

UPDC REAL ESTATE INVESTMENT TRUST

**FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

CONTENTS	Page
Parties to the Fund	1
Trustees' report	2
Fund manager's report	5
Statement of the Fund Manager's responsibilities	10
Auditors' report	11
Statement of Comprehensive Income	13
Statement of Financial Position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17
Other national disclosures:	
- Statement of value added	37

**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

PARTIES TO THE FUND

Trustees

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

Trustees

FBN Trustees Limited
16 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 Floors
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 period ended 31 December 2015

The Trustees present their report on the affairs of the UPDC Real Estate Investment Trust, together with the Financial Statements for the period ended 31 December, 2015.

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

Results: The results for the period ended 31 December, 2015 are set out on pages 13 and 14.

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

Mr. Rilwan Belo-Osagie	(Chairman)
Mrs. Olumayowa Ogunwemimo	(Managing Director)
Mrs. Hamda A. Ambah	(Director)
Mr. Emenike Davies Uduanu	(Director)

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

Mr. Larry Ettah	(Chairman)
Mr. Hakeem Ogunniran	(Managing Director)
Mrs. Folasade Ogunde	(Director)
Mrs. Halima Alao	(Director)
Mr. Abdul Bello	(Director)
Mr. Adekunle Awojobi	(Director)
Prof. Okon A. Ansa	(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:

Mr. Rilwan Belo-Osagie	1,000,000
Mr. Hakeem Ogunniran	1,000,000
Mrs. Folasade Ogunde	400,000
Mrs. Hamda A. Ambah	50,000
Mrs. Halima Alao	20,000

None of the directors of FBN 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 was 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 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 asset allocation of the REIT did not conform with the provisions of the Trust Deed due to the dearth of investible Real Estate Assets. Fixed Income investments exceeded the limit provided in the Trust Deed. However, the Fund Manager is making concerted efforts to identify quality Real Estate assets that the REIT can invest in.

Except as stated above, the REIT was administered in accordance with the Applicable Regulations, taking into cognisance prevailing market conditions as well as the need to preserve and minimise possible losses to Unitholders' funds during the period under review.

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



FBN Trustees Limited
16 Keffi Street, Ikoyi
Lagos, Nigeria
10 February, 2016



United Capital Trustees Limited
UBA House, 57 Marina
Lagos, Nigeria
10 February, 2016

UPDC REIT - FUND MANAGER'S REPORT DECEMBER 2015

ECONOMIC & FINANCIAL MARKET REVIEW

Despite the partial economy recovery and stabilisation experienced in Q2 2015, the Nigerian macroeconomic environment in 2015 was characterised by uncertainties as a result of the security challenges, decline in oil prices and the general elections held during the year.

The persistent and increased demand for foreign exchange persisted throughout the year, leading to a decline in the value of the Naira. Year-on-year, the value of the Naira depreciated by 14.72% and 6.51% to close 2015 at US\$/N197 and US\$/N199.08 at the CBN and inter-bank market respectively. The highest rate recorded at the CBN and inter-bank market in 2015 were US\$/N199, and US\$/N203.06 respectively. The lowest values were US\$/N168 and US\$/N179.21 respectively.

The CBN engaged in more aggressive foreign exchange administrative measures to curb the incessant demand for foreign exchange and address the instability in the value of the Naira. These measures yielded some results as the external reserves appreciated marginally by 0.24% in HY2 2015.

The external reserves decreased by 15.66% to stand at US\$29.07bn as at end-December 2015 from US\$34.47bn as at end-December 2014.

The inflation rate stood at 9.55% in December 2015 from 8.2% in January 2015. According to the National Bureau of Statistics (NBS), the lowest, highest and average inflation rates recorded between January 2015 and December 2015 are 8.2%, 9.55% and 9.0% respectively. The rise in the inflation rate was caused by the increase in the price of food items due to the security challenges in some Northern states, higher transportation cost as a result of scarcity of Premium Motor Spirit (PMS) and the impact of the devaluation of the Naira.

The fixed income market was volatile in 2015 with the prices of fixed-income securities trending upwards while yields trended lower in the last two months of year. The decline was as a result of the excess liquidity in the fixed income market.

In September 2015, the Monetary Policy Committee (MPC) lowered the Cash Reserves Ratio (CRR) to 25% from 31%, to cushion the impact of the liquidity squeeze caused by the full implementation of the Treasury Single account (TSA).

The real estate market was adversely affected by CBN's tight regulatory conditions and restrictive monetary policies aimed at preserving the dwindling external reserves.

The effect of the restrictive monetary policies on the real estate market includes:

- Prohibition of Nigerian banks from lending USD to real estate projects, ;
- Retailers inability to purchase and stock construction materials due to the classification on 41 items as ineligible for accessing USD from the official market. 46% of the these items are directly related to the real estate industry.

This had a negative impact on the retail sector of the real estate market as initial cost projections had to be revised resulting in the delay in the delivery of some malls. The completion dates for around 30,000 m² of mall space in different locations have been extended to Q1 2016.

Despite the macroeconomic challenges, Delta Mall, Festival Mall (UPDC REIT has 20% shareholding in the SPV that owns this mall), Jabi Lake Mall and Circle Mall were completed and opened to customers in 2015. In addition, South African investors Hyprop and Attacq acquired 75% and 25% interests respectively in Ikeja City Mall.

Due to the increasingly competitive leasing environment, rental rates on office spaces reduced marginally in 2015. Civic Towers and Landmark Tower are some of the new developments completed in the office sector of the real estate market. Although both enjoyed fairly rapid take-up, the rent rates paid by the tenants are less than the projected rental rates.

FUND PERFORMANCE

The REIT traded a total of 8.74 million units in 2015 and closed at a price of N10.00 on December 31, 2015. The earnings yield on investment in the REIT as at December 31, 2015 was 10.7%.

The current asset allocation of the REIT is as stated below;

S/N	ASSET CLASS	ASSET ALLOCATION
1	Real Estate Assets	77.24%
2	Real Estate Related Assets	2.13%
3	Liquid Assets	20.62%
	Total	100.00%

Although the allocation to Real Estate asset class exceeds the target minimum of 75%, the allocation to liquid asset exceeds the maximum investment of 10%. This is as a result of the inability of the fund to find qualifying real estate or real estate related assets that met its requirements. It is expected that additional investments in real estate or real estate related assets will be made in the next financial year which will ensure that the target asset allocation is achieved.

