

UPDC REAL ESTATE INVESTMENT TRUST

**FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2019**

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**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2019**

PARTIES TO THE TRUST

Trustees

United Capital Trustees Limited
UBA House (12th Floor)
57 Marina
Lagos
Telephone: (01) 2807032

Trustees

FBNQuest Trustees Limited
10 Keffi Road
Off Awolowo Road, S.W. Ikoyi
Lagos
Telephone: (01) 4622673

Fund Manager

FSDH Asset Management Limited
8th Floor
1/5 Odunlami Street
Lagos Island
Lagos
Telephone: (01) 2704884-5

Property Manager

UACN Property Development Company Plc (UPDC)
REIT Business Manager
3rd Floor
1/5 Odunlami Street
Lagos Island, Lagos.
Telephone: (01) 2702201

Registrars

First Registrars Nigeria Limited
Plot 2 Abebe Village Road,
Iganmu
Lagos
Telephone: (01) 773086

Custodian

UBA Plc (Global Investor Services Division)
UBA House
57 Marina
Lagos
Telephone: (01) 2808349

Banker

United Bank for Africa Plc
Head Office Branch
UBA House
57 Marina
Lagos
Telephone: (01) 2808349

Auditor

PricewaterhouseCoopers
(Chartered Accountants)
Landmark Towers,
5B Water Corporation Drive
Victoria Island
Lagos
Telephone: (01) 2711700

Joint Trustees' Report on the UPDC Real Estate Investment Trust

For the Financial Statements for the year ended 31st December 2019

The Trustees present their Report on the affairs of the UPDC Real Estate Investment Trust, together with the Financial Statements for the year ended 31st December, 2019.

Principal activity: The principal activity of the UPDC Real Estate Investment Trust (the "REIT") 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 year ended 31st December, 2019 are set out on pages 15 and 16

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

Mr. Tosa Ogbomo	(Chairman)
Mrs. Olumayowa Ogunwemimo	(Managing Director)
Mrs. Hamda A. Ambah	(Director)
Mr. Kelechi Okoro	(Director)
Ms. Yasmin Belo-Osagie	(Director)
Mrs. Folashade Ogunde	(Director)
Mrs. Folashade Laoye	(Director)(Appointed 12 December 2019)

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

Mr. Babatunde Kasali	(Chairman)
Mr. Folasope Aiyesimoju	(Managing Director)
Mrs. Awuneba Ajumogobia	(Director)
Mr. Kunle Osilaja	(Director)
Mrs. Deborah Nicol-Omeruah	(Director)
Mr. Adekunle Awojobi	(Director)
Prof. Okon A. Ansa	(Director)
Mrs. Folakemi Fadahunsi	(Director)

Directors' and related parties' interest in the units of the REIT: The Directors of the Fund Manager and Sponsor with direct beneficial interest in the units of the REIT are detailed below:

Mrs. Folashade Ogunde	400,000
Mrs. Hamda A. Ambah	50,000

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

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 is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any point in time, the financial position of the REIT 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 the Securities and Exchange Commission's Rules and Regulations made pursuant to the Investments and Securities Act, 2007 are as stated below:

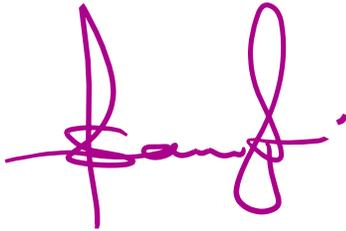
- Monitoring the activities of the Fund Manager and the Custodian on behalf of and in the interest of the Unit Holders;
- Ensuring that the Custodian takes into custody all of the Scheme's assets and holds them in trust for the holders in accordance with the Trust Deed and the Custodial Agreement;
- 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 REIT: During the period under review, the Fund was not fully in compliance with the provision of the Trust Deed as it relates to the maximum allocation for Liquid assets and cash. This was as a result of the maturity at the end of the year of one of the investments made which resulted in the REIT having more cash than the maximum limit. Apart from this, the REIT 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 REIT did not make any charitable donations during the period.

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

By Order of the Joint Trustees



Adekunle Awojobi
FRC/2013/ICAN/00000002442
Managing Director
FBNQuest Trustees Limited
10, Keffi Street, Ikoyi
Lagos, Nigeria
13th March, 2020



Tokunbo Ajayi
FRC/2014/NBA/00000008349
Managing Director
United Capital Trustees Limited
Afriland Towers, 3rd & 4th Floors,
97/105, Broad Street, Lagos, Nigeria
13th March, 2020

UPDC REIT FUND MANAGER'S REPORT FOR DECEMBER 2019

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.

Consequently, in year 2019, on the favourable side, the supply side of the residential real estate market continues to show signs of life. Tenants, yet to recover from the weak economy pushed for better rents to Landlords who conceded - but only negligibly. Middle income 'work, live and play' projects were announced by developers. And land values have appreciated with frontier land investments in Lagos offering impressive rates of return. Also, the real estate sector came out of recession in Q1, growing by 0.93%.

Global property consultant Knight Frank's latest wealth report revealed that private capital was responsible for \$333 billion of all commercial real estate purchases in 2019. 2019 saw an increase in the amount of private capital investing in global real estate, rising five per cent from \$318.6billion in 2018. Whilst offices remain a primary target for private capital, the once regarded 'alternative' sectors are coming to the fore, with hotels, healthcare, and retirement housing attracting \$37bn in the past year alone. This trend is expected to continue as these sectors mature.

