UBN Property Company Limited

Annual Report — 31 December 2014

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CORPORATE INFORMATION

Company's Registration Number: *RC: 476267*

DIRECTORS:

Emeka Emuwa	*Chairman*
Oluwatosin Osikoya	*Managing Director*
Oyinkan Adewale	*Director*
Ibrahim Kwargana	*Director*
Pearl Kanu	*Director*
Obiaku Nneze Akwiwu-Nwadike	*Director*
Remi Kolarinwa	*Director*

SECRETARY:

Somuyiwa A. Sonubi
FRC No: FRC/2013/NBA/00000002061
Stallion Plaza
36 Marina
Lagos

REGISTERED OFFICE:

Stallion Plaza
36 Marina
Lagos

AUDITOR:

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos

REGISTRAR:

GTL Registrars Limited *(former Union Registrars Limited)*
2, Burma Road, Apapa
Lagos

ACTUARY:

HR Nigeria Limited
7th Floor, AIICO Plaza, Afribank Street
Victoria Island
Lagos
FRC/NAS/00000000738

ESTATE VALUER:

Bode Adedeji Partnership
15, Bishop Oluwole Street
Victoria Island
Lagos
FRC/2013/NIGSV/00000001479

BANKER:

Union Bank of Nigeria Plc
Union Homes Savings and Loans Plc

DIRECTORS' REPORT

For the year ended 31 December 2014

The directors present their annual report on the affairs of UBN Property Company Limited *("the Company")*, together with the financial statements and auditor's report for the year ended 31 December, 2014.

Legal form and principal activity

The Company was incorporated in Nigeria under the Companies and Allied Matters Act as a limited liability company on 24 March, 2003 and has been in operation since then. The address of its registered office is Stallion Plaza, 36, Marina, Lagos State, Nigeria.

Principal activity

The principal activity of the Company is the development, sale and management of residential and office accommodation for corporate bodies and individuals.

Operating results

Highlights of the Company's operating results for the year are as follows:

In thousands of naira	**31 Dec. 2014**	**31 Dec. 2013**
(Loss) / profit before tax	(393,907)	298,616
Minimum tax	(40,632)	—
Income tax expense	(1,015)	—
(Loss) / profit after tax	(435,554)	298,616
Basic and diluted earnings per share (kobo)	(8)	5

Directors and their interests

The directors who held office during the year are as follows:

Emeka Emuwa	*Chairman*	
Oluwatosin Osikoya	*Managing Director*	
Oyinkansade Adewale	*Non-Executive Director*	
Ibrahim Kwargana	*Non-Executive Director*	
Pearl Kanu	*Non-Executive Director*	
Obiaku Nneze Akwiwu-Nwadike	*Non-Executive Director*	***Appointed on 17th December 2014***
Remi Kolarinwa	*Independent Non-Executive Director*	***Appointed on 17th December 2014***

The direct interest of directors in the issued share capital of the Company as recorded in the register of directors shareholding and/or as notified by the directors for the purposes of section 275 and 276 of CAMA are as follows:

	Number of ordinary shares held	**Number of ordinary shares held**
	31 Dec. 2014	**31 Dec. 2013**
Emeka Emuwa	Nil	Nil
Oluwatosin Osikoya	Nil	Nil
Oyinkansade Adewale	Nil	Nil
Ibrahim Kwargana	Nil	Nil
Pearl Kanu	Nil	Nil
Obiaku Nneze Akwiwu-Nwadike	50,000,000	Not applicable
Remi Kolarinwa	Nil	Not applicable

Contracts
In accordance with Section 277 of the Companies and Allied Matters Act of Nigeria, none of the directors has notified the Company of any declarable interests in contracts with the Company.

Significant shareholdings
According to the register of members, no shareholder other than the under-mentioned held at least 5% of the issued capital of the Company as at 31 December 2014:

	2014		2013	
	No of Shares	% Holding	No of Shares	% Holding
Union Bank of Nigeria Plc	2,195,000,000	39.01	2,195,000,000	39.01
Union Trustees Limited	864,522,600	15.37	1,089,522,600	19.36
Union Homes Savings and Loans Plc	495,000,000	8.80	495,000,000	8.80
Union Assurance Company Plc	495,000,000	8.80	495,000,000	8.80

Property and equipment
Information relating to changes in property and equipment is given in Note 15 to the financial statements.

Donations and charitable gifts
There were no donations made during the year (2013: Nil).

Employment of disabled persons
The Company had no disabled persons in its employment during the year. However, applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons, as far as possible, are identical with that of other employees.

Health, safety at work and welfare of employees
The Company places a high premium on the health, safety and welfare of its employees in their place of work. Medical facilities are provided to employees and their immediate families at the Company's expense.

Employees' involvement and training
The Company places considerable value on the involvement of its employees in the affairs of the Company and has a policy of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

The Company places a lot of emphasis on employee development and training. Consequently, in-house training is complemented when and where necessary with additional training from educational institutions.

Subsequent events
There were no subsequent events after reporting date which could have had material effect on the state of affairs of the Company as at 31 December 2014, which have not been adequately provided for or disclosed.

Divestment of Union Bank of Nigeria Plc's interest in the Company
Union Bank of Nigeria Plc (the parent company) obtained approval from the Central Bank of Nigeria in May 2013 to carry out its plan of divesting from all its non-banking subsidiaries within 18 months from the date of approval. This is in accordance with the Central Bank of Nigeria's Regulation 3 (regulation on the Scope of Banking Activities and Ancillary Matters, No. 3, 2010). The specified period for disposal of the Bank's interest in UBN Property Company Limited lapsed in November 2014.

The parent company is however restrained from proceeding with the divestment as a result of litigation instituted by some of the Company's shareholders in respect of the private placement conducted by the Company in 2006. Hence, the directors of the Company have suspended the divestment process until such a time as the pending litigation is resolved. This matter is not expected to have any significant impact on the entity.

Operational risk management

Major sources of operational risk include operational process, IT security, dependence on key suppliers, fraud, human error, regulatory compliance, recruitment, training, retention of staff, and social and environmental impact. The Company has strict operational procedures in place. The compliance and risk management are monitored and reported to the Board of Directors.

Auditors

Messrs. KPMG Professional Services, having satisfied the relevant corporate governance rules on their tenure in office have indicated their willingness to continue in office as auditors to the Company. In accordance with Section 357 (2) of the Companies and Allied Matters Act of Nigeria therefore, the auditors will be re-appointed at the next annual general meeting of the Company without any resolution being passed, a resolution will be proposed at the Annual General Meeting to authorize the directors to determine their remuneration.

BY ORDER OF THE BOARD

Somuyiwa A. Sonubi
Company Secretary
27 October 2016
FRC No: FRC/2013/NBA/00000002061

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2014

The directors accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act of Nigeria (CAMA) and the Financial Reporting Council of Nigeria Act, 2011.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act of Nigeria and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:

Emeka Emuwa
Chairman
27 October 2016
FRC No: FRC/2013/CIBN/00000001774

Oluwatosin Osikoya
Managing Director
27 October 2016
FRC No:FRC/2013/NSE/00000002333

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
Lagos

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INDEPENDENT AUDITOR'S REPORT

To the Members of UBN Property Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of UBN Property Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 40.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the directors determine 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 these 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 the audit to obtain reasonable assurance whether 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 judgment, 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 that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of UBN Property Company Limited ("the Company") as at 31 December, 2014, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, 2011.