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

PROPERTY	LOCATION	CURRENT YIELD	PROPERTY TYPE	TENANTS	LENGTH OF TENANCY AGREEMENT	VACANCY RATE
Abebe Court	Ikoyi, Lagos	4.97%	Residential	A mix of corporate(84%) and individual(16%) client	80% annual; 20% biennially	7.69%
Victoria Mall Plaza Phase 1	Victoria Island, Lagos	5.27%	Residential	Major international oil producing company	2011 - 2015	100%
Victoria Mall Plaza Phase 2	Victoria Island, Lagos	8.49%	Commercial	Major international auditing/ consulting firm	2015 - 2017	0%
LAC Office Block	CBD, Abuja	5.59%	Commercial	Various corporate clients including four(4) banks	30% annual; 50% biennially; 20% between 3 and 5 years	9.24%
12 Factory Road Aba	Aba	5.89%	Commercial	Various corporate clients including a leading logistics company	67% annual; 33% between 2 and 3 years	0.26%

In April 2015, Mobil Nigeria Limited had informed the property manager of their intention vacate Victoria Mall Plaza Phase 1 once their lease expired in October 2015. The Property Manager has since commenced sourcing for other corporate tenants to lease the property to.

In the meantime, the Committee has decided to stop the sale of units of Abebe Court, while putting up half of the units at VMP 1 for sale. This is because Abebe Court is currently fully tenanted and generating rental income, while VMP1 is currently vacant.

The Festival Mall was officially opened/commissioned on December 5, 2015. The anchor tenants, Shoprite and Silverbird Cinemas, and 30 line shops (e.g. Siot, Sport World, Ruff "n" Tumble, May brands, Diva Accessories, and Health Plus) have since opened their doors customers.

In addition, the REIT invested in a Joint Development Transaction to develop the James Pinnock Place(Phase 3 Pinnock Beach), a residential estate located on about 3 Hectares of land within Pinnock Beach Estate located at Lekki Peninsular. The James Pinnock Place has 81 units which comprises of 5 Bedroom Detached Houses with BQ (13 units), 4 Bedroom Semi-Detached Houses with BQ (24 units), 3 Bedroom Flats with BQ (42 units) and 4 Bedroom Maisonettes with BQ (2 units).

The Project is being jointly developed by UACN Property Development Company Plc ("UPDC") and UPDC REIT, with an expected completion date in 2017. The REIT's investment represents 49% of the total project value and has been classified as a Real Estate Asset. The units are being sold to customers, with the option of choosing a well finished unit or a shell house which they can finish to their specific taste and standard. The projected return on investment for the REIT is 19.1%.

The REIT has earned a total of N2.87 billion this is made up of N385 million unrealised capital gains and N2.54 billion realised income. This performance resulted in an earnings yield of 10.7% as at December 31, 2015.

In line with the REIT's Trust Deed, which requires the payment of 90% of the REIT's income as distribution to unit holders, the total distribution to unit holders for the 12 months period will be N2.29 billion. This represents 90% of the realised income for the period. Further to the interim distribution of N1.15 billion already paid, the Fund Manager is proposing a final distribution of N1.14 billion.

OUTLOOK

Despite the current economic challenges, over the long term, we expect that the Nigerian real estate sector would continue to improve as the growing population and middle class continue to generate the demand for commercial property (the retail sub-sector) and residential property, ranging from mass market affordable housing to high-end luxury properties. *UN forecasts suggest that the population of Lagos will grow by more than 70% during the 2010-2025 period while the population of Africa will almost quadruple to more than four billion by 2100, with nearly one billion of these people in Nigeria alone. This projected growth in the population would continue to attract International real estate investors and property developers to the country, especially Lagos.

**We expect that about 183,500m² of retail space would be completed over the next 12 to 24 months. 66% of these malls are expected to be delivered to core markets including Lagos (79,000m²) and Abuja (43,000m²). The other expected retail space will be delivered to locations including Ogun, Cross River, Niger, Delta, Imo and Anambra.

In addition, the office spaces expected to be concluded in 2016 include Lake Point Towers (13,400m²) on Banana Island, The Wings Towers (27,000m²) in Victoria Island, where 50% has been taken up by Oando and Alliance Place (6,670m²) in Ikoyi, Nestoil Tower (7,500m²) and Heritage Place (15,736m²).

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.

**Africa Report 2015 – Knight Frank*

***Nigeria Retail & Office Market update 2015 - Broll Property Services Ltd*

**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

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 Fund for the year ended 31 December 2015 and of the net income for the period ended 31 December 2015.

The responsibilities include ensuring that:

- i. the Fund keeps accounting records which disclose with reasonable accuracy the financial position of the Fund 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 Fund and to prevent and detect fraud and other irregularities;
- iii. the Fund 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.

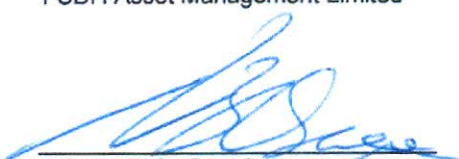
The Fund Manager accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with the International Financial Reporting Standards, Financial Reporting Council of Nigeria Act, Investments and Securities Act and relevant circulars issued by the Securities and Exchange Commission.


The Fund Manager is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Fund and of its financial performance.


The Fund Manager further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of 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 Fund 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


Rilwan Belo-Osagie
Director
FRC/2013/IODN/00000001713
10 March 2016


Olumayowa Ogunwemimo
Director
FRC/2013/ICAN/00000001742
10 March 2016


Wasiu Shafe
Chief Financial Officer
FRC/2015/ICAN/00000012973
10 March 2016



REPORT OF THE INDEPENDENT AUDITOR TO THE UNITHOLDERS OF UPDC REAL ESTATE INVESTMENT TRUST

Report on the financial statements

We have audited the accompanying financial statements of UDPC Real Estate Investment Trust ("the Fund"). These financial statements comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Fund Managers' responsibility for the financial statements

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

Auditor's responsibility

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

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

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



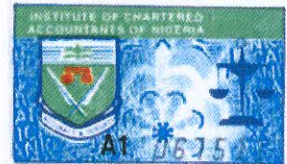
Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Fund at 31 December 2015 and of their financial performance and 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.

A handwritten signature in black ink, appearing to read "Sam Abu", is written over the printed name.

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

Engagement Partner: Sam Abu
FRC/2013/ICAN/000000001495



22 March 2016

**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2015 N'000	19 months to 31 December 2014 N'000
Income from investment property	5	1,605,526	1,979,057
Interest income	6	1,261,700	1,390,874
Net gain/(loss) on financial assets held for trading	7	90,065	(7,506)
Other income	8	12,244	69,235
Fair value gain on investment property	14	385,200	2,255,865
Net Income		3,354,735	5,687,525
Operating expenses	9	(282,634)	(843,690)
Profit before tax		3,072,101	4,843,835
Tax	10	(82,575)	-
Profit after tax		2,989,526	4,843,835
Increase in net assets attributable to unit holders		2,989,526	4,843,835
Earnings per unit attributable to unit holders of the Fund			
Earnings per unit - basic and diluted (Naira)	21	1.12	1.82

The accompanying notes as set out from note 1 to 25 form an integral part of these financial statements.

