

UPDC Real Estate Investment Trust



Statement of financial position as at 31 December 2021

	31-Dec-21	31-Dec-20
Assets	N'000	N'000
Balances with banks	2,501,503	1,305,432
Financial assets held for trading	1,711,152	3,847,599
Other assets	33,118	231,670
Property and equipment	77,292	93,343
Right of use assets	18,177	19,003
Investment property	21,480,000	26,522,225
Total assets	25,821,242	32,019,272
Liabilities		
Other liabilities	636,084	620,205
Rent received in advance	241,452	476,060
Lease liabilities	14,676	12,517
	892,212	1,108,782
Net assets attributable to unitholders	24,929,030	30,910,490
Represented by:		
Unitholders' Contributions	26,682,695	26,682,695
Retained (loss)/earnings	(1,753,665)	4,227,795
Total	24,929,030	30,910,490

These financial statements were prepared by the Fund Manager, approved by the Trustees of the Fund on 31 March 2021 and signed on behalf of the Fund Manager by the directors listed below:

Shuaibu Audu
(FRC/2014/10DN/00000008295)
Director
Stanbic IBTC Asset Management Limited

Oladele Sotubo
(FRC/2013/ACISN/00000001702)
Chief Executive
Stanbic IBTC Asset Management Limited

Additionally certified by:

Emmanuel Adebayo
(FRC/2022/PRO/ICAN/001/00000023779)
Chief Financial Officer
Stanbic IBTC Asset Management Limited

Statement of comprehensive income for the year ended 31 December 2021

	2021	2020
Revenue	N'000	N'000
Rental income	1,259,006	1,566,896
Interest income on deposit with banks	126,980	10,660
Interest income on assets measured at fair value through profit or loss	258,489	321,381
Fair value (loss)/gain on investment property	(5,091,850)	53,077
Net (loss)/gain on financial assets held for trading	(323,844)	246,502
Net loss on investment in real estate development	(6,003)	-
Net gain on disposal of investment property	-	101,453
Other income	-	118,343
Total income	(3,777,222)	2,418,311
Operating expenses		
Impairment charge on receivables	(141,483)	(5,485)
Operating expenses	(561,703)	(480,534)
Total expenses	(703,186)	(486,019)
(Loss)/Profit before tax	(4,480,408)	1,932,292
Tax	-	-
(Loss)/Profit after tax	(4,480,408)	1,932,292

INDEPENDENT AUDITOR'S REPORT

To the Members of UPDC Real Estate Investment Trust

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, UPDC Real Estate Investment Trust's ("the Trust's") financial statements give a true and fair view of the financial position of the Trust as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Investments and Securities Act and the Financial Reporting Council of Nigeria Act.

What we have audited

UPDC Real Estate Investment Trust's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2021;
- the statement of financial position as at 31 December 2021;
- the statement of changes in unit and reserves for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Trust in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties – N21.48 billion (refer to notes 2.7, 4.2 and 18)	
We focused on this balance because significant judgement and estimate are made by management.	We assessed the independence, qualifications and expertise of the Fund Manager's valuation expert.
The Fund Manager makes use of an external expert to perform these valuations. The valuation technique adopted for each property is determined by taking into consideration the current use of the property and the availability of market data on recent sales activities.	We obtained the valuation report prepared by the Fund Manager for all properties and assessed whether the valuation technique adopted for each property was suitable in determining the fair value of the property.
Key assumptions made by management in determining property values include rental risk and future rental income.	We carried out procedures to test whether property-specific information supplied to the valuation experts (such as rental income and title held on each property) reflected the underlying property records held by the Trust.
	We used property specific information and external data to independently develop a range of estimates and compared to the Fund Manager's estimates.
	We also assessed the disclosure for compliance with relevant standards.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Wura Olowofoyeku
31 March 2021
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Wura Olowofoyeku
FRC/2017/ICAN/00000016809