Report on Other Legal and Regulatory Requirements

Compliance with the Requirements of Schedule 6 of the Companies and Allied Matters Act of Nigeria

In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books and the Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Signed:
Kabir
Kabir Okunlola FCA
FRC/2012/ICAN/00000000425
For: KPMG Professional Services
Chartered Accountants
08 December 2016
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
A 1014067

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

In thousands of Naira

	Notes	31 Dec. 2014	31 Dec. 2013
Revenue- sales of trading properties	7	617,028	1,993,782
Cost of sales- trading properties	8	(657,014)	(1,377,205)
(Loss)/Profit from sale of trading properties		**(39,986)**	**616,577**
Fair valuation (loss)/ gains on investment property	9	(397,887)	654,854
Net investment income	10	433,848	202,154
Other income	11	129,907	184,048
Other operating income		**165,868**	**1,041,056**
Impairment loss on assets	12	(146,041)	(1,156,934)
Operating expenses	13	(373,748)	(202,083)
Total expenses		**(519,789)**	**(1,359,017)**
(Loss) / profit before taxation		**(393,907)**	**298,616**
Minimum tax	22	(40,632)	—
Income tax expense	22	(1,015)	—
(Loss) / profit after taxation		**(435,554)**	**298,616**
Other comprehensive income:			
Items that will never be reclassified to profit or loss:			
Remeasurements of defined benefit liability	21(i)	10,427	—
Related tax		(3,128)	—
		7,299	—
Items that are or may be reclassified to profit or loss:			
Available-for-sale assets - net change in fair value		—	285,818
Available-for-sale assets - reclassified to profit or loss	10(i)	(285,818)	—
		(285,818)	285,818
Other comprehensive (loss) / income for the year		**(278,519)**	**285,818**
Total comprehensive (loss) / income for the year		**(714,073)**	**584,434**
(Loss) / profit attributable to:			
Owners of the company		(435,554)	298,616
Total comprehensive (loss) /income attributable to:			
Owners of the company		(714,073)	584,434
Basic earning per share (kobo)	26	(8)	5
Diluted earnings per share (kobo)	26	(8)	5

The notes on pages 11 to 40 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 December 2014
In thousands of Naira

	Notes	31 Dec. 2014	31 Dec. 2013
Non-current assets			
Investment property	14	4,205,000	4,485,000
Property and equipment	15	18,017	21,987
Investment securities	16	–	1,085,818
Total non-current assets		4,223,017	5,592,805
Current assets			
Trading properties	17	2,169,855	2,816,530
Trade and other receivables	18	1,069,923	77,934
Cash and cash equivalents	19	1,761,489	1,458,359
Total current assets		5,001,267	4,352,823
Current liabilities			
Trade and other payables	20	1,150,369	879,474
Current income tax payable	22(ii)	97,269	56,637
Total current liabilities		1,247,638	936,111
Net current assets		3,753,629	3,416,712
Non current liabilities			
Employee retirement benefits	21	31,609	45,097
Deferred tax liabilities	23	4,646	503
Total non-current assets		36,255	45,600
Net assets		**7,940,391**	**8,963,917**
EQUITY			
Issued capital	25(i)	5,626,416	5,626,416
Share premium	25(ii)	1,092,822	1,092,822
Fair valuation reserve		7,299	285,818
Retained earnings		1,213,854	1,958,861
Total equity		**7,940,391**	**8,963,917**

The financial statements were approved by the Board of Directors on 27 October 2016 and signed on its behalf by:

Emeka Emuwa *(Chairman)*
FRC No: FRC/2013/CIBN/00000001774

Oluwatosin Osikoya *(Managing Director)*
FRC No: FRC/2013/NSE/00000002333

Additionally certified by:

Grace Ntiashagwu *(Chief Financial Officer)*
FRC No:FRC/2013/ICAN/00000001484

The notes on pages 11 to 40 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

In thousands of Naira

	Share capital	Share premium	Fair value reserves	Retained earnings	Total
Balance at 1 January 2014	5,626,416	1,092,822	285,818	1,958,861	8,963,917
(Loss) for the year	—	—	—	(435,554)	(435,554)
Other comprehensive income for the year					
Remeasurements of defined benefit liability	—	—	7,299	—	7,299
Fair value reserve (available-for-sale assets):					
Net amount transferred to profit or loss	—	—	(285,818)	—	(285,818)
Total comprehensive income	—	—	(278,519)	—	(278,519)
Transactions with owners of the Company					
Dividends	—	—	—	(309,453)	(309,453)
Balance at 31 December 2014	5,626,416	1,092,822	7,299	1,213,854	7,940,391

	Share capital	Share premium	Fair value reserves	Retained earnings	Total
Balance at 1 January 2013	5,626,416	1,092,822	—	1,660,245	8,379,483
Profit for the year	—	—	—	298,616	298,616
Other comprehensive income for the year	—	—	285,818	—	285,818
Total comprehensive income	—	—	285,818	—	285,818
Balance at 31 December 2013	5,626,416	1,092,822	285,818	1,958,861	8,963,917

The notes on pages 11 to 40 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

In thousands of Naira

Operating activities	**Notes**	**31 Dec. 2014**	**31 Dec. 2013**
(Loss) / Profit for the year		(435,554)	298,616
Add: taxation		41,647	–
		(393,907)	298,616
Adjustments for:			
Depreciation	15	9,275	9,333
Fair value loss/ (gain) on investment property	14	397,887	(654,854)
Gain on sale of property and equipment	11	–	(2,714)
Gain on sale of investment securities	10	(232,861)	–
Interest income	10	(200,987)	(202,154)
Provision for loss of assets	12	–	6,287
Impairment on receivables	12	127,277	–
Impairment on placements with CDL Asset Management	12	–	1,062,512
Impairment on staff loans	12	411	–
Impairment on trading properties	12	18,353	88,135
Increase in provision for gratuity	21	10,376	6,019
Operating profit before changes in working capital and provisions		(264,176)	611,180
Changes in:			
Trade and other receivables		56,963	(1,038,524)
Trading properties		628,322	1,367,355
Trade and other payables		270,895	(1,418,354)
		692,004	(478,343)
Employee retirement benefit paid	21	(13,437)	(815)
Interest received		184,485	202,154
Net cash flows from operating activities		863,052	(277,004)
Investing activities			
Acquisition of property and equipment	15	(5,305)	(11,084)
Proceeds from sale of property and equipment		–	8,663
Acquisition of investment property	14	(245,164)	(26,276)
Net cash flows from investing activities		(250,469)	(28,697)
Financing activities			
Dividend Paid		(309,453)	–
Net cash flows from financing activities		(309,453)	–
Cash and cash equivalents at 1 January		1,458,359	1,764,060
Net increase/(decrease) in cash and cash equivalents		303,130	(305,701)
Cash and cash equivalents at 31 December	19	1,761,489	1,458,359

The notes on pages 11 to 40 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1 General information
UBN Property Company Limited ('the Company') was incorporated in Nigeria under the Companies and Allied Matters Act as a limited liability company on 24 March 2003. The address of its registered office is 36 Marina, Lagos, Nigeria.