**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

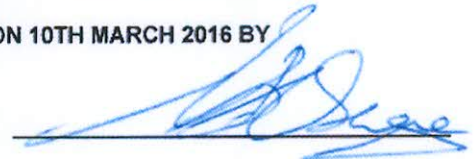
STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2015 N'000	31 December 2014 N'000
Assets:			
Bank balances	11	2,799,647	72,889
Financial assets held for trading	12	3,992,646	6,422,138
Financial assets at fair value through profit or loss	13	2,294,124	694,600
Investment property	14	23,633,200	23,708,000
Other assets	15	254,552	29,460
Total assets		32,974,169	30,927,087
Liabilities:			
Other liabilities	16	1,926,864	894,788
Total liabilities		1,926,864	894,788
Net assets attributable to unit holders of the Fund		31,047,305	30,032,299
Represented by:			
Units and reserves attributable to unit holders of the Fund			
Unit holders' contributions	17	26,682,695	26,682,695
Retained earnings		4,364,610	3,349,604
		31,047,305	30,032,299

The accompanying notes as set out from note 1 to 25 form an integral part of these financial statements.

SIGNED ON BEHALF OF THE DIRECTORS OF THE FUND MANAGER ON 10TH MARCH 2016 BY

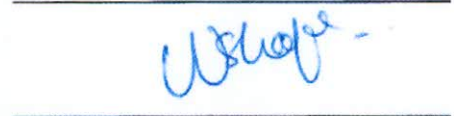
Rilwan Belo-Osagie (Director of the Fund Manager)
FRC/2013/IODN/00000001713



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



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



UPDC REAL ESTATE INVESTMENT TRUST
 FINANCIAL STATEMENTS
 FOR YEAR ENDED 31 DECEMBER 2015

STATEMENT OF CHANGES IN UNITS AND RESERVES

ATTRIBUTABLE TO UNIT HOLDERS OF THE FUND

	Unitholders' contributions	Retained earnings	Total
	N'000	N'000	N'000
At 6 June 2013	26,682,695	-	26,682,695
Transfer from statement of comprehensive income	-	4,843,835	4,843,835
Transactions with unit holders in their capacity as unit holders: Distribution paid to unit holders		(1,494,231)	(1,494,231)
	-	3,349,604	3,349,604
At 31 December 2014/1 January 2015	26,682,695	3,349,604	30,032,299
Transfer from statement of comprehensive income	-	2,989,526	2,989,526
Transactions with unit holders in their capacity as unit holders: Distributions paid to unit holders		(1,974,520)	(1,974,520)
	-	1,015,006	1,015,006
At 31 December 2015	26,682,695	4,364,610	31,047,305

**UPDC REAL ESTATE INVESTMENT TRUST
FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

STATEMENT OF CASH FLOWS

		31 December 2015	19 months to 31 December 2014
	Notes	N'000	N'000
Cash flow from operating activities			
Cash generated from /(used in) operations	18	2,857,094	(3,363,582)
Interest received		1,111,735	1,387,745
Net cash flow generated from/(used in) operating activities		3,968,829	(1,975,837)
Cash flows from investing activities			
Investment in real estate development	13	(1,475,635)	-
Purchase of investment property	14	-	(21,861,110)
Proceeds from sale of investment property	14	471,646	457,810
Net cash used in investing activities		(1,003,989)	(21,403,300)
Cash flows from financing activities			
Proceeds from public offer	17	-	26,682,695
Distributions paid to unit holders		(1,974,520)	(1,494,231)
Net cash flow (used in) / generated from financing activities		(1,974,520)	25,188,464
Net Increase in cash and cash equivalent for the period		990,320	1,809,327
Analysis of changes in cash and cash equivalents:			
Cash and cash equivalents at end of period	19	2,799,647	1,809,327
Cash and cash equivalents at start of period		1,809,327	-
Net Increase in cash and cash equivalent for the period		990,320	1,809,327

The statement of accounting policies and accompanying notes as set out from note 1 to 25 form an integral part of these financial statements.

**UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

1 General information

The UPDC Real Estate Investment Trust the "Fund", 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 Fund can be bought and sold through a licensed stockbroker on the floor of the exchange.

The public offer of the Fund closed on March 27, 2013 and it was 88.94% subscribed. This implies that a total of N26.88billion was raised. The Securities & Exchange Commission approved the basis of allotment of the offer on June 3, 2013 and the net offer proceeds was transferred to the Custodian, United Bank for Africa Plc (Global Investor Services Division) on June 5, 2013. The management of the Fund portfolio commenced on June 6, 2013. The Fund was listed on the Nigerian Stock Exchange on July 1, 2013 at N10.00 only. A total number of 6.53 million units were traded at the price of N10 between January to December 2015, and also closed at a unit price of N10.00 on December 31, 2015. The REIT made a total distribution of 87kobo to unit holders for financial year ended 31 December, 2014.

The primary objective of the Fund 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 Fund's assets, acquisitions and development of additional income-producing real estate property.

The Fund 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.

These financial statements were authorized for issue by the Investment Committee on the 10 March 2016.

2 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.

2.1 Basis of preparation

The financial statements for period ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board. 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 Fund'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 Fund'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 Fund's functional and presentation currency. The figures shown in the financial statements are stated in thousands of Naira, unless otherwise stated.

a) International Financial Reporting Standards (IFRS) and amendments effective for the first time for 31 December 2015

A number of new standards and amendments to standards and interpretations were effective for the first time for the year ended 31 December 2015. None of these standards and amendments to standards have had an effect on the financial statements of the Fund.

Financial instruments included in this category are initially measured at fair value; transaction costs are taken directly to statement of comprehensive income and subsequently measured at fair value with gains and losses arising from changes in fair value recognised in 'Net gains / (losses)' from financial instruments classified as held for trading' in the Statement of Comprehensive Income. Interest income and dividend income on financial assets held for trading are included in 'Interest income' and 'other income' respectively. The instruments are derecognised when the rights to receive cash flows have expired or the Fund has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

The Fund's investments in First Festival Mall Limited (a special purpose vehicle (SPV)) set up to hold 100% interest in Festival Mall and James Pinnock Estate - a residential property, are classified as financial assets at fair value through profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (1) those that the Fund intends to sell immediately or in the short term, which are classified as held for trading, and those that the Fund upon initial recognition designates as at fair value through profit or loss;

(2) those that the Fund upon initial recognition designates as available for sale; or

(3) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the asset including any transaction costs - and measured subsequently at amortised cost.

The Fund's loans and receivables include the following: placement with banks and rent receivables.

Recognition

Financial assets are recognised on settlement dates. The varying class and nature of the financial assets determines the settlement which may be different from the trade date. Financial instruments such as debt and equity securities are recognised on settlement date other than the trade date while receivables are recognised on trade date which represents its settlement date.

2.2.2 Financial liabilities

The Fund's holding in financial liabilities represent mainly payables recorded in 'Other liabilities'. Payables are obligations to pay for services that have been received in the ordinary course of business from suppliers. Payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Payables are recognised at amortised cost but where the impact of discounting is deemed immaterial, they are recognised at cost.