Furthermore, recent report by North Court Real Estate performance for 2019, reviewed the following key developments

- Real estate developers and service providers now consistently focus on products and services more in tune with effective demand
- Developers became much more flexible on payment plans and significantly revised their product types and prices to accommodate their target market.
- There was an informal emergence of the co-living trend as a response to tenants with the insufficient supply of studio and 1-bedroom apartments.
- Average vacancies in Grade A offices dropped mildly but could still be high, Malls in tier 2 locations generally struggled.
- The Lagos State government secured a \$629m loan for the completion of the Lekki Free Trade Zone.

A breakdown of the recently released GDP report by World bank showed a further contraction in the real estate sector in Nigeria. The sector’s real growth stood at -1.7% from -6.4% recorded in the preceding year. The sector contribution to GDP was 6.1% in 2019 compared to 6.5% in 2018.

UPDC REIT PERFORMANCE

The current market capitalization stood at N11.35bn as at December 2019 while the last trading price fell from N6.60 to N4.25 as at 31 December 2019. The performance of the REIT was affected negatively by the challenging macroeconomic environment. These includes; increased vacancy, high property maintenance cost and low yield compared to fixed income instruments.

The asset allocation of the REIT as at 31 December 2019 is as stated below;

S/N	ASSET CLASS	ASSET ALLOCATION
1	Real Estate Assets	88.04%
2	Real Estate Related Assets	1.97%
3	Liquid Assets	9.99%
	Total	100.00%

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	3.88%	Residential	A mix of corporate(84%) and individual(16%) client	Annually	3%
Victoria Mall Plaza Phase 1	Victoria Island, Lagos	1.93%	Residential	Corporate Client		0%
Victoria Mall Plaza Phase 2	Victoria Island, Lagos	9.39%	Commercial	Major international auditing/ consulting firm	Annually	0%
UAC Office Complex	CBD, Abuja	2.89%	Commercial	Various corporate clients including four(4) banks	30% annual; 50% biennially; 20% between 3 and 5 years	14%
1-2 Factory Road Aba	Aba	4.83%	Commercial	Various corporate clients including a leading logistics company	67% annual; 33% between 2 and 3 years	0%

Pearl Hostel 1	Lekki Expressway, Lagos	4.31%	Residential	Multi Tenants	biennially	0%
Kingsway Building	Marina, Lagos	3.94%	Commercial	Various corporate clients including a leading logistics company	Annually	0.5%

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

In 2019, the REIT made an Interim dividend payment of 32 Kobo per unit for period ended June 2019 totalling N853.85million and distribution of 34 kobo totalling N897.55million is being proposed as final distribution for the year ended 31 December 2019

OUTLOOK

Nigeria continues its recovery from the 2016 recession, sustaining an estimated average growth rate of 2% in 2019, driven by services, particularly telecoms & financial services. Agricultural growth increased slightly, but remains affected by insurgency in the Northeast region, and ongoing farmer-herder conflicts. Oil sector growth remained stable, but manufacturing production slowed due to the weaker power supply sector. Overall, the slow pace of recovery in 2019 is attributable to weak consumer demand and lower public and private investment.

The country's growth outlook is still very much vulnerable to domestic and global risks. It is facing a sharper than expected slowdown in the global economy, as well as geopolitical and trade tensions. Domestically, the predictability of macroeconomic policies, the pace of structural reforms, and the country's security situation are the main risks and without structural reforms, growth is projected to remain stable, averaging 2.1% in 2020-2021.

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.

Post balance sheet events

The Finance Act signed was into law in January 2020 and it form the basis upon which the company tax was calculated. More so, there was an outbreak of COVID -19, a global pandemic in the first quarter of 2020. The outbreak was declared a Public Health Emergency of International concern by World Health Organisation (WHO) in March 2020. As at the date of this report, several cases have been confirmed in Nigeria by the Nigerian Centre for Disease Control (NCDC).

The virus has caused a significant reduction in social interaction, with a shutdown of public facilities and physical interaction. Measures taken to contain the virus have affected economic activity. In the light of these recent developments and its underlying impact, the Trust's rental income and interest income may be negatively impacted. The extent of such potential impact is unknown at this time.

The Fund Manager will also consider the potential implications of this outbreak and put in place measures to mitigate against a significant impairment of the carrying value of assets. However, its reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions used for some estimates and judgement, could require a material adjustment to the carrying amount of the asset or liability affected.

Olumayowa Ogunwemimo
Managing Director, FSDH Asset Management Limited

*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/>"

Oxford Business Group <https://oxfordbusinessgroup.com/overview/building-upwards-property-prices-have-been-impacted-oscillating-oil-receipts-are-now-growing>

**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2019**

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 2019 and of the net income for the period ended 31 December 2019.

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



Tosa Ogbomo
Director
FRC/2019/IOD/00000019531
19 Mar. 2020



Olumayowa Ogunwemimo
Director
FRC/2013/ICAN/00000001742
19 Mar. 2020



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 2019, 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 2019;
- the statement of financial position as at 31 December 2019;
- the statement of changes in unit 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 Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



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
<p><i>Valuation of investment properties – N26.9 billion (refer to notes 2.7, 4.3 and 16)</i></p> <p>We focused on this balance because significant judgement and estimate are made by management.</p> <p>The Fund Manager makes use of an external expert to perform these valuations.</p> <p>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. Management considered the rental risk and future rental income in determining the value.</p>	<p>We assessed the independence, qualifications and expertise of the Fund manager’s valuation expert to determine whether there were any matters that might have affected their objectivity or competence.</p> <p>We obtained the valuation report 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.</p> <p>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.</p> <p>We used property specific information and external data to independently develop a range of estimates and compared to the Fund Manager’s estimates.</p> <p>We also reviewed the disclosure for compliance with relevant standards.</p>

Other information

The Fund Manager is responsible for the other information. The other information comprises the Parties to the Trust, Trustees report, Fund Manager’s Report, Statement of Fund Manager’ Responsibilities, Value Added Statements 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.