The Company is involved in the development, sale and management of residential and office accommodation for corporate bodies and individuals.

The Company is a subsidiary of Union Bank of Nigeria Plc.

2 Basis of preparation

(a) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements comply with the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council Act of Nigeria 2011. The accounting policies have been consistently applied to all periods presented.

The financial statements for the year ended 31 December 2014 were authorised for issue by the Company's Board of Directors on 27 October 2016.

(b) Functional and presentation currency
These financial statements are presented in Nigerian Naira, which is the Company's functional and presentation currency. Except as indicated, financial information presented in Naira has been rounded to the nearest thousand.

(c) Basis of measurement
These financial statements are prepared on the historical cost basis except for investment properties measured at fair value, employee benefit liabilities are recognised as the present value of the defined benefit obligation and trading properties are measured at lower of cost and net realisable value.

Trade receivables and other assets, trade payable and other payables are measured at cost.

(d) Use of estimates and judgments
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Information about judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in note 5.

3 Changes in accounting policies
The Company has consistently applied the accounting policies set out in Note 3.1 to all periods presented in these financial statements.

a. Amendments to IAS 32 (Offsetting financial assets and financial liabilities)

Amendments to IAS 32 "Financial instruments: Presentation" clarify when an entity currently has a legally enforceable right to set-off' and when gross settlement is equivalent to net settlement. As a result of the amendment the Company has changed its accounting policy for offsetting financial assets and financial liabilities. This change did not have a material impact on the Company's financial statements.

b. IFRIC 21 Levies

The Company has adopted IFRIC 21 Levies with a date of initial application of 1 January 2014. The interpretation provides guidance on when to recognize a liability for a levy imposed by government, government agencies and similar bodies, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

This change did not have a material impact on the Company's financial statements.

3.1 Significant accounting policies

The Company has consistently applied the accounting policies set out in Note 3.1 to all periods presented in these financial statements.

(a) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in statement of profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalization to assets under construction.
- Exchange differences on transactions entered into to hedge foreign currency risks.
- Exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.
- Exchange differences related to the differences between fair value and amortized cost basis for available for sale securities

(b) Property and equipment

(i) Recognition and measurement

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation
Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated lives. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.

Depreciation is recognized in profit or loss.
The estimated useful lives for the current and comparative period are as follows:

Office equipment	4 years
Furniture and fittings	5 years
Motor vehicles	4 years

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

(iv) De-recognition
An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

(c) Investment property
Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the company, is classified as investment property. Land held under operating leases is classified and accounted for by the Company as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value with any change therein recognized in profit or loss. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

Investment properties under construction for which the fair value cannot be determined reliably, but for which the Company 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 Company uses alternative valuation methods, such as recent prices on less active markets.

Valuations are performed as of the reporting date by professional valuers who hold recognized 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 capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company 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 derecognized. Investment properties are derecognized when they have been disposed.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

(d) Trading properties

Trading properties (inventory) are shown at the lower of cost and net realizable value. Net resalable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make sale. Trading properties under construction are treated as work-in-progress are measured at cost.

(e) Financial instruments

(i) Initial recognition and measurement

Financial instruments includes all financial assets and liabilities. These instruments are typically held for liquidity or investment purposes. All financial instruments are initially recognized at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognized immediately in profit or loss.

Financial instruments are recognized (derecognized) on the date the Company commits to purchase (sell) the instruments (trade date accounting).

(ii) Subsequent measurement

Subsequent to initial recognition, financial instruments are measured either at fair value or amortized cost, depending on their classifications as follows:

- 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 those that the Company intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Receivables arising from contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. Financial assets classified as loans and receivables include cash and cash equivalents and trade and other receivables.

Loans and receivables financial assets are carried at amortized cost using the effective interest method less any impairment losses with changes in amortized cost recognized in the income statement.

- Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to the need for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Financial assets classified as available for sale includes equity instruments.

Available-for-sale financial assets are subsequently measured at fair value. Unrealized gains or losses are recognized directly in the fair value reserve until the financial asset is derecognized or impaired. When debt (equity) instruments are disposed of, the cumulative fair value adjustments in OCI are reclassified to profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the Company's right to receive payments is established.

- Financial liabilities at amortized cost

The Company classifies its financial liabilities as measured at amortized cost. Financial liabilities of the Company include trade and other payables and bank overdraft.

(iii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the entity measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The entity measures instruments quoted in an active market at a mid price.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(iv) Offsetting financial instruments

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions.

(v) Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or has assumed an obligation to pay those cash flows to one or more recipients, subject to certain criteria. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the balance sheet. In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the

Company continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset

(f) Impairment of assets

(i) Financial assets carried at amortized cost
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or 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 have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, 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 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 recognized in the profit or loss.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Company's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improved credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

(ii) Assets classified as available for sale
Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in profit or loss. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to profit or loss and is recognised as part of the impairment loss. The amount of the loss recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognised impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity.

(iii) Impairment of other non-financial assets
The carrying amounts of the Company's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated annually.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are recognised in profit or loss.

(g) Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value and are used by the Company in the management of its short term commitments. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(h) Share capital
Incremental costs directly attributable to the issue of equity instruments, net effect of any tax effects, are recognised as a deduction from equity.

(i) Dividend on ordinary share
Dividends on the Company's ordinary shares are debited to equity in the period in which they are paid or, if earlier, approved by the Company's shareholders.

(j) Earnings per share
The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(k) Current and deferred tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In which case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

The Company is subject to the Companies Income Tax Act (CITA). Total amount of tax payable under CITA is determined based on the higher of two components namely Company income tax (based on taxable income (or loss) for the year; and Minimum tax (determined based on the sum of the highest of 0.25% of revenue of N500,000, 0.5% of gross profit, 0.25% of paid up share capital and 0.5% of net assets and 0.125% of revenue in excess of N500,000). Taxes based on taxable profit for the period are treated as current income tax in line with IAS 12; whereas taxes which is based on gross amounts is outside the scope of IAS 12 and therefore are not treated as current income tax.

Where the minimum tax is higher than the Company Income Tax (CIT), a hybrid tax situation exits. In this situation, the CIT is recognized in the income tax expense line in the profit or loss and the excess amount is presented above income tax line as minimum tax.

Deferred tax
Deferred tax is recognised, using the liability method, providing for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive income.

(l) Employee benefits

(i) Post-employment benefits
Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amount. Obligations for contributions to defined contribution plans are recognised as personnel expenses in profit or loss in the periods during which related services are rendered. Currently employees and the Company contribute 10% and 12.5% respectively of the qualifying staff's salary in line with the provisions of the Pension Reform Act 2014.

Defined benefit plans
The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future contribution from the plan or reduction in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

When the calculation above results in a benefit to the Company, the recognised asset is limited to the net total of any cumulative unrecognised actuarial losses and past service costs and the present value of any economic benefit available in the form of any contribution from the plan or reductions in future contribution to the plan. An economic benefit is available to the Company if it is realisable during the life of the plan or on settlement of the plan liabilities.