2.2.3 Determination of fair value

At initial recognition, the best evidence of the fair value of a financial instrument is the transaction price (i.e. the fair value of the consideration paid or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and option pricing models whose variables include only data from observable markets.

Subsequent to initial recognition, for financial instruments traded in active markets, the determination of fair value of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges for example, Nigerian Stock Exchange (NSE) and broker quotes from the Financial Markets Dealers Quotations (FMDQ). The Fund, though permitted to hold quoted equities of real estate companies, has not invested in any equity since inception.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, Nigeria Interbank offer rate) existing at the dates of the statement of financial position. However, for illiquid financial instruments, the fair values are further adjusted to compensate for the credit risks attached to the issuers.

2.2.4 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or 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 Fund 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.

2.2.5 Reclassification of financial assets

The Fund may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Fund may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading category if the Fund has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

2.2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.3 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 Fund, or leased by the Fund as a lessee under a finance lease, to earn rentals 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.

The Fund invests primarily in a diversified portfolio of quality residential and commercial real estate properties in Nigeria. Its principal targeted assets are investment in prime locations within Lagos, Abuja and other major cities in Nigeria.

The first set of property were purchased from the promoter, UAC Property Development Company Plc. In acquiring property, a comprehensive selection process was undertaken to ensure that it meets the Fund's investment criteria which includes a) Type of property; b) location of the property; c) valuation of the property; d) comprehensive due diligence to de-risk the uncertainty of title; and e) approval of the Investment Committee.

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 if the fair value is considered to be reliably determinable. Investment property under construction for which the fair value cannot be determined reliably, but for which the Fund 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 Fund uses alternative valuation methods, such as recent prices on less active markets. Valuations are performed as of the financial position date 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 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 Fund 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. In carrying out the valuation, a professionally qualified valuer was employed and appropriate methods of valuation were used.

Income on disposal of investment properties are recognise in the statement of comprehensive income under 'income from investment property'.

2.4 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 Fund does not have any interest expense as at the reporting date.

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 Fund 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.

2.5 Rental Income from property

Rental income from investment property is recognised on a straight-line basis over the lease term. When the Fund 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" under other liabilities in the statement of financial position.

2.6 Dividend Income

Dividend on investments in quoted equities of real estate companies are recognised when such dividends are declared at the annual general meetings of the dividend paying companies. Dividend is accrued on the basis of the units of shares held by the Fund as at the share register closure date and is accounted for at gross of withholding tax. The resultant tax is separately accounted for and disclosed in the statement of comprehensive income as "Tax".

2.7 Impairment of financial assets

Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal repayments, the probability that they will enter bankruptcy or other financial re-organisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate to defaults.

Rent receivables, the Fund Manager, with the assistance of the property manager, assesses at each reporting date of the Fund whether there is objective evidence that a rent receivable is impaired. Each owing tenant are assessed for their ability to pay based on previous payment history. The property manager engages the tenant(s) a month before tenancy expiration, reminder letters are sent to the tenants and meetings held where applicable. When it is evidenced that a receivable is impaired, such losses are recognised in the statement of comprehensive income as a reduction of the rental income. If, in a subsequent period, the rent is received, it will be recognised as a reversal through the statement of comprehensive income as "other income".

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in statement of comprehensive income. If a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2.8 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)

2.9 Retained earnings

Retained earnings represent undistributed earnings of the Fund.

2.10 Operating expenses

a) Management fees

Management fees are incurred at 0.375% of the Net Asset Value of the Fund. The fees are accrued and paid quarterly in arrears.

b) Incentive fees

An annual incentive fee shall not exceed 10% of total returns in excess of 10% of the Net Asset Value of the Fund's net asset value per annum and is accounted for on an accrual basis or as soon as this condition is met.

c) Property Management fees

An annual fee of 3% of the gross rental income, payable quarterly in arrears.

**UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

2.11 Other expenses

All other expenses are recognised in the statement of comprehensive income on an accrual basis.

2.12 Taxation

The Fund is domiciled in Nigeria. There is no income, estate, corporation, capital gains or other gains or taxes payable by the Fund. The Fund only incurs withholding taxes on dividend and rental income. The resultant withholding tax deducted is captured as withholding tax receivables and charged to the statement of comprehensive income as tax expense over the rental period. The Fund did not earn any dividend income during the period ended 31 December 2015 (December 2014: Nil). The Fund 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

In line with the provisions of the Trust Deed, minimum of 90% of the Fund's distributable income will be distributed to unit holders at the end of every financial year.

Distributable income represents the "profit after tax" less unrealised fair value gain on investment property plus realised gain on disposed investment property.

Distribution proposed for the year are not accounted for but disclosed in the financial statements and appropriated from retained earnings after the approval of the joint Trustees in line with Clause 40.3 (b) of the Trust Deed.

2.14 Accrued expenses

Accrued expenses are expenses incurred in the ordinary course of business to suppliers, Fund manager and other parties to the Fund. They are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

2.15 Unit holding

Holdings of the Fund are classified as unit holding. Incremental costs directly attributable to the issue of new units or options, are included in the cost of acquisition as part of the purchase consideration. Purchase and redemptions of units are done on the floor of the Nigerian Stock Exchange at prices determined by the forces of demand and supply.

2.16 Earnings per share

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

3 Risk Management Objective and Policies

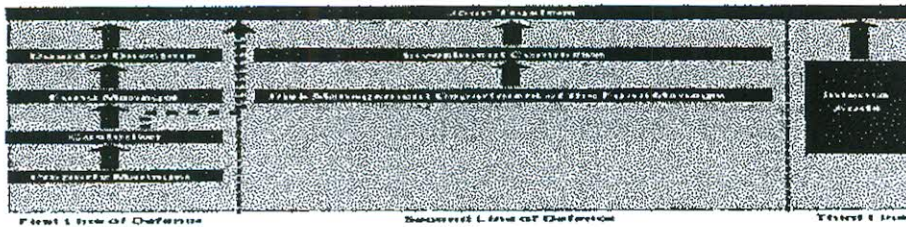
3.1 Financial risk management

The Fund 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 Fund 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 Fund'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 Fund'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 Fund's financial instruments are categorised as follows:

31 December 2015	Financial Assets			Financial Liabilities
	Loans and receivables	Held-for-trading	Financial assets at fair value through profit or loss	At amortised cost
In thousands of Nigerian Naira	N'000	N'000	N'000	N'000
Financial assets:				
Bank balances				
- Placement with banks	2,799,647	-	-	-
Financial assets held for trading				
- Treasury bills	-	3,689,089	-	-
- Corporate bonds	-	303,657	-	-
Financial assets at fair value through profit or loss				
- Equity securities	-	-	104,190	-
- Loan to investee	-	-	714,295	-
Other assets				
- Rent receivables	36,711	-	-	-
Financial liabilities:				
Other liabilities:				
Other payable	-	-	-	68,636

