	30,032,299
INCOME STATEMENT					
Income from investment property	**1,324,867**	1,124,723	1,104,033	1,605,526	1,979,057
Interet income on deposit with banks	**24,455**	7,434			
Interest income	**812,386**	1,123,605	750,272	1,261,700	1,390,874
Net (loss)/gain on financial assets held for trading	**(71,221)**	79,696	(98,166)	90,065	(7,506)
Net (loss)/gain on financial assets at fair value through profit c	**(812,963)**	(139,474)	292,580	-	-
Other income	**1,155**	85,385.00	-	12,244	69,235
Fair value gain on investment property	**1,774,014**	356,410	(204,637)	385,200	2,255,865
Operating expenses	**(407,930)**	(429,432)	(331,943)	(282,634)	(843,690)
	2,644,763	2,208,347	1,512,139	3,072,101	4,843,835
Tax	**-**	-	-	(82,575)	-
	2,644,763	2,208,347	1,512,139	2,989,526	4,843,835