(ii) Termination benefits
Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefit as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptance can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(iii) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Other long-term employee benefits
The Company's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(m) Provisions
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that

an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

i) Restructuring
A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

ii) Onerous contract
A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

(n) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payments is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment excluding taxes or duty.

Sale of trading properties
Revenue from the sale of trading properties is recognised by the entity;- when the significant risks and rewards of ownership have been transferred to the buyer;
- all managerial responsibilities and control are completely devolved to the customer
- where the costs and income on sale can be measured reliably.
- all significant performance obligations have been met.

The risks and the rewards of ownership are transferred to the buyer when the title to the property is transferred.

Rental Income
Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Service and management charge
Revenue from services rendered (such as project and development management) is recognized in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

Investment income
Investment income comprises interest income earned on short-term deposits and income earned on trading of securities including all realised and unrealised fair value changes, interest, dividends and foreign exchange differences. Investment income is accounted for on an accrual basis.

Other income
Other income represents income generated from sources other than rental income, sale of trading properties, services fees and dividend. It includes income realized from legal fees charged by the company on the sale of real estate products to third party customers. Income is recognized when the right to receive income is established.

(o) New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not effective for the period under review:

(i) - IAS 16 and IAS 38 Clarification of acceptable Methods of Depreciation and Amortisation.
This standard was issued by the IASB in May 2014 with an effective date of 1 January 2016. Early adoption is permitted. The amendments to IAS 16 Property, Plant and Equipment explicitly states the revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset is expressed as a measure of revenue. The Company has assessed that the straight-line method would be the most appropriate method and is currently applying this method.

(ii) IAS 1 Disclosure Initiative
This standard was issued in December 2014 and the effective date is 1 January 2016. Early adoption is permitted. The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

(iii) IFRS 15 Revenue from contracts with customers
This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments).The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition. The effective date is annual periods beginning on or after 1 January 2018. The impact on the annual financial statements has not yet been fully determined.

(iv) IFRS 9 Financial Instruments
This standard will replace the existing standard on the recognition and measurement of financial instruments and requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI. All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised within OCI.

The standard has introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. This new model will apply to financial assets measured at either amortised cost or fair value through OCI, as well as loan commitments when there is present commitment to extend credit (unless these are measured at fair value through profit or loss).

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or full lifetime expected credit losses.

A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition as well as for certain contract assets or trade receivables. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses.

The standard will be applied retrospectively as far back is practicable. The impact on the annual financial statements has not yet been fully determined. The effective date is annual periods beginning on or after 1 January 2018.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

4 Financial Instruments

Financial risk management

Introduction and overview
The Company has exposure to the following risks from financial instruments:
- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework
The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limit and control, and to monitor risks and adherence to limit. The risk management policies are reviewed regularly to reflect changes in the market condition and in the Company's activities.

4.1 Credit risks

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit from its leasing activities, trade and other receivables and deposits with banks and other financial institutions.

The Company has no significant concentration of credit risk as money market transactions are limited to financial institutions with good credit rating.

The maximum exposure to credit risk the company has is as follows:

In thousands of naira	Cash and cash equivalent		Other receivables (excluding prepayment)	
	Dec-14	Dec-13	Dec-14	Dec-13
Carrying amount	1,761,489	1,458,359	1,058,457	73,535
Assets at amortised cost				
Neither past due nor impaired	1,761,489	1,458,359	1,058,457	73,535
Impaired				
Gross amount	1,761,489	1,458,359	2,248,246	1,147,320
Allowance for impairment (Individual)	—	—	(1,189,789)	(1,073,785)
Carrying amount	1,761,489	1,458,359	1,058,457	73,535

4.2 Liquidity risk

The Company monitors its risk to a shortage of fund by using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of Companying and flexibility through the use of multiple sources of funding including bank loans, and overdrafts over a broad spread of maturities.

The following table shows the undiscounted cash flows on the Company's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow).

Residual contractual maturities of financial assets and liabilities

31 December 2014	Note	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 month	3 - 6 months	6 - 12 months	1-2years	More than 5 years
In thousands of naira								
Non-derivative assets:								
Cash and cash equivalents	19	1,761,489	1,761,489	1,761,489	—	—	—	—
Trade and other receivables	18	1,058,457	1,058,457	1,058,457	—	—	—	—
Total assets held for managing liquidity risk		2,819,946	2,819,946	2,819,946	—	—	—	—
Non-derivative liabilities								
Trade and other payables	20	865,260	865,260	865,260	—	—	—	—
		865,260	865,260	865,260	—	—	—	—
Gap (asset - liabilities)		1,954,686	1,954,686	1,954,686	—	—	—	—
Cumulative liquidity gap		—	1,954,686	1,954,686	1,954,686	1,954,686	1,954,686	1,954,686

31 December 2013	Note	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 month	3 - 6 months	6 - 12 months	1-2years	More than 5 years
In thousands of naira								
Non-derivative assets:								
Cash and cash equivalents	19	1,458,359	1,458,359	1,458,359	—	—	—	—
Investment securities	16	1,085,818	1,085,818	1,085,818	—	—	—	—
Trade and other receivables		73,535	73,535	73,535	—	—	—	—
Total assets held for managing liquidity risk		2,617,712	2,617,712	2,617,712	—	—	—	—
Non-derivative liabilities								
Trade and other payables	20	587,254	587,254	587,254	—	—	—	—
		587,254	587,254	587,254	—	—	—	—
Gap (asset - liabilities)		2,030,458	2,030,458	2,030,458	—	—	—	—
Cumulative liquidity gap		—	2,030,458	2,030,458	2,030,458	2,030,458	2,030,458	2,030,458

4.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rate, interest rate and equity prices will adversely affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

Market risk mainly arises from the Company's investment in fixed-interest instruments.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates arises primarily from the Company's investments in fixed interest securities. The Company's policy is to manage its interest cost using a mix of fixed and variable rate financial instruments to generate the desired interest rate profile and to manage its exposure to interest rate fluctuations.

Analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position is as follows:

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Increase in basis point (100bp)		
Sensitivity of interest income	17,013	13,328
Decrease in basis point (100bp)		
Sensitivity of interest income	(17,013)	(13,328)

4.3.2 Exchange rate exposure

The Company is exposed to changes of current holdings and future cash flows denominated in other currencies. Instruments that are exposed to this risk include; foreign currency denominated bank balances.

The table below summarises the Company's exposure to foreign currency exchange rate risk as at 31 December 2014, and 31 December 2013.

Included in the table are the Company's assets and liabilities at carrying amounts, categorised by currency.

Foreign currency concentrations risk

The table below summaries the Company's assets and liabilities at carrying amount and the foreign currency amount reported in the local currency:

31 December 2014	**Total**	**US Dollar**	**Euro**
In thousands of naira			
Cash and cash equivalents	1,761,489	947	2,272
Trade and other receivables	1,069,923	—	—
Total financial assets	2,831,412	947	2,272
Trade and other payables	865,260	—	—
Total financial liabilities	865,260	—	—

31 December 2013	Total	US Dollar	Euro
In thousands of naira			
Cash and cash equivalents	1,458,359	842	2,019
Trade and other receivables	77,934	—	—
Total financial assets	1,536,293	842	2,019
Trade and other payables	587,254	—	—
Total financial liabilities	587,254	—	—

4.4 Financial assets and liabilities

Accounting classification, measurement basis
The table below sets out the Company's classification of each class of financial assets and liabilities the fair value is consistently representative of the carrying amount.