31 December 2014	Financial Assets			Financial Liabilities
	Loans and receivables	Held-for-trading	Financial assets at fair value through profit or loss	At amortised cost
In thousands of Nigerian Naira	N'000	N'000	N'000	N'000
Financial assets:				
Bank balances				
- Placement with banks	72,889	-	-	-
Financial assets held for trading				
- Treasury bills	-	6,422,138	-	-
Financial assets at fair value through profit or loss				
- Equity securities	-	-	104,100	-
- Loan to investee	-	-	580,410	-
Other assets				
- Rent receivables	22,201	-	-	-
Financial liabilities:				
Other liabilities:				
Other payable	-	-	-	59,502

3.2 Liquidity risk

Liquidity risk is the risk that the Fund 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 Fund 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 Fund. An immediate demand for cash can only be a risk if there is liquidity shortage. The Fund 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 Fund being a closed ended fund 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 Fund'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 2015

Financial assets	Due within 3 months	Due within 3 & 12 months	More than 1 year	Total
	N'000	N'000	N'000	N'000
Bank balances				
- Placement with banks	2,799,647	-	-	2,799,647
Rent receivable	38,711	-	-	38,711
Financial assets held for trading				
- Treasury bills	2,046,000	1,075,000	-	3,121,000
- Corporate bonds	-	48,500	486,000	532,500
Financial assets at fair value through profit or loss				
- Loan to investee	-	-	3,025,892	3,025,892
	<u>4,882,358</u>	<u>1,121,500</u>	<u>3,511,692</u>	<u>10,115,550</u>
Financial liabilities	<u>58,838</u>	-	-	<u>58,838</u>
Net financial asset	<u>4,823,722</u>	<u>1,121,500</u>	<u>3,511,692</u>	<u>10,056,914</u>
Net assets attributable to equity holders				<u>31,047,305</u>
Percentage of liquid financial assets to Net assets attributable to equity holders				33%

31 December 2014

Financial assets	Due within 3 months	Due within 3 & 12 months	More than 1 year	Total
	N'000	N'000	N'000	N'000
Bank balances				
- Placement with banks	72,889	-	-	72,889
Rent receivable	22,201	-	-	22,201
Financial assets held for trading				
- Treasury bills	6,045,388	519,000	-	6,564,388
Financial assets at fair value through profit or loss				
- Loan to investee	-	-	1,267,505	1,267,505
	<u>6,140,458</u>	<u>519,000</u>	<u>1,267,505</u>	<u>7,926,963</u>
Financial liabilities	<u>59,502</u>	-	-	<u>59,502</u>
Net financial asset	<u>6,080,956</u>	<u>519,000</u>	<u>1,267,505</u>	<u>7,867,461</u>
Net assets attributable to equity holders				<u>30,032,299</u>
Percentage of liquid financial assets to Net assets attributable to equity holders				25%

3.3 Credit risk

The Fund 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 Fund is exposed arises from the Fund's investments in debt securities. The Fund 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 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 2015

	Bank balances	Financial assets held for trading	Financial assets at fair value through profit or loss	Rent receivables	Maximum Exposure
	N'000	N'000	N'000	N'000	N'000
Government	-	3,689,089	-	-	3,689,089
Financial Institutions	2,799,647	-	-	-	2,799,647
Corporate	-	303,857	714,288	-	1,017,856
Others	-	-	-	36,711	36,711
	<u>2,799,647</u>	<u>3,992,946</u>	<u>714,288</u>	<u>36,711</u>	<u>7,543,303</u>

31 December 2014

	Bank balances	Financial assets held for trading	Financial assets at fair value through profit or loss	Rent receivables	Maximum Exposure
	N'000	N'000	N'000	N'000	N'000
Government	-	8,422,138	-	-	8,422,138
Financial Institutions	72,889	-	-	-	72,889
Corporate	-	-	590,410	-	590,410
Others	-	-	-	22,201	22,201
	<u>72,889</u>	<u>8,422,138</u>	<u>590,410</u>	<u>22,201</u>	<u>7,107,638</u>

UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015

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

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

Internal Rating	Internal	Description of the Grade	Agusto	External Rating: Agusto Equivalent
	Score		Score	
AAA	90 - 100	Investment Grade	89 - 100	AAA
AA	80 - 89.9	Investment Grade	80 - 89	AA(+,-)
A(+,-)	70 - 79.9	Investment Grade	70 - 79	A(+,-)
BBB(+,-)	65 - 69.9	Investment Grade	60 - 69	BBB
BB(+,-)	50 - 54.9	Speculative Grade	50 - 59	BBB
B(+,-)	40 - 49.9	Speculative Grade	40 - 49	B
C	< 40	Junk Grade	< 40	CCC
D		In Default		D

Analysed below is the rating by category of the Fund's financial assets.

		31 December 2015 N'000	31 December 2014 N'000
Government	AAA	3,089,089	6,422,138
Financial Institutions	A+	2,799,847	72,889
Corporate	Unrated	1,017,856	590,410
Others	Livrated	38,711	22,201
		<u>7,543,303</u>	<u>7,107,638</u>

Past due but not impaired

As at 31 December 2015, rent receivables of N36.7million (2014: N22.2million) were past due but not impaired. These relate to a number of tenants for whom there is no recent history of default. The ageing analysis of these rent receivables is as follows:

	31 December 2015 N'000	31 December 2014 N'000
Up to 3 months	10,666	22,201
3 to 6 months	26,023	-
	<u>36,711</u>	<u>22,201</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 Fund'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 Fund's exposure to the capital market risks is susceptible to movements of prices of debt securities' in its portfolio. It is expected that the Fund's equity investments are quoted on the Nigerian Stock Exchange (NSE). In managing the risk arising from this class of investments, the Fund 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 Fund's Trust Deed and Investment Committee which provides for investments subject to a maximum of 25% of the value of the Fund in equities. The Fund's investment in treasury bills and corporate bonds are also quoted on Financial Market Dealers Quotations (FMDQ).

The Fund's only investment in equity during the year ended 31 December 2015 is in First Festival Mall Limited which is a special purpose vehicle set up to hold 100% interest in Festival Mall which is under construction. The investment is not affected by price movement because it is unquoted.

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 Fund'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 Fund. 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 2015 N'000	31 December 2014 N'000
Financial assets held for trading	3,992,646	6,422,138
	<u>3,992,646</u>	<u>6,422,138</u>
The impact on the Fund'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	199,632	321,107

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

However, the Fund may be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests. The sensitivity of this on the Fund's net assets attributable to equity holders is represented in the table below.

UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015

The table below shows the impact on the Fund's profit before tax if interest rates on the financial assets held for trading and financial assets at fair value through profit or loss had increased by 100 basis points, with all other variables held constant.

