UBN Property Company Plc

Annual Report — 31 December 2018

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Corporate Information

Company's Registration Number:	RC: 476267

Directors:

Emeka Emuwa	Chairman
Oluwatosin Osikoya	Managing Director
Oyinkansade Adewale (Mrs.)*	Director
Obiaku Nneze Akwiwu - Nwadike (Mrs.)	Director
Remi Kolarinwa	Independent Director
Adekunle Sonola**	Director

* Retired from the Board effective 30 September 2018
** Appointed to the Board effective 6 November 2018

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)
274, Murtala Muhammed Way, Yaba, Lagos

Estate Valuer:
Bode Adedeji Partnership
15, Bishop Oluwole Street
Victoria Island
Lagos
FRC/2013/NIESV/00000001479

Banker:
Union Bank of Nigeria Plc

Directors' Report
For the year ended 31 December 2018

The directors present their annual report on the affairs of UBN Property Company Plc ("the Company"), together with the financial statements and auditor's report for the year ended 31 December, 2018.

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. On 11th February 2015, the Company was re-registered as a public Company limited by liability. 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-18**	**31-Dec-17**
Profit before tax	959,601	1,274,778
Income tax expense	(49,220)	(261,531)
Profit after tax	910,381	1,013,247
Basic and diluted earnings per share (kobo)	16	18

Analysis of Shareholding
The shareholding structure of the Company is as stated below:

As at 31 December 2018

Range	No. of Holders	% of Total Holders	Units held	% of Total Holders
1- 50,000	129	40.44%	3,406,430	0.06%
50,001- 500,000	127	39.81%	21,467,252	0.38%
500,001- 5,000,000	20	6.27%	40,411,599	0.72%
5,000,001- 50,000,000	34	10.66%	824,171,900	14.65%
50,000,001- 500,000,000	7	2.19%	1,677,436,270	29.81%
500,000,001- 5,626,416,051	2	0.63%	3,059,522,600	54.38%
Grand total	319	100.00%	5,626,416,051	100.00%

As at 31 December 2017

Range	No. of Holders	% of Total Holders	Units held	% of Total Holders
1- 50,000	66	25.98%	3,300,000	0.06%
50,001- 500,000	126	49.61%	21,220,452	0.38%
500,001- 5,000,000	20	7.87%	40,450,999	0.72%
5,000,001- 50,000,000	33	12.99%	814,172,000	14.47%
50,000,001- 500,000,000	7	2.76%	1,687,750,000	30.00%
500,000,001- 5,626,416,051	2	0.79%	3,059,522,600	54.38%
Grand total	254	100.00%	5,626,416,051	100.00%

Directors' Report
For the year ended 31 December 2018

Directors and their interests

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

Emeka Emuwa	Chairman
Oluwatosin Osikoya	Managing Director
Oyinkansade Adewale (Mrs.)*	Director
Obiaku Nneze Akwiwu - Nwadike (Mrs.)	Director
Remi Kolarinwa	Independent Director
Adekunle Sonola**	Director

* Retired from the Board effective 30 September 2018
** Appointed to the Board effective 6 November 2018

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:

	No of ordinary shares held	
	31-Dec-18	31-Dec-17
Emeka Emuwa	Nil	Nil
Oluwatosin Osikoya	Nil	Nil
Oyinkansade Adewale (Mrs.)*	Nil	Nil
Obiaku Nneze Akwiwu - Nwadike (Mrs.)	50,000,000	50,000,000
Remi Kolarinwa	Nil	Nil
Adekunle Sonola**	Nil	Nil

* Retired from the Board effective 30 September 2018
** Appointed to the Board effective 6 November 2018

No director has notified the Company of any indirect interest in the Company's shares.