31 December 2014	Notes	Available for sale	Loans and receivables	Other financial liabilities	Total carrying amount
In thousands of naira					
Cash and cash equivalents	19	—	1,761,489	—	1,761,489
Trade and other receivables	18	—	1,069,923	—	1,069,923
		—	2,831,412	—	2,831,412
Trade and other payables	20	—	—	865,260	865,260
		—	—	865,260	865,260
31 December 2013					
Cash and cash equivalents	19	—	1,458,359	—	1,458,359
Trade and other receivables	18	—	77,934	—	77,934
Investment securities	16	1,085,818	—	—	1,085,818
		1,085,818	1,536,293	—	2,622,111
Trade and other payables	20	—	—	587,254	587,254
		—	—	587,254	587,254

The fair value of the financial asset and liabilities above approximates the carrying amount.

Financial instruments measured at fair value - fair value hierarchy
The table below analyses financial instruments measured at fair value by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. As at the reporting date there are no financial instruments measured at fair value.

31 December 2013	Notes	Level 1	Level 2	Level 3	Total
In thousands of naira					
Investment securities	16	—	—	1,085,818	1,085,818
Total		—	—	1,085,818	1,085,818

5 Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year and about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is disclosed below.

These disclosures supplement the commentary on financial risk management (see note 4).

(i) Impairment

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3.1(f).

Investments in equity securities were evaluated for impairment on the basis described in Note 3(f). For an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment. In this respect, the Company regards a decline in fair value in excess of 20 percent to be significant and a decline in a quoted market price that persists for nine months or longer to be prolonged.

(ii) Depreciation and carrying value of property and equipment

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of items of property and equipment will have an impact on the carrying value of these items.

(iii) Determination of impairment of property and equipment

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of physical deterioration, technological obsolescence.

(iv) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3.1(e).

- Investment property

Investment property is measured at fair value in line with the Company's accounting policy disclosed in note 3.1(c).

The Company's investment properties is valued at each reporting date by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

Management reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are also held with the independent valuers to:

- verify all major inputs to the independent valuation report;

- assesses property valuation movements when compared to the prior year valuation report.

- Estimation of net-realisable value for trading properties

Trading properties are stated at the lower of cost and net realisable value (NRV).

NRV for trading property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Company, based on comparable transactions identified by the Company for properties in the same geographical market serving the same real estate segment.

(v) *Valuation of financial instruments*
The Company's accounting policy on fair value measurements is discussed under note 3.1(e)

The Company measures fair values using the following hierarchy of methods.

(a) Level 1: Quoted market price in an active market for an identical instrument.

(b) Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(c) Level 3: This includes financial instruments, the valuation of which incorporate significant inputs for the asset or liability that is not based on observable market date (unobservable inputs). Financial assets for which fair value could not be reliably determined and which have been carried at cost are included in this category.

(vi) *Valuation of post-employment benefit obligation*
The cost and the present value of gratuity plan and the long service award are determined periodically. The valuation involves making assumptions about discount rates, future salary increase and expected years in employment. The valuation of defined benefit obligations is highly sensitive to changes in the underlying assumptions. All assumptions are reviewed at each reporting date.

The valuation of the gratuity and long service awards scheme was carried out by HR. Nigeria Limited (Consultants Actuaries) for each period reported in the financial statement, using the Projected Unit Credit (PUC) method to establish the value of the accrued liabilities.

6 Segment reporting

Business segments

The Company defines a segment as a distinct or distinguishable unit of the Company that is engaged in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments. Nigeria is the Company's primary geographical segment as all the Company's income is derived in Nigeria. Additionally, all of the Company's income comprises income from property sales, property management fees and agency fees. Accordingly, no further business or geographical information is required.

7 Revenue-sales of trading properties

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Sales of trading properties	617,028	1,993,782
	617,028	1,993,782

Income derived by the Company from its joint operations with Union Bank of Nigeria Plc during the year amounted to N118,620,598 (2013: 998,543,525).

8 Cost of sales- trading properties

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Cost of trading properties sold	657,014	1,377,205
	657,014	1,377,205

The cost of the Company's investment in joint operations with Union Bank of Nigeria Plc sold during the year amounted to N96,465,738 (2013: N875,293,033).

9 Fair value gain on investment property

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
(Loss)/Gain on fair valuation of investment property	(397,887)	654,854
	(397,887)	654,854

10 Net investment income

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Investment income	—	—
Net gain on sale of investment securities (see (i) below)	232,861	—
Interest income - Placements	200,987	202,154
	433,848	202,154

(i) Net gain on sale of investment securities	**31 Dec. 2014**	**31 Dec. 2013**
Gain reclassified to profit and loss	285,818	—
Loss on sale of equity investment	(52,957)	—
	232,861	—

11 Other income

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Sundry income	14,372	2,624
Profit on sale of PPE	—	2,714
Rental income	53,740	69,025
Property management fees	48,834	25,673
Estate agency and valuation service fees	10,871	31,832
Professional fees	2,090	52,180
	129,907	184,048

12 Impairment loss on assets

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Provision for loss of assets	—	6,287
Impairment of receivables	127,277	—
Impairment of trading properties (Mambilla estate)	—	88,135
Impairment of trading properties (Ikorodu land)	18,353	—
Impairment of staff loans	411	—
Impairment of placements with CDL Asset Management Limited	—	1,062,512
	146,041	1,156,934

13 Operating expenses

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Staff costs (see note 24 (ii))	125,703	107,917
Depreciation	9,274	9,332
Professional fees	18,203	20,882
Auditor's remuneration	3,500	2,160
Directors' fees and sitting allowance	—	2,930
Interest and bank charges	4,745	10,715
Rent	14,439	6,253
Repairs and Maintenance	4,090	3,743
Insurance	3,799	3,537
Provision for taxes (VAT and WHT) (see note 20)	158,248	—
Other operating expenses	31,747	34,614
	373,748	202,083

The expense incurred by the Company in its joint operations with Union Bank of Nigeria Plc during the year amounted to N6,593,121 (2013: Nil).

14 Investment property

In thousands of Naira Reconciliation of fair value	**Completed Investment Property**	**Investment Property Under Construction**	**Total**
Balance as at January 2014	1,700,000	2,785,000	4,485,000
Expenditure / cost capitalised	243,013	2,151	245,164
Reclassified to other receivables (see note (i) below)	—	(127,277)	(127,277)
Fair value gain/ (loss)	56,987	(454,874)	(397,887)
Balance as at 31 December 2014	2,000,000	2,205,000	4,205,000

	Completed Property	**Property Under Construction**	**Total**
Balance as at January 2013	1,550,000	2,253,870	3,803,870
Expenditure / cost capitalised	—	26,276	26,276
Fair value gain	150,000	504,854	654,854
Balance as at 31 December 2013	1,700,000	2,785,000	4,485,000

Investment properties comprise a commercial property leased to third parties and properties held for capital appreciation. These properties are carried at fair value with changes recorded in profit or loss.