	31 December 2015 N'000	31 December 2014 N'000
Effect of 100 basis points movement on profit before tax	(2,888)	(10,367)
	<u>(2,888)</u>	<u>(10,367)</u>

(c) Foreign exchange risk

The Fund did not have investments denominated in foreign currency as at 31 December 2015 (December 2014: Nil) and as a result was not exposed to foreign exchange risk.

3.5 Capital management

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

The Fund Managers' objectives when managing capital are to safeguard the Fund'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 Fund 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 Fund.

3.6 Fair value estimation

Financial assets and liabilities not measured at fair value

	31 December 2015	
	Carrying Value N'000	Fair value N'000
Financial assets		
Bank balances		
- Placement with banks	2,799,647	2,799,647
Financial assets carried at cost		
- Other assets	36,711	36,711
	<u>2,836,358</u>	<u>2,836,358</u>
Financial Liabilities		
Other liabilities	58,636	58,636
	<u>58,636</u>	<u>58,636</u>
	31 December 2014	
	Carrying Value N'000	Fair value N'000
Financial assets		
Bank balances		
- Placement with banks	72,889	72,889
Financial assets carried at cost		
- Other assets	22,201	22,201
	<u>95,090</u>	<u>95,090</u>
Financial Liabilities		
Other liabilities	59,502	59,502
	<u>59,502</u>	<u>59,502</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 2015 (N'000)

	Level 1	Level 2	Level 3	Total
Bank balances	-	-	2,799,647	2,799,647
Other assets	-	-	36,711	36,711
	-	-	<u>2,836,358</u>	<u>2,836,358</u>
Other liabilities	-	-	58,636	58,636
	-	-	<u>58,636</u>	<u>58,636</u>

At 31 December 2014 (N'000)

	Level 2	Level 2	Level 3	Total
Bank balances	-	-	72,889	72,889
Other assets	-	-	22,201	22,201
	-	-	<u>95,090</u>	<u>95,090</u>
Other liabilities	-	-	59,502	59,502
	-	-	<u>59,502</u>	<u>59,502</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 to term to maturity (TMM) 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 Fund'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 Fund considers relevant and observable market prices in its valuations where possible.

Fair value hierarchy of financial assets is shown below

At 31 December 2015 (N'000)

	Level 1	Level 2	Level 3	Total
Financial assets				
- Held for trading	3,992,646	-	-	3,992,646
- Financial assets at fair value through profit or loss	-	-	2,294,124	2,294,124
	<u>3,992,646</u>	<u>-</u>	<u>2,294,124</u>	<u>6,286,770</u>

At 31 December 2014 (N'000)

	Level 1	Level 2	Level 3	Total
Financial assets				
- Held for trading	6,422,138	-	-	6,422,138
- Financial assets at fair value through profit or loss	-	-	694,600	694,600
	<u>6,422,138</u>	<u>-</u>	<u>694,600</u>	<u>7,116,738</u>

Reconciliation of Level 3 items

The following table presents the changes in level 3 items for the periods ended 31 December 2015 and 31 December 2014:

	31 December 2015			31 December 2014		
	Equity securities N'000	Loan to investee N'000	Total N'000	Equity securities N'000	Loan to investee N'000	Total N'000
Opening balance	104,190	590,410	694,600	104,190	590,410	694,600
Acquisition	-	1,475,635	1,475,635	-	-	-
Interest recognised in statement of comprehensive income	-	123,869	123,869	-	-	-
Closing balance	<u>104,190</u>	<u>2,189,914</u>	<u>2,294,124</u>	<u>104,190</u>	<u>590,410</u>	<u>694,600</u>

4 Critical accounting estimates and judgements

The Fund'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 Fund's results and financial situation due to their materiality. These include:

4.1 Equity holders classification

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

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.

4.2 Investment in real estate development

During the year, the Fund invested in the real estate development - James Pinnock Estate. The Fund has determined that it has significant influence in this project as it holds a 49% interest and participates in decision making relating to the investment. The Fund has taken the IAS 28 exemption not to equity account for this investment and has consequently classified the investment at fair value through profit or loss.

4.3 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 Fund has elected to measure its investment in First Festival Mall Limited and James Pinnock Estate at fair value through profit or loss. Where there is a wide range of reasonable fair value measurements, the designated financial asset is carried at cost. As at 31 December 2015, the Fund's investment in First Festival Mall Limited and James Pinnock Estate, though designated at fair value through profit or loss, have been carried at cost, which is deemed to represent a reasonable estimate of the fair value of the investments.

4.4 Change in classification from available for sale to fair value through profit or loss

During the year, the Fund changed its classification of its investment in First Festival Mall Limited from available for sale to fair value through profit or loss as this best reflects how this asset is managed. This change in classification has no impact on the carrying value of the asset in the prior period.

4.5 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 Fund, or leased by the Fund as a lessee under a finance lease, to earn rentals or for capital appreciation or both.

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

Property State	Abebe Court, Ikoyi Lagos N'000	VMP I, Victoria Island Lagos N'000	VMP II, Victoria Island Lagos N'000	UAC Commercial Complex, Abuja FCT Abuja N'000	No 1 -2 Factory Road, Aba Abia N'000	Total N'000
Beginning balance	4,270,000	8,835,000	8,375,000	1,428,000	805,000	23,708,000
Disposals	(480,000)	-	-	-	-	(480,000)
Unrealised fair value gain/(loss) recognised in the statement comprehensive income	328,000	(109,200)	117,000	60,000	(8,600)	385,200
Fair value at 31 December 2015	4,136,000	8,725,800	8,492,000	1,488,000	796,400	23,638,200

Valuation Process

The fair value is based on valuations prepared by professional valuers who holds 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.

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

At the financial year end, the Fund manager and the property manager

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

Valuation techniques

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

- Direct market comparison method
- Investment/income capitalisation method
- Cost method or depreciated replacement cost (DRC)

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

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

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

This method was adopted for the VMP I, VMP II, and UAC commercial complex, Abuja because these property are income generating and there are evidence of current rentals earned on the property.

Depreciated Replacement Cost Method of valuation. This method assumes that a prospective buyer would be prepared to pay for the accommodation provided by reference to what it would cost him to provide similar accommodation elsewhere. This involves estimating the current replacement cost of the buildings and other improvements on the site in today's market. This method was adopted for 1 - 2 Factory road, Aba because it seems the most appropriate to the condition and use of the property.