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.

Chidi Ojechi

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

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



2 April 2020

**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
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STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2019 N'000	31 December 2018 N'000
Rental income	6	1,686,205	1,324,867
(Loss)/fair value gain on investment property	16	(2,395,285)	1,774,014
Interest income on deposit with banks		12,413	24,455
Interest income on assets measured at fair value through profit or loss	7	679,853	812,386
Net gain/(loss) on financial assets held for trading	8	100,782	(71,221)
Net gain/(loss) on financial assets at fair value through profit or loss	9	6,129	(812,963)
Other income	10	11,558	1,155
Revenue b/d		101,655	3,052,693
Impairment charge on receivables	15	(8,055)	-
Operating expenses	11	(542,893)	(407,930)
(Loss)/profit before tax		(449,293)	2,644,763
Tax		-	-
Profit after tax		(449,293)	2,644,763
(Decrease)/increase in net assets attributable to unit holders		(449,293)	2,644,763
Earnings per unit attributable to unit holders of the Trust			
(Loss)/earnings per unit - basic and diluted (Naira)	24	(0.17)	0.99

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

UPDC REAL ESTATE INVESTMENT TRUST
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STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2019 N'000	31 December 2018 N'000
Assets:			
Balances with banks	12	3,174,924	34,287
Financial assets held for trading	13	928,673	3,932,783
Other assets	15	76,594	64,899
Property and equipment	17	140,302	85,843
Right of use assets	14	19,828	-
Investment property	16	26,893,847	29,289,132
Total assets		31,234,168	33,406,944
Liabilities:			
Accounts payable	18	114,493	69,928
Rent received in advance	19	556,522	787,649
Lease liabilities	14	10,675	-
Total liabilities		681,690	857,577
Net assets attributable to unit holders of the Trust		30,552,478	32,549,367
Represented by:			
Units and reserves attributable to unit holders of the Trust			
Unit holders' contributions	20	26,682,695	26,682,695
Retained earnings		3,869,783	5,866,672
		30,552,478	32,549,367

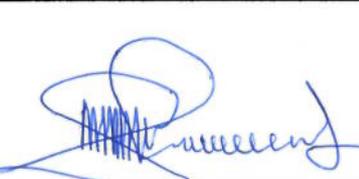
The accompanying notes form an integral part of these financial statements.

SIGNED ON BEHALF OF THE DIRECTORS OF THE FUND MANAGER ON 23RD MARCH 2020 BY

Tosa Ogbomo (Director of the Fund Manager)
 FRC/2019/IOD/00000019531



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



Additional Certification:

Shehu Jamiu (Financial Controller of the Fund Manager)
 FRC/2018/ICAN/00000018878



**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
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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 2018	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:			
Distribution 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
Comprehensive income			
Loss for the year	-	(449,293)	(449,293)
		(449,293)	(449,293)
Transactions with unit holders in their capacity as unit holders:			
Distributions paid to unit holders	-	(1,547,596)	(1,547,596)
	-	(1,996,889)	(1,996,889)
At 31 December 2019	26,682,695	3,869,783	30,552,478

**UPDC REAL ESTATE INVESTMENT TRUST
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STATEMENT OF CASH FLOWS

	Notes	31 December 2019	31 December 2018
		N'000	N'000
Cash flow from operating activities			
Cash generated from operating activities	21	2,890,125	3,203,545
Interest received		695,677	828,552
Net cash flow generated from operating activities		3,585,802	4,032,097
Cash flows from investing activities			
Additional investment in First Festival Mall	14	-	(42,845)
Acquisition of investment property	16	-	(3,605,919)
Improvement of investment property	16	-	(39,449)
Proceeds from sale of investment		-	1,091,903
Purchase of property and equipment	17	(140,858)	(77,520)
Net cash used in investing activities		(140,858)	(2,673,829)
Cash flows from financing activities			
Principal element of lease payment	14	(11,550)	-
Distributions paid to unit holders		(1,547,596)	(1,334,135)
Net cash flow used in financing activities		(1,559,146)	(1,334,135)
Net increase in cash and cash equivalent for the period		1,885,797	24,133
Analysis of changes in cash and cash equivalents:			
Cash and cash equivalents at start of period		1,289,127	1,264,994
Net increase in cash and cash equivalent for the period		1,885,797	24,133
Cash and cash equivalents at end of period	22	3,174,924	1,289,127

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 23rd of March 2020.

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.

2.2 New and amended standards and interpretations adopted by the REIT

A number of new or amended standards became applicable for the year, and the REIT had to change its accounting policies as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard is disclosed in note 2.2.1 below. The other standards did not have any impact on the REIT's accounting policies.

2.2.1 Impact of adoption of IFRS 16- Leases on the REIT

This note explains the impact of the adoption of IFRS 16 Leases on the REIT's financial statements and discloses the new accounting policies that have been applied from 1 January 2019. The REIT has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the REIT recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 17.25%.

	<u>N'000</u>
31 December 2018	-
Add/(less): adjustments as a result of a different treatment of extension and termination options	20,655
	<u>20,655</u>
2019	<u>20,655</u>
Of which are	
Current lease liabilities	1,571
Non-current lease liabilities	19,084
	<u>20,655</u>

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The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets

	31 Dec 2019 N'000	1 Jan 2019 N'000
Land	19,828	20,655
Total Right-of-use assets	19,828	20,655

The following table summarises the impact of the transition to IFRS 16 on the statement of financial position as at 1 January 2019 for each affected individual line item. Line items that were not affected by the changes have not been included. The adoption of IFRS 16 had a nil impact on opening equity as at 1 January 2019.