(i) This amount represents the sum paid to the Ministry of Lagos State Waterfront for the allocation of a reclaimed land to the Company, which was reclassified to other receivables because the Company is required to make a seperate payment to the Ministry of Lands to obtain legal title to the land.

(ii) The items of investment properties are valued as shown below:
Investment properties location

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Corner piece Office/Banking complex at Plot 97 Adeola Odeku/ Ahmadu Bello Way, Victoria Island Lagos.	2,000,000	1,700,000
12.81 hectares of land at Plot 332, Cadastral Zone C07, off Sunny Wale Estate Road Galadima Abuja	835,000	720,000
9600, square meters of land at plot 294, Cadastral Zone B04, P.O.W Mafemi Crescent Jabi District Abuja	730,000	625,000
3200 square meters fenced bare land , Block A5, plot 5, 6 and 7 Olusegun Aina Street, Parkview, Extension Ikoyi Lagos.	640,000	1,440,000
	4,205,000	4,485,000

(iii) Measurement of fair value
(a) Fair value hierarchy
Investment property is stated at fair value and has been determined based on valuations performed by Bode Adedeji Partnership, Estate Surveyors, Valuers and Property Consultants (FRC/2013/NIGSV/00000001479). They are industry specialists in valuing these types of investment properties.

The fair value is supported by market evidence and represents the amount that would be received to sell the properties in an orderly transaction between market participants at the measurement date in the principal market to which the Company has access at the date of valuation. Valuations are performed on an annual basis and the fair value gains and losses are reported in profit or loss.

The fair value measurement for the investment properties of N4.2billion has been categorised as Level 3 based on the inputs into the valuation technique used.

(b) Valuation techniques used for fair valuation of investment property
The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The investment method of valuation and Comparative method of valuation was employed in determining the current market value. In the investment method of valuation, the net rent expected from the lease of the subject property is capitalized with the appropriate yield. In the Comparative method of valuation, the fair values are determined by applying the direct market evidence This valuation model reflects the current price on actual transaction for similar properties in the neighborhood in recent time. References were made to prices of land and comparable properties in the neighborhood. The data obtained were analyzed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	-Prices per square meter -Rate of development in the area -Quality of the building. -Influx of people and/or businesses to the area	The estimated fair value would increase (decrease) if the rate of development in the area increases (decreases),quality of the building increases (decreases), influx of people and/or business to the area increases (decreases).

15. Property and equipment

In thousands of Naira

31 December 2014	**Office Equipment**	**Motor Vehicles**	**Fixtures & Fittings**	**Total**
Cost				
Balance as at 1 January 2014	20,047	20,245	3,439	43,731
Acquisitions	155	5,150	—	5,305
Disposal	—	—	—	—
Balance at 31 December 2014	20,202	25,395	3,439	49,036
Depreciation and impairment				
Balance as at 1 January 2014	8,869	9,451	3,424	21,744
Depreciation charge for the year	3,246	6,027	2	9,275
Disposals	—	—	—	—
Balance at 31 December 2014	12,115	15,478	3,426	31,019

31 December 2013 *In thousand of Naira*	**Office Equipment**	**Motor Vehicles**	**Fixtures & Fittings**	**Total**
Cost				
Balance as at 1 January 2013	13,281	29,030	3,316	45,627
Acquisitions	6,766	4,195	123	11,084
Disposal	—	(12,980)	—	(12,980)
Balance at 31 December 2013	20,047	20,245	3,439	43,731
Depreciation and impairment				
Balance as at 1 January 2013	5,678	10,534	3,230	19,442
Depreciation charge for the year	3,191	5,948	194	9,333
Disposals	—	(7,031)	—	(7,031)
Balance at 31 December 2013	8,869	9,451	3,424	21,744

Carrying amount				
At 31 December 2014	8,087	9,917	13	18,017
At 31 December 2013	11,178	10,794	15	21,987

(i) No leased assets are included in the above property and equipment account (31 December 2013 : Nil)

16 Investment securities -Available for sale

In thousands of Naira

(i) The movement in investment securities during the year is shown below:

	31 Dec. 2014	**31 Dec. 2013**
Opening balance	1,085,818	800,000
Fair value gain	–	285,818
Disposals	(1,085,818)	–
	–	1,085,818

(ii) Gain/(Loss) on sale of investment securities:

	31 Dec. 2014	**31 Dec. 2013**
Disposal amount	1,032,861	–
Carrying amount	(1,085,818)	–
Loss on sale of investment securities (See note 10(i))	(52,957)	–

Investment securities represents the Company's equity investment in Union Assurance Company Plc which was disposed during the year ended 31 December 2014

17 Trading properties

This represents the cost of real estate apartments and land designated for resale.

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Residential apartments (See (i) below)	1,843,131	2,489,776
Trading properties under development (See (ii) below)	326,724	326,754
	2,169,855	2,816,530

In thousands of Naira

Category	Description	31 Dec. 2014	31 Dec. 2013
(i) Residential apartments	This represents cost of 13 units apartments at Mambilla Estate, Osborne Foreshore Phase I, Ikoyi, Lagos	1,843,131	2,393,310
	This represents cost of building at No 2 Bank Road Ikoyi Lagos.	–	96,466
		1,843,131	2,489,776
(ii) Trading properties under development	This represents cost incurred to date on construction of residential apartments on a 3,155 square meters of land at No 13 Ilabere, Ikoyi Avenue Ikoyi Lagos.	307,378	307,408
	This represents cost incurred to date on construction of residential apartments on a 461 square meters of land at No 14, Ogedengbe Street Lagos.	19,346	19,346
Total trading properties under construction		326,724	326,754
		2,169,855	2,816,530

In thousands of Naira	**Completed**	**Under Construction**	**Total**
As at 1 January 2014	2,489,776	326,754	2,816,530
Additions	28,692	–	28,692
Reclassification	(18,323)	18,323	–
Disposals	(657,014)	–	(657,014)
Impairment	–	(18,353)	(18,353)
As at 31 December 2014	1,843,131	326,724	2,169,855

In thousands of Naira	**Completed**	**Under Construction**	**Total**
As at 1 January 2013	970,219	3,301,801	4,272,020
Additions	19,805	–	19,805
Reclassification	2,602,773	(2,602,773)	–
Disposals	(1,014,886)	(372,274)	(1,387,160)
Write down to net realisable value	(88,135)	–	(88,135)
As at 31 December 2013	2,489,776	326,754	2,816,530

UBN Property Company Limited has a joint operations with Union Bank of Nigeria Plc. With respect to this, the Company signed a Memorandum of Understanding (MOU) detailing the guiding principles. The joint operation is on trading properties located at Ilabere and Ogedengbe. The carrying value of these properties as at 31 December 2014 was N326,724,000 (2013: N423,220,759). The terms of the agreement are as follows;

- The value of the land shall represent the equity contribution for the Bank;
- The cost of putting the building together and any statutory payments required by law shall form the equity contribution of UPCL
- UPCL would market the properties developed after due consultation with the Bank;
- The prices would be determined by the property market situation which would be agreed;
- The minimum deposit to be paid by each prospective purchaser shall be on a case by case basis approved per project;
- All deposits and payments made in respect of the properties are to be lodged into a designated project account with the Union Bank Plc under the joint signatories of the approval personnel of the parties pending the delivery of the housing units or the serviced plots of land;
- When UPCL is the Project Manager, Consultant, Quantity Surveyor, Structural, Electrical/ Mechanical Engineer, they shall be entitle to appropriate professional fees based on a pre approved scale by both parties;
- Each project shall have an agreed time frame for completion.