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 2018:

	2018	
	No of shares	**% Holding**
Union Bank of Nigeria Plc	2,195,000,000	39.01%
UTL Trust Management Services	864,522,600	15.37%
GTL Registrars Limited	495,000,000	8.80%
Ensure Insurance Plc	495,000,000	8.80%
Others	1,576,893,451	28.03%
	5,626,416,051	100.00%

Directors' Report
For the year ended 31 December 2018

	2017	
	No of shares	**% Holding**
Union Bank of Nigeria Plc	2,195,000,000	39.01%
Union Trustees Ltd (Held on behalf of various individuals)	864,522,600	15.37%
Union Homes Savings and Loans Plc	495,000,000	8.80%
Ensure Insurance Plc	495,000,000	8.80%
Others	1,576,893,451	28.03%
	5,626,416,051	100.00%

Property and equipment
Information relating to changes in property and equipment is given in Note 14 to the financial statements.

Donations and charitable gifts
There were no donations made during the year (2017: 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 by additional external training where the need is assessed as required or necessary.

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 2018, 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 was 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 Plc 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.

Directors' Report
For the year ended 31 December 2018

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 is monitored and reported to the Board of Directors.

Auditor
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 auditor will be re-appointed at the next annual general meeting of the Company without any resolution being passed.

BY ORDER OF THE BOARD

Somuyiwa A. Sonubi
Company Secretary
8 April 2019
FRC No: FRC/2013/NBA/00000002061

Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2018

The directors accept responsibility for the preparation of the annual 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, Cap C.20, Laws of the Federation of Nigeria, 2004 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 Cap C.20, Laws of the Federation of Nigeria, 2004 and for such internal controls 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
8 April 2019
FRC No: FRC/2013/CIBN/00000001774

Oluwatosin Osikoya
Managing Director
8 April 2019
FRC No:FRC/2013/NSE/00000002333

UBN PROPERTY COMPANY PLC
Report of the Statutory Audit Committee for the Year Ended 31 December 2018

In compliance with Section 359(6) Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004, we reviewed the financial statements of UBN Property Company Plc. for the year ended 31 December 2018 and hereby state as follows:

1 The scope and planning of the audit were adequate in our opinion;

2 The accounting and reporting policies of the Company conformed with the statutory requirements and agreed ethical practices;

3 The internal control and internal audit functions were operating effectively;

4 The external auditor's findings as stated in the management letter are being dealt with satisfactorily by the management; and

5 Related party balances and transactions have been disclosed in Note 29 to the financial statements in accordance with requirements of the International Financial Reporting Standards (IFRS) .

Dated 8 April, 2019

Kamarudeen Oladosu, FCA
Chairman, Audit Committee
FRC/2013/CISN/00000005091

MEMBERS OF THE COMMITTEE**

1 Kamarudeen Oladosu, FCA
2 Oyinkansade Adewale (Mrs.)*
3 Remi Kolarinwa
4 Adekunle Sonola**
5 Nornah Awoh

* Retired from the Board effective 30 September 2018
** Appointed to the Board effective 6 November 2018

KPMG

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

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234 (1) 271 8599
Internet www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of UBN Property Company Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of UBN Property Company Plc ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 12 to 53.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Valuation of Investment Properties

The valuation of investment properties requires the use of valuation techniques which involve significant assumptions and are dependent on a range of estimates made by the external property valuers engaged by the Company. The assumptions used in the valuations include market rents, occupancy, yield and replacement cost etc.

The valuation of investment properties is a key audit matter due to the significant assumptions and judgment involved with the valuation and the significance of the investment properties to the Company's financial statements.

How the matter was addressed in our audit
Our procedures included the following:

- We tested the design, implementation and operating effectiveness of the Company's control over the process for determining the fair value of properties by assessing that the Company engages a qualified external property valuer to determine the value of its properties on a periodic basis.

- We evaluated the competence, capabilities and objectivity of the external property valuer engaged by the Company by determining whether they possess the required skills and professional experience to carry out a valuation with reference to valuation regulations and registrations.

- We obtained an understanding of the valuation process and techniques adopted by the Company's valuer, to assess whether they are consistent with industry norms.