	As at 31 December 2018		Impact of IFRS 16		As at 1 Jan 2019	
	N'000	N'000	Reclassification N'000	Remeasurement N'000	N'000	N'000
Assets						
Right-of-use assets	-	-		20,655	20,655	20,655
Prepayment	-	-		-	-	-
Liabilities						
Non-current						
Lease liabilities	-	-		-	-	-
Current						
Lease liabilities	-	-		20,655	20,655	20,655

(i) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for December 2019 increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy.

	Segment assets NGN'000	Segment liabilities NGN'000
Land	19,828	10,675

The adoption of IFRS 16 does not have significant impact on earnings per share of the Trust for period ended 31 December 2019.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the REIT has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

The REIT has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the REIT relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

b) The REIT's leasing activities and how these are accounted for

The REIT leases its various office spaces. Rental contracts are typically made for fixed periods of one to three years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the REIT. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(i) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the REIT. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the REIT and not by the respective lessor. All the lease payments made in 2019 were optional.

(ii) Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(iii) Residual value guarantees

To optimise lease costs during the contract period, the REIT sometimes provides residual value guarantees in relation to equipment leases.

Estimating the amount payable under residual value guarantees

The REIT initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

2.2.2 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

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

Reclassification from retired categories with no change in measurement

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

Financial liabilities are classified as subsequently measured at amortised cost. The trust's financial liabilities includes Rent received in advance, fees payable, accrued expenses and lease liabilities.

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
		Financial assets at fair value through profit or loss	Corporate bonds
			Unquoted equity
Loan to Investee REIT			
Financial liabilities	Amortised cost	Account payables	Fund manager's fee payable
			Custodian fees payable
			Dividend payable
			Accrued expenses
	Rent received in advance	Rent received in advance	
	Lease liability	Lease liabilities	

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 2019, 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	1.00%
Above 181 days	19.00%

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 REIT 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 reliably 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 REIT 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 2019 (December 2018: 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.

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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 2019 In thousands of Nigerian Naira	Financial Assets		Financial Liabilities
	Amortised cost	Financial assets at fair value through profit or loss	At amortised cost
	N'000	N'000	N'000
Financial assets:			
Bank balances			
- Balances with banks	3,174,924	-	-
Financial assets held for trading			
- Treasury bills	-	161,839	-
- Corporate bonds	-	766,834	-
Other assets			
- Rent receivables	55,757	-	-
- Receivable from property manager	6,129		
Financial liabilities:			
Account payable	-	-	114,278
Lease liabilities	-	-	10,675

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31 December 2018	Financial Assets		Financial Liabilities
	Amortised cost	Financial assets at fair value through profit or loss	At amortised cost
In thousands of Nigerian Naira	N'000	N'000	N'000
Financial assets:			
Bank balances			
- Placement with banks	34,287	-	-
Financial assets held for trading			
- Treasury bills	-	3,129,574	-
- Corporate bonds	-	803,209	-
Financial assets at fair value through profit or loss			
- Investment in First Festival Mall (Note 14.1)	-	-	-
- Investment in real estate development			
Other assets			
- Rent receivables	23,144	-	-
- Receivable from property manager	30,249		
Financial liabilities:			
Accounts payable	-	-	69,507

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 2019

	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
Financial assets					
Bank balances					
- Balances with banks	3,174,924	-	-	-	3,174,924
Rent receivable	63,812	-	-	-	63,812
Receivable from property manager	6,129	-	-	-	6,129
Financial assets held for trading					
- Treasury bills	-	152,122	9,717	-	161,839
- Corporate bonds	-	25,500	101,970	806,848	934,318
	<u>3,244,865</u>	<u>177,622</u>	<u>111,687</u>	<u>806,848</u>	<u>4,341,022</u>
Financial liabilities					
Lease liability	-	114,278	-	-	114,278
				<u>11,550</u>	<u>11,550</u>
Net financial asset	<u>3,244,865</u>	<u>177,622</u>	<u>111,687</u>	<u>795,298</u>	<u>4,329,472</u>
Net assets attributable to equity holders					<u>30,552,478</u>
Percentage of liquid financial assets to Net assets attributable to equity holders					14%

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	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
Financial assets					
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	63,165	828,568	917,233
	<u>57,431</u>	<u>1,825,181</u>	<u>1,632,442</u>	<u>858,817</u>	<u>4,373,871</u>
Financial liabilities	-	69,507	-	-	69,507
Net financial asset	<u>57,431</u>	<u>1,755,674</u>	<u>1,632,442</u>	<u>858,817</u>	<u>4,304,364</u>
Net assets attributable to equity holders					<u>32,549,367</u>
Percentage of liquid financial assets to Net assets attributable to equity holders					13%

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 2019

	Bank balances	Financial assets at fair value through profit or loss	Other assets	Maximum Exposure
	N'000	N'000	N'000	N'000
Government	-	161,839	-	161,839
Financial Institutions	3,174,924	-	-	3,174,924
Corporate	-	766,834	6,129	772,963
Others	-	-	55,757	55,757
	<u>3,174,924</u>	<u>928,673</u>	<u>61,886</u>	<u>4,165,483</u>

31 December 2018

	Bank balances	Financial assets at fair value through profit or loss	Other assets	Maximum Exposure
	N'000	N'000	N'000	N'000
Government	-	1,764,792	-	1,764,792
Financial Institutions	34,287	-	-	34,287
Corporate	-	803,209	30,249	833,458
Others	-	-	23,144	23,144
	<u>34,287</u>	<u>2,568,001</u>	<u>53,393</u>	<u>2,655,681</u>

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 neither past due nor impaired financial assets is illustrated below.