18 Trade and other receivables

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
(i) Trade and other receivables comprise:		
Debtors	2,875	12,460
Due from related companies	1,032,861	51,243
Staff debtors	—	777
Prepayment	11,466	4,399
Receivables from CDL Asset Management Limited	1,062,512	1,062,512
Reclassified from other investment property	127,277	—
Other receivables	22,721	20,328
	2,259,712	1,151,719
Less: Impairment allowance on other assets	(1,189,789)	(1,073,785)
	1,069,923	77,934

(i) The receivable from CDL Asset Management Limited represents UBN Property Company Limited outstanding fixed deposit with CDL Asset Management.

(ii) This amount represents the sum paid to the Ministry of Lagos State Waterfront for the allocation of a reclaimed land to the Company, which was reclassified from investment property because the Company is required to make a seperate payment to the Ministry of Lands to obtain legal title to the land.

(iii) The movement in impairment allowance on other assets was as follows:

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Balance, beginning of year	1,073,785	4,986
Charge for the year	127,277	1,068,799
Write off	(11,273)	—
Balance, end of year	1,189,789	1,073,785

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
(iv) Assets impaired		
Receivables from CDL Asset Management Limited	1,062,512	1,068,799
Reclassified from other investment property	127,277	—
	1,189,789	1,068,799

The recoverability of the amount is in doubt therefore the balance has been fully impaired.

19 Cash and cash equivalents

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Cash and cash equivalents comprise:		
Cash and bank balances	60,181	125,569
Money market placements	1,701,308	1,332,790
Cash and cash equivalents	1,761,489	1,458,359

20 Trade and other payables

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Trade and other creditors comprise:		
Customers' deposits	42,750	99,550
Accrual	187,669	186,920
Due to related companies	490,964	366,452
Other liabilities and payables	181,950	195,123
Withholding tax and VAT payable (see note 13)	192,346	25,679
Deferred income	54,690	5,750
	1,150,369	879,474

21 Employee benefits

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Defined benefit obligation (see (i) below)	29,156	41,957
Long service award (see (ii) below)	2,453	3,140
	31,609	45,097

(i) Defined benefit obligation

The Company operates a defined benefit scheme where qualifying employees receive a lump sum payment based on the number of years served and gross salary in the year of retirement.

The actuarial valuation of the Company's gratuity liability as at 31 December 2014 was carried out by HR Nigeria Limited (Consultants & Actuaries (FRC/NAS/00000000738)). The valuation was done using the Projected Unit Cost Method.

The basis of determining the benefit due to an employee is as stated below:
(a) 5 years of service: 70% of gross annual emolument on the year of exit.
(b) 6 years to 9 years of service: base of 70% of gross annual emolument and an additional 5% for each extra year after the 5th year.
(c) 10 years of service and above: base of 125% of gross annual emolument and an additional 10% for each extra year after the 10th year.

The movement in the liability is as shown below:

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Balance at the beginning of the year	41,957	37,643
Charge during the year	11,063	5,129
Gratuity paid	(13,437)	(815)
Actuarial gains	(10,427)	–
	29,156	41,957

The principal actuarial assumptions used were as follows:

	31 Dec. 2014	**31 Dec. 2013**
Discount rate	0.15	0.14
Inflation rate	0.09	0.09
Future salary increase	0.12	0.12
Average liability duration	9.14 years	8.43 years

(ii) Long service award

The Company operates a long service award benefits and provides qualifying employees with a flat cash reward with Ex-Gratia (expressed as a proportion of basic salary).

The movement in the liability is as shown below:

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Balance at the beginning of the year	3,140	2,250
Net periodic benefit expense/ (income)	(687)	890
	2,453	3,140

The principal actuarial assumptions used were as follows:

	31 Dec. 2014	**31 Dec. 2013**
Discount rate	0.15	0.14
Inflation rate	0.09	0.09
Future salary increase	0.12	0.12
Average liability duration	7.39 years	7.61 years

22 Taxation

(i) Income tax expense

The Company became liable to company income tax during the year under review as the pioneer certificate granted to it effective 1 April, 2009 for 5 years expired during the year under review.

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Minimum tax	40,632	—
Deferred tax charge	1,015	—
Income tax expense	1,015	—
Total tax expense	41,647	—

(iii) Reconciliation of effective tax rate

In thousands of Naira		**31 Dec. 2014**
Profit/ (loss) before tax		(393,907)
Tax credit using the Company's domestic tax rate	-30%	(118,172)
Non-deductible expenses	39%	154,738
Non-taxable income	-18%	(71,902)
Changes in recognised deductible temporary differences	9%	36,351
Minimum tax	10%	40,632
	11%	41,647

(ii) Current income tax payable

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Balance, beginning of the year	56,637	56,637
Income tax expense	—	—
Minimum tax	40,632	—
Payments during the year	—	—
Balance, at the end of year	97,269	56,637

23 Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The movement in temporary differences recognised during the year is as follows:

Movement in deferred tax	**Balance as 1 January**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance as at 31 December**
Property, plant and equipment	—	(15,096)	—	(15,096)
Provision for gratuity	—	(11,875)	3,128	(8,747)
Long service award	—	(736)	—	(736)
Unrelieved losses	—	(135,759)	—	(135,759)
Investment properties	503	164,481	—	164,984
	503	1,015	3,128	4,646

(i) Deferred tax assets and liabilities are attributable to the following:

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Assets:		
Property, plant and equipment	(15,096)	—
Provision for gratuity	(8,747)	—
Long service award	(736)	—
Unrelieved losses	(135,759)	—
Deferred tax assets	(160,338)	—
Liabilities:		
Investment properties	164,984	503
Deferred tax liabilities	164,984	503
Net Deferred tax liabilities	4,646	503

24 Particulars of directors and employees

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
i) Directors' remuneration		
Fees and sitting allowances	—	2,930
Executive compensation	14,824	14,824
	14,824	17,754
Fees and other emoluments disclosed above include amounts paid to:		
The chairman	—	1,200
The highest paid director	14,824	14,824

The number of directors who received fees and other emoluments (excluding pension contributions, certain benefits and reimbursable expenses) in the following ranges was:

N650,000 - N1,000,000	3	3
N1,000,000 - N2,000,000	1	1
Above 2,000,000	1	1
	5	5

ii) Staff numbers and costs
The number of employees (excluding directors) who received emoluments in the following ranges were:

	31 Dec. 2014	**31 Dec. 2013**
N900,001 - N1,400,000	—	2
N1,400,000 and above	14	16
	14	18

Compensation for staff:

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Salaries and wages	101,968	86,648
Other staff cost	5,377	6,480
Retirement benefits:		
- Gratuity and long service award	10,376	6,019
- Pension cost	7,982	8,770
	125,703	107,917