Investment property and valuation methods and assumptions used

Property State	Abebe Court, Ikoyi Lagos N'000	VMP I, Victoria Island Lagos N'000	VMP II, Victoria Island Lagos N'000	UAC Commercial Complex, FCT Abuja N'000	No 1 -2 Factory Road, Aba Abia N'000
Valuation method	Market value	Investment / Income capitalisation	Investment / Income capitalisation	Investment / Income capitalisation	Depreciation replacement cost method
Reasons for method used	Availability of evidence of recent sale	Available rental income	Available rental income	Available rental income	No comparable rent in the environment
Assumptions used on Income capitalisation method					
Number of years	N/A	Unexpired lease in the property is 09yrs	Unexpired lease in the property is 09yrs	Unexpired lease in the property is 73yrs	Unexpired lease in the property is 63yrs
Rate of outgoing (deduction for repairs & maintenance)	N/A	8.5%	13.5%	10%	N/A
Valuation table scale used	N/A	YP 8.5% by 2.3%	YP 6% by 2.5%	YP 5.5% by 2.5%	N/A

UPDC REAL ESTATE INVESTMENT TRUST
 NOTES TO THE FINANCIAL STATEMENTS
 FOR YEAR ENDED 31 DECEMBER 2015

Fair value hierarchy of investment property is shown below

At 31 December 2015 (N'000)

	Level 1	Level 2	Level 3	Total
Investment property:				
- Abebe Court, Ikoyi, Lagos	-	4,136,000	-	4,136,000
- VMP I, Victoria Island, Lagos	-	-	8,725,800	8,725,800
- VMP II, Victoria Island, Lagos	-	-	8,492,000	8,492,000
- UAC Commercial Complex, Abuja	-	-	1,483,000	1,483,000
- No 1-2 Factory Road, Aba	-	-	796,400	796,400
	-	4,136,000	18,497,200	23,633,200

At 31 December 2014 (N'000)

	Level 1	Level 2	Level 3	Total
Investment property:				
- Abebe Court, Ikoyi, Lagos	-	4,270,000	-	4,270,000
- VMP I, Victoria Island, Lagos	-	-	8,835,000	8,835,000
- VMP II, Victoria Island, Lagos	-	-	8,375,000	8,375,000
- UAC Commercial Complex, Abuja	-	-	1,423,000	1,423,000
- No 1-2 Factory Road, Aba	-	-	805,000	805,000
	-	4,270,000	19,438,000	23,708,000

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.

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 Depreciation replacement cost method
Valuation Method	Market value	Income capitalisation	Income capitalisation	Income capitalisation	
Valuation Rate/Basis	No of years in the property is 30yrs	No of years in the property is 89yrs	No of years in the property is 89yrs	No of years in the property is 71yrs	No of years in the property is 83yrs
Valuation table scale used	N/A	YP 5.5% by 2.5%	YP 6% by 2.5%	YP 5.5% by 2.5%	N/A
Fair Value	4,136,000	8,725,800	8,492,000	1,483,000	796,400
Sensitivity Analysis:	+/- 5% of Market Value	+/- 0.5% on YP 5.5%	+/- 0.5% on YP 5.5%	+/- 0.5% on YP 5.5% by 2.5%	+/- 5% of Market Value
Impact of increase in valuation scale/rate	(206,600)	(727,148)	(853,241)	(123,607)	(39,820)
Impact of decrease in valuation scale/rate	206,800	872,577	772,012	148,326	39,820

UPDC REAL ESTATE INVESTMENT TRUST
 NOTES TO THE FINANCIAL STATEMENTS
 FOR YEAR ENDED 31 DECEMBER 2015

	31 December 2015	19 months to 31 December 2014
	N'000	N'000
5 Income from investment property		
Rental income	1,605,526	1,979,057
	<u>1,605,526</u>	<u>1,979,057</u>
6 Interest income		
Placements with banks	137,783	563,380
Corporate bonds	3,557	-
Treasury bills	996,471	827,494
Loans to investee company	123,889	-
	<u>1,261,700</u>	<u>1,390,874</u>
7 Net gain/(loss) on financial assets held for trading		
Treasury bill trading income	414	6,819
Fair value gain on held for trading instruments	89,651	(14,325)
	<u>90,065</u>	<u>(7,506)</u>
8 Other income		
Recovery and insurance claim	598	-
Gain on sale of investment property (note (i))	11,646	69,235
	<u>12,244</u>	<u>69,235</u>

UPDC REAL ESTATE INVESTMENT TRUST
 NOTES TO THE FINANCIAL STATEMENTS
 FOR YEAR ENDED 31 DECEMBER 2015

	31 December 2015	19 months to 31 December 2014
	N'000	N'000
9 Operating expenses		
Audit fees	7,500	6,925
Fund manager's fee	112,171	171,823
Property maintenance expenses	41,654	38,835
Registrar's fees	375	1,237
Trustees' fees	3,000	6,416
Professional fees	24,558	353,756
Custodian fees	21,976	34,618
AGM Expenses	4,855	-
Printing, advert and travels	1,202	33,302
Statutory fees	5,602	117,949
Property manager's fees	47,564	60,634
Insurance premium	7,259	8,825
Other operating expenses	4,918	11,370
	<u>282,634</u>	<u>843,690</u>

10 Tax

As stated in Note 2.12, the Fund is not subject to tax other than withholding taxes arising on rental and dividend income.

	31 December 2015	31 December 2014
	N'000	N'000
Withholding tax deducted on rental income	82,575	-
	<u>82,575</u>	<u>-</u>

11 Bank balances

Placements with banks	2,799,647	72,889
	<u>2,799,647</u>	<u>72,889</u>
Current	2,799,647	72,889
	<u>2,799,647</u>	<u>72,889</u>

**UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

12 Financial assets held for trading	31 December 2015	31 December 2014
	N'000	N'000
Treasury bills	3,689,089	6,422,138
Corporate bonds	303,557	-
	<u>3,992,646</u>	<u>6,422,138</u>
Current	3,689,089	6,422,138
Non-Current	303,557	-
	<u>3,992,646</u>	<u>6,422,138</u>

13 Financial assets at fair value through profit or loss

- Equity securities	104,190	104,190
- Loan to investee	714,299	590,410
- Investment in real estate development	1,475,635	-
	<u>2,294,124</u>	<u>694,600</u>
Non-Current	<u>2,294,124</u>	<u>694,600</u>

Financial assets at fair value through profit or loss consists of the Fund's investments in First Festival Mall Limited and James Pinnock Estate.

James Pinnock Estate is a residential property development project located in Lekki axis of Lagos, Nigeria. The Fund invested N1.48billion in the estate development in the year, which entitled it a 49% interest in the estate development (2014: Nil).

14 Investment property

Beginning balance	23,708,000	-
Additions	-	21,861,110
Disposals	(460,000)	(408,975)
Fair value gain	385,200	2,255,865
	<u>23,633,200</u>	<u>23,708,000</u>
Non-Current	<u>23,633,200</u>	<u>23,708,000</u>

Details of the investment property is in note 4.5.

UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015

	31 December 2015 N'000	31 December 2014 N'000
15 Other assets		
Financial:		
Rent receivables	38,711	22,201
	<u>38,711</u>	<u>22,201</u>
Non financial:		
Prepaid expenses	52,690	7,259
WHT recoverable	165,151	-
	<u>217,841</u>	<u>7,259</u>
	<u>254,552</u>	<u>29,460</u>
Current	145,631	29,460
Non-Current	108,920	-
	<u>254,552</u>	<u>29,460</u>
16 Other liabilities		
Financial liabilities:		
Fund manager's fee payable	28,022	27,634
Custodian fees payable	5,332	5,713
Rent refundable	-	8,260
Accrued expenses	25,282	17,905
	<u>58,636</u>	<u>59,502</u>
Non financial Liabilities		
VAT payable	49,050	24,850
Deposit for property	-	82,500
Rent received in advance	1,819,178	728,136
	<u>1,868,228</u>	<u>835,286</u>
	<u>1,926,864</u>	<u>894,788</u>
Current	1,030,238	748,038
Non-Current	896,626	146,750
	<u>1,926,864</u>	<u>894,788</u>
17 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 2015

		31 December 2015	19 months to 31 December 2014
		N'000	N'000
18 Cash generated from operations	Notes		
Reconciliation of profit after tax to cash generated from operations:			
Profit after tax		2,989,525	4,843,835
Adjustment for:			
- Fair value gain on investment property	14	(385,200)	(2,255,865)
- Fair value gain on financial assets held for trading	7	(89,651)	14,325
- Net interest income	6	(1,261,700)	(1,390,874)
- Realised gain on investment property	8	(11,646)	(48,835)
Net Changes in operating assets and liabilities:			
-Financial assets held-for-trading		808,781	(4,696,896)
-Financial assets at fair value through profit or loss		-	(694,600)
-Other assets		(225,092)	(29,460)
-Other liabilities		1,032,076	894,788
Cash generated from / (used in) operations		<u>2,857,094</u>	<u>(3,363,582)</u>

19 Cash and cash equivalents

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

- Treasury bills	-	1,736,438
- Placements with banks (Note 11)	2,799,647	72,889
	<u>2,799,647</u>	<u>1,809,327</u>

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 Fund became a party to the instrument.

20 Related party transactions

The Fund is managed by FSDH Asset Management Limited (FSDH AM). FSDH AM is a subsidiary of FSDH Merchant Bank Limited which owns 99.7% of the Company's share capital. FSDH AM has a 99.9% interest in FSDH Securities Limited, a company engaged in stockbroking activities.

During the period, the following related party activities occurred:

- FSDH Asset Management earns management fees at the rate of 0.375% of the Net Asset Value (NAV). The fee is accrued and paid quarterly in arrears. Total sum of N112.17m was earned as management fees for the period ended 31 December 2015 (December 2014 was N171.82m).
- UACN Property Development Company Plc (UPDC) is the promoter of the Fund and held 62.28% of the total unit holdings of the Fund as at the reporting date. It is also the property manager and earns an annual property management fee of 3% of the gross rental income of the Fund, payable quarterly in arrears. The sum of N47.56m was earned as property management fee during the period ended December 2015 (December 2014 was N60.63m).
- The Fund entered into a contract with UPDC for the development of James Pinnock Estate. UPDC serves as the project and technical manager to the construction. On completion of the project, net profit will be split between UPDC and the Fund in the proportion of their holdings - 51% to 49%, respectively.

The Fund also received interest income of N123.89m on a loan to First Festival Mall Limited (2014: Nil). The outstanding balance of the loan as at 31 December 2015 was N714.30million (2014: N590.41million). The loan is a shareholder loan at commercial interest rate. It has a tenor of 7.5 years.

d. 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 2014: Nil).

**UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

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

	31 December 2015 Units N'000	31 December 2014 Units N'000
Direct - UPDC	1,661,730	1,661,730

21 Earnings per share

(i) Basic

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

	31 December 2015	19 months to 31 December 2014
Profit after tax attributable to unit holders of the Fund (N'000)	2,989,528	4,843,835
Number of ordinary units in issue (000)	<u>2,668,270</u>	<u>2,668,270</u>
Basic earnings per share (expressed in Naira per share)	<u>1.12</u>	<u>1.82</u>

(ii) Diluted

The Fund 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 share (expressed in Naira per share)	<u>1.12</u>	<u>1.82</u>
---	-------------	-------------

22 Distributions

	31 December 2015 N'000	31 December 2014 N'000
Proposed distribution	<u>2,232,393</u>	<u>2,329,173</u>

Distributions are not accounted for until they have been ratified at the Annual General Meeting (AGM) of the unit holders. Interim distribution of 43 Kobo (December 2014 was 87 Kobo) per share totalling N1.15billion (Dec 2014 was N2.35billion) was proposed and paid for half year ended 30 June 2015 while 41 Kobo totalling N1.1billion is being proposed as final dividend for the year ended 31 December 2015. These represents 90% of distributable income of the Fund at the end of the periods. These financial statements do not reflect this resolution which will be accounted as an appropriation of retained earnings in the year ending 31 December 2016. Distributable income represents "Profit after tax" less unrealised fair value gain on investment property.

**UPDC REAL ESTATE INVESTMENT TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2015**

Reconciliation of distribution	N'000	N'000
Profit after tax	2,989,526	4,868,826
Add realised gain on investment property		
Less interest on investee loan - First Festival Mall Limited	(123,889)	-
Less fair value gain on investment property	(385,200)	(2,255,865)
Distributable income	<u>2,480,437</u>	<u>2,612,961</u>
Proposed distribution at 90% of distributable income	<u>2,232,393</u>	<u>2,351,665</u>
Interim distribution paid	1,147,356	1,494,231
Distribution proposed	<u>1,085,037</u>	<u>857,434</u>
Total distribution	<u>2,232,393</u>	<u>2,351,665</u>
Interim distribution paid per unit (Naira)	0.43	0.87
Distribution proposed per unit (Naira)	<u>0.41</u>	<u>0.32</u>
Total distribution per unit (Naira)	<u>0.84</u>	<u>1.19</u>

23 Events after statement of financial position date

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

24 Capital commitments

The Fund had no capital commitments as at end of the period ended 31 December 2015 (31 December 2014: Nil). However, the Fund may be required to provide additional funding on a prorata basis to the James Pinnock Estate development where required.

25 Contingent liabilities

The Fund had no contingent liabilities as at end of the period ended 31 December 2015 (31 December 2014: Nil).

UPDC REAL ESTATE INVESTMENT TRUST
 OTHER NATIONAL DISCLOSURES
 FOR YEAR ENDED 31 DECEMBER 2015

	Dec 2015 N'000	%	Dec-14 N'000	%
Gross income	3,354,735	100	5,687,525	100
Value added	<u>3,354,735</u>	<u>100</u>	<u>5,687,525</u>	<u>100</u>
Distribution of value added:				
To Government:				
Tax	82,575	2	-	-
To Fund Manager and other parties:				
Expense	282,634	8	843,690	15
To providers of capital:				
Distributions	1,974,520	60	1,494,231	26
Retained in the fund:				
Retained earnings	<u>1,015,006</u>	<u>30</u>	<u>3,349,604</u>	<u>59</u>
	<u>3,354,735</u>	<u>100</u>	<u>5,687,525</u>	<u>100</u>