- We challenged the assumptions used by the Company's external valuer by:

    - assessing whether the valuation techniques used are consistent with the standard procedures that would be followed by an independent valuer in determining the fair value of a property.
    - evaluating the reasonableness of the significant assumptions by reference to benchmark market data on prevailing prices of related properties and also assessing the reliability of property related data used by the Company's valuer.
    - comparing observable inputs used in the valuation techniques such as market rents, occupancy, yield etc. with publicly available market data of similar properties and our knowledge of the real estate industry.

- We assessed the reasonableness of the overall fair value determined by the Company's valuer, by comparing the fair value determined by the Company's valuer to recent market prices for comparable properties.

The Company's accounting policy and related disclosures on investment properties are shown in Note 3.2 (d) and 13 respectively of these financial statements.

Other Information
The Directors are responsible for the other information which comprises the Corporate Information, Directors' report, Statement of Directors' Responsibilities in Relation to the Financial Statements for the year ended 31 December 2018, Report of the Statutory Audit Committee for the Year Ended 31 December 2018 and Other national disclosures, but does not include the financial statements and our audit report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and 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.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Schedule 6 of the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004

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 profit or loss and other comprehensive income are in agreement with the books of account.

Kabir O. Okunlola, FCA
FRC/2012/ICAN/00000000428
For: KPMG Professional Services
Chartered Accountants
10 April 2019
Lagos, Nigeria

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

In thousands of Naira

	Notes	31-Dec-18	31-Dec-17
Revenue- sales of trading properties	6	644,095	531,500
Cost of sales- trading properties	7	(475,133)	(468,456)
Profit from sale of trading properties		**168,962**	**63,044**
Fair valuation gain on investment property	8	6,928	199,647
Investment income	9	668,124	682,730
Other income	10	313,065	344,665
Other operating income		**988,117**	**1,227,042**
Impairment writeback on assets	11	69,257	259,806
Operating expenses	12	(266,735)	(275,114)
Total expenses		**(197,478)**	**(15,308)**
Profit before income tax		**959,601**	**1,274,778**
Income tax expense	23(i)	(49,220)	(261,531)
Profit for the year		**910,381**	**1,013,247**
Other comprehensive income for the year		**-**	**-**
Total comprehensive income for the year		**910,381**	**1,013,247**
Profit attributable to:			
Owners of the company		910,381	1,013,247
Total comprehensive income attributable to:			
Owners of the company		910,381	1,013,247
Basic and diluted earnings per share (kobo)	28	16	18

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

Statement of financial position
As at 31 December 2018
In thousands of Naira

	Notes	31-Dec-18	31-Dec-17
Non-current assets			
Investment property	13	5,036,861	4,951,080
Property and equipment	14	20,679	30,070
Intangible assets	15	2,476	585
Total non-current assets		5,060,016	4,981,735
Current assets			
Trading properties	16	-	640,565
Investment securities	17	4,461,012	-
Trade and other receivables	18	188,968	178,346
Cash and cash equivalents	19	19,798	5,365,780
Total current assets		4,669,778	6,184,691
Non current liabilities			
Employee retirement benefits	22	2,374	55,761
Deferred tax liabilities	24	225,943	211,466
Total non-current liabilities		228,317	267,227
Current liabilities			
Trade and other payables	20	722,858	2,032,734
Current income tax payable	23(iii)	97,867	253,354
Total current liabilities		820,725	2,286,088
Net current assets		3,849,053	3,898,603
Net assets		8,680,752	8,613,111
EQUITY			
Share capital	26(i)(b)	5,626,416	5,626,416
Share premium	26(c)	1,092,822	1,092,822
Other reserve	26(d)	-	5,214
Retained earnings		1,961,514	1,888,659
Total equity		8,680,752	8,613,111

The financial statements were approved by the Board of Directors on 8 April 2019 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:

Oluwagbenga Adeoye (Chief Financial Officer)
FRC No: FRC/2013/ICAN/00000002063

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

Statement of changes in equity
For the year ended 31 December 2018
In thousands of Naira