25 Capital and reserves

(i) Share capital

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
(a) Authorised:		
6,000,000,000 units of Ordinary shares of =N=1 each		
(2013: 6,000,000,000 units)	6,000,000	6,000,000
(b) Issued and fully-paid:		
5,626,416,051 Ordinary shares of =N=1 each		
(2013: 5,626,416,051 ordinary shares of =N=1 each)	5,626,416	5,626,416

(ii) Share premium

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
Balance, beginning of year	1,092,822	1,092,822
Balance, end of year	1,092,822	1,092,822

(iii) **Fair value reserve:** The fair value reserve comprises the net cumulative change in fair value of available-for-sale investments until the investment is derecognised or impaired

26 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	31 Dec. 2014	**31 Dec. 2013**
(Loss) / profit attributable to shareholders of the Company (N'000)	(435,554)	298,616
Weighted average number of ordinary shares in issue (N'000)	5,626,416	5,626,416
Basic earnings per share (kobo)	(8)	5

(ii) Diluted earnings per share

Diluted earnings per ordinary share equals diluted earnings per share as there are no potential dilutive ordinary shares in issue.

27 Related party transactions

A number of transactions were entered into with related parties in the normal course of business. These include deposits, placements and property management transactions. The details of related-party transactions, outstanding balances at the year-end were as follows:

(i) Parent and ultimate controlling company
The Company is a subsidiary of Union Bank of Nigeria Plc. There are other companies that are related to UBN Property Company Limited through common shareholdings.

(ii) Transactions with key management personnel
The Company's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management personnel includes close members of family of key personnel and any entity over which key management personnel exercises control. The key management personnel have been identified as the executive and non-executive directors of the Company. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Company.

Key management personnel compensation for the year comprises:

Directors' remuneration	**31 Dec. 2014**	**31 Dec. 2013**
	N million	N million
Fees and allowances	—	2,930
Executive compensation	14,824	14,824
	14,824	17,754

(iii) Other related party transactions
Year end balances arising from related party transactions were as follows:

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
(a) Bank Balances		
Placement with Union Bank of Nigeria Plc	1,701,308	1,332,790
Bank balance with Union Bank of Nigeria Plc	60,821	125,692
	1,762,129	1,458,482
(b) Receivables from related parties		
Union Assurance Company Plc	—	51,243
Union Bank of Nigeria PLC	1,032,861	—
	1,032,861	51,243

In thousands of Naira	**31 Dec. 2014**	**31 Dec. 2013**
(c) Payables to related parties		
Union Trustees Limited	66,001	88,806
Union Bank of Nigeria Plc	424,963	277,646
	490,964	366,452

	31 Dec. 2014	31 Dec. 2013
(d) Income from related parties:		
Professional fees-Project management fee	1,844	5
Agency fees from Union Bank of Nigeria Plc	–	29,087
Agency fees from Atlantic Nominees Limited	5,503	
Management fee from Union Bank of Nigeria Plc	21,498	9,393
Management fee from Union Trustees Limited	12,881	16,250
Rental income from Union Bank of Nigeria Plc	29,520	29,520
Interest income from deposits with Union Bank of Nigeria Plc	200,982	73,910
	272,228	158,165

28 Contingent liabilities, litigation and claims

(i) The Company is a defendant in 6 suits. The claimants claims are for the sum of N1.013 billion. These litigations are being contested by the Company. The directors having sought professional legal counsel are of the opinion that no significant liability will crystallize from these litigations.

Of the six (6) suits against the Company, two (2) were brought against the Company by some of its minority shareholders with respect to the private placement done by the Company in 2006. Hence, the directors of the Company have suspended the divestment process until when the pending litigation is resolved. This will not have any significant impact on the Company.

(ii) The Federal Inland Revenue Service (FIRS) imposed additional Value Added Tax (VAT) and WithHolding Tax (WHT) liability on the Company. The liability is being contested by the Company. However, provisions have been made in the books pending its resolution with FIRS.

29 Capital commitments

The Company had no outstanding capital commitments (2013: Nil) as at reporting date.

30 Conversion of the Company to a PLC

The Company is in the process of converting the Company to a PLC and a certificate of re-registration has been issued to the Company to that effect by the Corporate Affairs Commission.

Other National Disclosures: Value Added Statement

For the year ended 31 December 2014

In thousands of Naira	**31 Dec. 2014**	**%**	**31 Dec. 2013**	**%**
Gross earnings	782,896		3,034,838	
Bought-in-materials and services				
-Local	(668,078)		(1,462,039)	
-Foreign				
Impairment loss on assets	(373,748)		(1,156,934)	
Value added	(258,930)	100	415,865	100
Distribution of value added:				
To employees				
Salaries, wages and benefits	125,703	-49%	107,917	26%
To government				
Taxation	41,647	-16%	–	
Retained in the business:				
Depreciation	9,274	-4%	9,332	2%
(Loss) / Profit for the year	(435,554)	168%	298,616	72%
	(258,930)	100%	415,865	100%

Other National Disclosures: Financial Summary

In thousand of naira	31 December 2014	31 December 2013	31 December 2012	31 December 2011
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Revenue	(393,907)	2,172,492	1,768,472	165,968
Profit before taxation	(393,907)	298,616	216,680	1,338,533
Taxation	(1,015)	—	—	66,092
Profit after taxation	(394,922)	298,616	216,680	1,404,625
Other comprehensive income	(278,519)	285,818	—	—
Total other comprehensive income	(673,441)	584,434	216,680	1,404,625
STATEMENT OF FINANCIAL POSITION				
Non-current assets				
Property and equipment	18,017	21,987	26,185	15,159
Investment properties	4,205,000	4,485,000	3,803,870	4,317,912
Investment securities		1,085,818	800,000	800,000
	4,223,017	5,592,805	4,630,055	5,133,071
Current assets				
Trading properties	2,169,855	2,816,530	4,272,020	5,560,502
Trade and other receivables	1,069,923	77,934	108,209	136,489
Cash and cash equivalents	1,761,489	1,458,359	1,764,060	(229,165)
	5,001,267	4,352,823	6,144,289	5,467,826
Current liabilities				
Trade and other payables	1,150,369	879,474	2,297,828	2,343,623
Current income tax payable	97,269	56,637	56,637	56,637
	1,247,638	936,111	2,354,465	2,400,260
Net current assets	3,753,629	3,416,712	3,789,824	3,067,566
Total assets less current liabilities	7,976,646	9,009,517	8,419,879	8,200,637
Non-current liabilities				
Employee retirement benefits	31,609	45,097	39,893	37,331
Deferred tax liabilities	4,646	503	503	503
	36,255	45,600	40,396	37,834
Net assets	7,940,391	8,963,917	8,379,483	8,162,803
Capital & reserves				
Share capital	5,626,416	5,626,416	5,626,416	5,626,416
Share premium	1,092,822	1,092,822	1,092,822	1,092,822
Fair value reserve	7,299	285,818	—	—
Retained earnings	1,213,854	1,958,861	1,660,245	1,443,565
Shareholders' Company's	7,940,391	8,963,917	8,379,483	8,162,803

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. The Company adopted the International Financial Reporting Standards (IFRS) in 2012.