	31 December 2019	31 December 2018
	N'000	N'000
A	3,174,924	34,287
AAA	667,987	3,456,210
BBB	98,847	169,112
Unrated	167,968	307,346
	<u>4,109,726</u>	<u>3,966,955</u>

The credit quality above was assessed with reference to Agusto & Co's rating (credit rating agency) at 31 December 2019 and 31 December 2018.

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Past due but not impaired

As at 31 December 2019, receivables of N55.76million (2018: 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 2019 N'000	31 December 2018 N'000
Up to 3 months	9,031	1,285
3 to 9 months	46,726	18,252
	<u>55,757</u>	<u>19,537</u>

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 2019.

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 2019 N'000	31 December 2018 N'000
Financial assets held for trading	928,673	3,932,783
	<u>928,673</u>	<u>3,932,783</u>

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	46,434	196,639
Decrease	(46,434)	(196,639)

(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 2019 N'000	31 December 2018 N'000
Effect of 100 basis points movement on profit before tax		
Increase	9,287	39,328
Decrease	(9,287)	(39,328)

(c) Foreign exchange risk

The Trust did not have investments denominated in foreign currency as at 31 December 2019 (December 2018: 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 2019	
	Carrying Value N'000	Fair value N'000
Financial assets		
Bank balances		
- Placement with banks	3,174,924	3,174,924
- Other assets	61,886	61,886
	<u>3,236,810</u>	<u>3,236,810</u>
Financial Liabilities		
Other liabilities	114,278	114,278
	<u>114,278</u>	<u>114,278</u>
Financial assets		
Bank balances		
- Placement with banks	34,287	34,287
- Other assets	53,393	53,393
	<u>87,680</u>	<u>87,680</u>
Financial Liabilities		
Other liabilities	69,507	69,507
	<u>69,507</u>	<u>69,507</u>

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 2019 (N'000)

	Level 3	Total
Balances with banks	3,174,924	3,174,924
Other assets	61,886	61,886
	<u>3,236,810</u>	<u>3,236,810</u>
Other liabilities	114,278	114,278
	<u>114,278</u>	<u>114,278</u>

At 31 December 2018 (N'000)

	Level 3	Total
Balances with banks	34,287	34,287
Other assets	53,393	53,393
	<u>87,680</u>	<u>87,680</u>
Other liabilities	69,507	69,507
	<u>69,507</u>	<u>69,507</u>

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 2019 (N'000)

	Level 1	Level 2	Level 3	Total
Financial assets				
- Held for trading	795,256	133,417	-	928,673
	<u>795,256</u>	<u>133,417</u>	<u>-</u>	<u>928,673</u>

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
	<u>3,129,574</u>	<u>803,209</u>	<u>-</u>	<u>3,932,783</u>

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.

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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 seven 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 N'000	Pearl Hostel, Ibeju-Lekki Lagos N'000	Kingsway Building, Marina Lagos N'000	Total N'000
Beginning balance	4,174,000	9,100,000	9,810,000	1,560,000	800,000	402,287	3,442,845	29,289,132
Unrealised fair value gain/(loss) recognised in the statement comprehensive income	815,300	(3,320,000)	593,414	246,544	(147,565)	(31,752)	(551,226)	(2,395,285)
Fair value at 31 December 2019	4,989,300	5,780,000	10,403,414	1,806,544	652,435	370,535	2,891,619	26,893,847

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 is DIYA FATIMILEHIN & CO (ESTATE SURVEYORS & VALUERS), FRCN number (FRC/2013/NIESV/00000002273 & FRC/2013/NIESV/00000000754). JOE AKHIGBE & ASSOCIATES, FRCN number (FRC/2012/NIESV/00000000292) and STEVE AKHIGBEMIDU & CO, FRCN number (FRC/2013/NIESV/00000001442) were used in 2018.

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, when necessary.

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. One or both 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 VMP 1 in the current year because there is evidence of availability of recent price data for comparable properties.

This is a change from the Income Capitalisation method used for the valuation of VMP 1 in prior year.

Direct market method was also adopted for valuation of Abebe Court, Ikoyi Lagos due to the availability of market data on the value of the land on which the property is situated. The valuer adopted the method considering the prime location of the property.

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 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/Redevelopment method. This method assumes that a prospective buyer would be prepared to demolish and rebuild the building so as to get higher value for the property.

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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 N'000	Pearl Hostel, Ibeju-Lekki Lagos N'000	Kingsway Building, Marina Lagos N'000
Valuation method	Market value	Market value	Investment / Income capitalisation	Investment / Income capitalisation	Investment / Income capitalisation	Investment / Income capitalisation	Investment / Income capitalisation
Reasons for method used	Availability of market prices for similar properties	Availability of market prices for similar properties	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	Unexpired lease in the property is 27yrs	Unexpired lease in the property is 85yrs	Unexpired lease in the property is 85yrs	Unexpired lease in the property is 69yrs	Unexpired lease in the property is 79yrs	Unexpired lease in the property is 20yrs	Unexpired lease in the property is 19yrs
Rate of outgoing (deduction for repairs & maintenance)	N/A	N/A	20%	10%	10%	30%	12.5%
Capitalisation rate	N/A	N/A	6%	6%	7%	8% plus 2.5% sinking fund	5%

Fair value hierarchy of investment property is shown below

At 31 December 2019 (N'000)

	Level 2	Level 3	Total
Investment property:			
- Abebe Court, Ikoyi, Lagos	4,989,300	-	4,989,300
- VMP I, Victoria Island, Lagos	5,780,000	-	5,780,000
- VMP II, Victoria Island, Lagos	-	10,403,414	10,403,414
- UAC Commercial Complex, Abuja	-	1,806,544	1,806,544
- No 1 -2 Factory Road, Aba	-	652,435	652,435
- Pearl Hostel, Ibeju-Lekki, Lagos	-	370,535	370,535
- Kingsway Building, Marina, Lagos	-	2,891,619	2,891,619
	<u>10,769,300</u>	<u>16,124,547</u>	<u>26,893,847</u>

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
	<u>4,174,000</u>	<u>25,115,132</u>	<u>29,289,132</u>

Reconciliation of Level 3 items

The following table presents changes in level 3 instruments

At 1 January 2018	19,622,750
Total Gains recognised through profit or loss	1,647,250
Purchased during the year	<u>3,845,132</u>
At 31 December 2018	25,115,132
Transfer to level 2 due to availability of observable market data	(9,100,000)
Total gains recognised through through profit or loss	<u>109,415</u>
At 31 December 2019	<u>16,124,547</u>

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 2019

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	Market value	Income capitalisation	Income capitalisation	Income capitalisation	Income capitalisation	Income capitalisation
Sensitivity Analysis:	+/- 5% of Market Value	+/- 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
Impact of increase in valuation scale/rate	(249,465)	(289,000)	(800,103)	(138,937)	(42,921)	(13,511)	(289,812)
Impact of decrease in valuation scale/rate	249,465	289,000	945,576	164,198	49,524	21,826	354,215

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

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.

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	31 December 2019	31 December 2018
	N'000	N'000
6 Rental Income		
Rental Income	1,686,205	1,324,867
	<u>1,686,205</u>	<u>1,324,867</u>
7 Interest income on assets measured at fair value through profit or loss		
Held for trading assets:		
Corporate bonds	123,968	120,964
Treasury bills	555,885	691,422
	<u>679,853</u>	<u>812,386</u>
8 Net gain/(loss) on financial assets held for trading		
Trading income/(loss)	19,840	(11,318)
Fair value gain/(loss) on held for trading instruments	80,942	(59,903)
	<u>100,782</u>	<u>(71,221)</u>
9 Net loss on financial assets at fair value through profit or loss		
Income from investment in real estate development	6,129	154,947
Fair value loss on First Festival Mall investment	-	(967,910)
	<u>6,129</u>	<u>(812,963)</u>
10 Other income		
Proceeds from sale of scrap items	11,558	1,155
	<u>11,558</u>	<u>1,155</u>
11 Operating expenses		
Fund manager's fee	114,437	107,963
Property maintenance expenses	194,235	104,669
Registrar's fees	2,129	1,889
Trustees' fees	4,200	4,000
Audit fees	8,085	7,350
Professional fees	33,724	17,508
Custodian fees	24,534	22,254
AGM Expenses	2,625	4,405
Printing, advert and travels	228	1,289
Property manager's fees	50,619	39,050
Insurance premium	10,182	9,000
Depreciation on property & equipment (see note 17)	86,399	81,195
Depreciation on right of use assets (Note 14)	826	-
Other operating expenses	10,670	7,358
	<u>542,893</u>	<u>407,930</u>

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12 Balances with banks

- Current account with banks in Nigeria
Balances with banks

3,174,924	34,287
3,174,924	34,287

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

13 Financial assets held for trading

Treasury bills with maturity of 90 days or less
Treasury bills with maturity above 90 days
Corporate bonds

	31 December 2019 N'000	31 December 2018 N'000
	152,122	1,764,792
	9,717	1,364,782
	766,834	803,209
	928,673	3,932,783
Current	928,673	3,932,783
	928,673	3,932,783

14 Leases

i Right-of-use assets

	Land N'000	Total N'000
Opening balance as at 1 January 2019	-	-
Impact of adoption of IFRS 16	20,655	20,655
Closing balance as at 31 December 2019	20,655	20,655
Depreciation		
Opening balance as at 1 January 2019	-	-
Charge for the year	826	826
Closing balance as at 31 December 2019	826	826
Net book value as at 31 December 2019	19,828	19,828

ii

Lease liabilities

	N'000
Opening balance as at 1 January 2019	-
Impact of adoption of IFRS 16	20,655
Interest expense	1,571
Payments made during the period	(11,550)
Closing balance as at 31 December 2019	10,675
Current lease liabilities	1,571
Non-current lease liabilities	9,105
	10,675

iii

Amounts recognised in the statement of profit or loss

	Land N'000	Total N'000
Depreciation charge of right-of-use assets	826	826
Interest expense	1,571	1,571
Lease modification gain		

iv)

Liquidity risk (maturity analysis of lease liabilities)

	0-3 months	3-12 months	1-2 years	Above 2 years
	-	-	-	11,550
Lease liability	-	-	-	11,550

Lease liability

UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2019

	31 December 2019 N'000	31 December 2018 N'000
15 Other assets		
Financial:		
Receivable from property manager	6,129	30,249
Rent receivables	63,812	23,144
ECL provision	(8,055)	-
	<u>61,886</u>	<u>53,393</u>
Non financial:		
Prepaid expenses	12,362	10,182
WHT receivables	2,346	1,324
	<u>14,708</u>	<u>11,506</u>
	<u>76,594</u>	<u>64,899</u>
Current	76,594	64,899
Non-Current	-	-
	<u>76,594</u>	<u>64,899</u>
16 Investment property		
Beginning balance	29,289,132	23,869,750
Additions	-	3,605,919
Improvement	-	39,449
Fair value (loss)/gain	(2,395,285)	1,774,014
	<u>26,893,847</u>	<u>29,289,132</u>
Non-Current	<u>26,893,847</u>	<u>29,289,132</u>
Details of the investment property is in note 4.3.		

	Office equipment N'000	Fixtures & fittings N'000	Total N'000
17 Property and equipment			
Cost			
At 1 January 2019	166,065	77,520	243,585
Additions	84,950	55,908	140,858
At 31 December 2019	<u>251,015</u>	<u>133,428</u>	<u>384,443</u>
Accumulated depreciation			
At 1 January 2019	131,902	25,840	157,742
Charge for the year	55,959	30,440	86,399
At 31 December 2019	<u>187,861</u>	<u>56,280</u>	<u>244,141</u>
Net book amount at 1 January 2019	<u>34,163</u>	<u>51,680</u>	<u>85,843</u>
Net book amount at 31 December 2019	<u>63,154</u>	<u>77,148</u>	<u>140,302</u>

UPDC REAL ESTATE INVESTMENT TRUST
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FOR YEAR ENDED 31 DECEMBER 2019

17 Property and equipment continued	Office equipment N'000	Furnitures & fittings N'000	Total N'000
Cost			
At 1 January 2018	166,065	-	166,065
Additions	-	77,520	77,520
At 31 December 2018	<u>166,065</u>	<u>77,520</u>	<u>243,585</u>
Accumulated depreciation			
At 1 January 2018	76,547	-	76,547
Charge for the year	55,355	25,840	81,195
At 31 December 2018	<u>131,902</u>	<u>25,840</u>	<u>157,742</u>
Net book amount at 1 January 2018	<u>89,518</u>	<u>-</u>	<u>89,518</u>
Net book amount at 31 December 2018	<u>34,163</u>	<u>51,680</u>	<u>85,843</u>
<hr/>			
18 Other liabilities			
Financial liabilities:			
Fund manager's fee payable		28,035	28,379
Custodian fees payable		5,601	5,444
Dividend payable		6,757	6,757
Caution deposits		1,500	600
Accrued expenses		72,385	28,327
		<u>114,278</u>	<u>69,507</u>
Non financial Liabilities			
VAT payable		215	421
		<u>215</u>	<u>421</u>
		<u>114,493</u>	<u>69,928</u>
Current		114,493	69,928
Non-Current		-	-
		<u>114,493</u>	<u>69,928</u>
<hr/>			
		31 December 2019 N'000	31 December 2018 N'000
19 Rent received in advance			
Rent received in advance		556,522	787,649
		<u>556,522</u>	<u>787,649</u>
Current		361,455	389,675
Non-Current		195,067	397,974
		<u>556,522</u>	<u>787,649</u>
<hr/>			
20 Unit holders' contribution			
Authorised			
3,000,000,000 units of N10 each		<u>30,000,000</u>	<u>30,000,000</u>
Issued and fully paid			
2,668,269,500 units of N10 each		<u>26,682,695</u>	<u>26,682,695</u>

**UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2019**

		31 December 2019	N'000 31 December 2018
21 Cash generated from operations	Notes	N'000	N'000
Reconciliation of profit after tax to cash generated from operations:			
(Loss)/profit after tax		(449,293)	2,644,763
Adjustment for:			
– Fair value loss/(gain) on investment property	16	2,395,285	(1,774,014)
– Depreciation on right of use assets	14	826	-
– Depreciation on property & equipment	17	86,399	81,195
– Finance cost on leases		1,571	-
– Fair value (gain)/loss on financial assets held for trading	8	(80,942)	59,903
– Fair value loss on financial assets at fair value through profit or loss	9	-	967,910
– Net interest income	7	(679,853)	(812,386)
– Interest income on deposit with banks		(12,413)	(24,455)
– Impairment charge on receivables		8,055	-
Changes in working capital:			
– Financial instruments held for trading		1,826,801	1,319,896
– Other assets		(19,750)	92,289
– Account payables		44,565	16,365
– Rent received in advance		(231,127)	632,080
Cash generated from operations		2,890,125	3,203,545

22 Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprises:

- Treasury bills	-	1,254,839
- Balances with banks (Note 12)	3,174,924	34,287
	3,174,924	1,289,126

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 Holding Company Limited which owns 99.7% of the Company's share capital. FSDH AM is a co-subsiary with FSDH Merchant Bank Limited and FSDH Securities Limited.

During the period, the following related party activities occurred:

Entity	Relationship	Type of transaction	2019 N'000	2018 N'000
FSDH Asset Management	Fund manager	Management fee	114,437	107,963

**UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2019**

UACN Property Development Company Plc	Property manager	Property management fee	50,619	39,050
First Festival Mall Limited	Investee	Shareholder Loan to investee	-	-
First Festival Mall Limited	Investee	Interest income on loan to investee	-	-
UBA Trustees Limited	Trustee	Trustee fee	2,100	2,000
FBN Trustees Limited	Trustee	Trustee fee	2,100	2,000

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 2018: Nil).

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

	31 December 2019 Units N'000	31 December 2018 Units N'000
Direct - UPDC	1,648,915	1,648,915
Indirect	-	-
Mrs. Folashade Ogunde	400	400
Mrs. Hamda A. Ambah	50	50
Mrs. Niun Taiwo	-	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 2019	31 December 2018
(Loss)/profit after tax attributable to unit holders of the Trust (N'000)	(449,293)	2,644,763
Number of ordinary units in issue (000)	2,668,270	2,668,270
Basic (loss)/earnings per unit (expressed in Naira per share)	(0.17)	0.99

(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)	(0.17)	0.99
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**UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2019**

25 Distributions	31 December 2019 N'000	31 December 2018 N'000
Interim/proposed distribution	<u><u>1,751,393</u></u>	<u><u>1,515,341</u></u>

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" add/less unrealised fair value loss/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 32 Kobo (December 2018 was 31 Kobo) per share totalling N853.85million (Dec 2018 was N827.16million) was paid for the six months ended 30 June 2019 while 34 Kobo totalling N897.55million (Dec 2018 was N693.75million) is being proposed as final distribution for the year ended 31 December 2019.

The proposed final distribution of 34 kobo will be accounted for, as an appropriation of retained earnings in the year ending 31 December 2020.

Reconciliation of distribution

	N'000	N'000
(Loss)/Profit after tax	(449,293)	2,644,763
Add fair value loss on assets at fair value through profit or loss	-	812,963
Add/(less) fair value loss/(gain) on investment property	<u>2,395,285</u>	<u>(1,774,014)</u>
Distributable income	<u>1,945,992</u>	<u>1,683,712</u>
Proposed distribution at 90% of distributable income	<u><u>1,751,393</u></u>	<u><u>1,515,341</u></u>
Interim distribution paid	853,846	827,164
Distribution proposed	<u>897,547</u>	<u>688,177</u>
Total distribution	<u><u>1,751,393</u></u>	<u><u>1,515,341</u></u>
Interim distribution paid per unit (Naira)	0.32	0.31
Distribution proposed per unit (Naira)	<u>0.34</u>	<u>0.26</u>
Total distribution per unit (Naira)	<u><u>0.66</u></u>	<u><u>0.57</u></u>

26 Events after statement of financial position date

The Finance Act signed was into law in January 2020 and it form the basis upon which the Trust tax was calculated. More so, there was an outbreak of COVID -19, a global pandemic in the first quarter of 2020. The outbreak was declared a Public Health Emergency of International concern by World Health Organisation (WHO) in March 2020. As at the date of this report, several cases have been confirmed in Nigeria by the Nigerian Centre for Disease Control (NCDC).

The virus has caused a significant reduction in social interaction, with a shutdown of public facilities and physical interaction. Measures taken to contain the virus have affected economic activity. In the light of these recent developments and its underlying impact, the duration and financial impact of this pandemic cannot be reasonably estimated at this point in time. However, the Fund Manager has assessed the likely impact on the major income line of the Trust, which is rental income, and considered it low. Covid 19 pandemic does not impact the ability of the Trust to continue as a going concern.

27 Capital commitments

The Trust had no capital commitments as at end of the period ended 31 December 2019 (31 December 2018: Nil).

28 Contingent liabilities

The Trust had no contingent liabilities as at end of the period ended 31 December 2019 (31 December 2018: Nil).

**UPDC REAL ESTATE INVESTMENT TRUST
OTHER NATIONAL DISCLOSURES
FOR YEAR ENDED 31 DECEMBER 2019
VALUE ADDED STATEMENT**

	Dec 2019	%	Dec 2018	%
	N'000		N'000	
Gross income	101,655	(30)	3,052,693	111
Bought-in-materials and services (local)	(436,511)	130	(299,967)	(11)
Value added	(334,856)	100	2,752,726	100
Distribution of value added:				
To Government:				
Tax	-	-	-	-
To Fund Manager:				
Fund manager's fee	114,437	(34)	107,963	4
Retained in the fund:				
Retained earnings	(449,293)	134	2,644,763	96
	(334,856)	100	2,752,726	100

**UPDC REAL ESTATE INVESTMENT TRUST
OTHER NATIONAL DISCLOSURES
FOR YEAR ENDED 31 DECEMBER 2019
FIVE YEAR FINANCIAL SUMMARY**

	Dec 2019 N'000	Dec 2018 N'000	Dec 2017 N'000	Dec 2016 N'000	Dec 2015 N'000
ASSETS					
Bank balances	3,174,924	34,287	455,580	7,307	2,799,647
Financial assets held for trading	928,673	3,932,783	4,858,866	5,484,515	3,992,646
Financial assets at fair value through profit or loss	19,828	0	2,016,969	2,684,945	2,294,124
Other assets	76,594	64,899	157,188	258,645	254,553
Property and equipment	140,302	85,843	89,518	126,651	-
Investment property	26,893,847	29,289,132	23,869,750	23,428,563	23,633,200
Fixtures and fittings			-	-	-
TOTAL ASSETS	31,234,168	33,406,944	31,447,870	31,990,626	32,974,170
LIABILITIES					
Other liabilities	681,690	857,577	209,132	1,138,875	1,926,864
Net assets attributable to unitholders	30,552,478	32,549,367	31,238,738	30,851,751	31,047,306
Represented by:					
Unit holders' contributions	26,682,695	26,682,695	26,682,695	26,682,695	26,682,695
Retained earnings	3,869,783	5,866,672	4,556,044	4,169,056	4,364,611
	30,552,478	32,549,367	31,238,739	30,851,751	31,047,306
INCOME STATEMENT					
Income from investment property	1,686,205	1,324,867	1,124,723	1,104,033	1,605,526
Interet income on deposit with banks	12,413	24,455	7,434		
Interest income	679,853	812,386	1,123,605	750,272	1,261,700
Net gain/(loss) on financial assets held for trading	100,782	(71,221)	79,696	(98,166)	90,065
Net gain/(loss) on financial assets at fair value through profit c	6,129	(812,963)	(139,474)	292,580	-
Other income	11,558	1,155.00	85,385	-	12,244
Fair value gain on investment property	(2,395,285)	1,774,014	356,410	(204,637)	385,200
Impairment charge on receivables	(8,055)	-	-	-	-
Operating expenses	(542,893)	(407,930)	(429,432)	(331,943)	(282,634)
	(449,293)	2,644,763	2,208,347	1,512,139	3,072,101
Tax	-	-	-	-	(82,575)
	(449,293)	2,644,763	2,208,347	1,512,139	2,989,526