	Share capital	Share premium	Other reserves	Retained earnings	Total
Balance at 31 December 2017	5,626,416	1,092,822	5,214	1,888,659	8,613,111
Adjustment on initial application of new standards (see note 27)	-	-	-	1,222	1,222
Restated balance at 1 January 2018	5,626,416	1,092,822	5,214	1,889,881	8,614,333
Profit for the year	-	-	-	910,381	910,381
Other comprehensive income for the year					
Transfer on discontinuation of gratuity scheme	-	-	(5,214)	5,214	-
Total comprehensive income	-	-	(5,214)	915,595	910,381
Transactions with owners of the Company					
Dividends	-	-	-	(843,962)	(843,962)
Balance at 31 December 2018	5,626,416	1,092,822	-	1,961,514	8,680,752

	Share capital	Share premium	Other reserves	Retained earnings	Total
Balance at 1 January 2017	5,626,416	1,092,822	5,214	875,412	7,599,864
Profit for the year	-	-	-	1,013,247	1,013,247
Other comprehensive income for the year					
Remeasurements of defined benefit liability	-	-	-	-	-
Total comprehensive income	-	-	-	1,013,247	1,013,247
Transactions with owners of the Company					
Dividends	-	-	-	-	-
Balance at 31 December 2017	5,626,416	1,092,822	5,214	1,888,659	8,613,111

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

Statement of Cash flow
For the year ended 31 December 2018
In thousands of Naira

	Notes	31-Dec-18	31-Dec-17
Operating activities			
Profit for the year		910,381	1,013,247
Add: taxation		49,220	261,531
		959,601	1,274,778
Adjustments for:			
Depreciation of property and equipment	12	9,889	11,180
Amortization of intangible assets	12	212	50
Fair value gain on investment property	8	(6,928)	(199,647)
Unrealized foreign exchange gain	10	-	(987)
Investment income	9	(668,124)	(682,730)
Impairment loss on receivables	11	-	13,542
Impairment loss on investment securities	11	3,243	-
Impairment writeback on trading properties	16	(72,500)	(273,348)
Increase in provision for gratuity	21(i)	-	13,137
Profit on sale of property and equipment	10	(42)	(759)
Operating profit before changes in working capital and provisions		225,351	155,215
Changes in working capital and provisions:			
Trade and other receivables	21(ii)	98,706	(64,561)
Trading properties	21(viii)	459,172	468,456
Trade and other payables	21 (iii)	(1,247,690)	625,132
		(464,462)	1,184,242
Employee benefit paid (gratuity & long service award)	22(i)	(53,387)	(4,616)
WHT and VAT paid	21(iii)	(14,073)	(25,236)
Income taxes paid	23(iii)	(144,443)	(112,192)
Net cash flows from operating activities		(676,365)	1,042,197
Investing activities			
Investment income received	21(v)	520,282	495,829
Acquisition of investment property	13	(78,853)	(21,433)
Acquisition of property and equipment	14	(518)	(22,605)
Acquisition of intangible assets	15	(2,103)	(635)
Proceeds from sale of property and equipment	21(vii)	63	1,796
Net (Purchase) / Redemption of investment securities	21(iv)	(4,254,037)	3,022,700
Net cash flows from investing activities		(3,815,166)	3,475,652
Financing activities			
Dividend paid	21(vi)	(792,075)	(678,732)
Net cash flows from financing activities		(792,075)	(678,732)
Cash and cash equivalents at 1 January		5,303,404	1,463,300
Net (decrease) / increase in cash and cash equivalents		(5,283,606)	3,839,117
Effect of exchange rate fluctuations on cash held	10	-	(987)
Cash and cash equivalents at 31 December	19	19,798	5,303,404

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

Notes to the financial statements
For the year ended 31 December 2018

1 Reporting entity

UBN Property Company Plc ('the Company') was incorporated in Nigeria under the Companies and Allied Matters Act as a limited liability company on 24 March 2003. On 11 February 2015, the Company was re-registered as a public limited liability Company. 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 , Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011. The accounting policies have been consistently applied to all periods presented. The financial statements for the year ended 31 December 2018 were authorised for issue by the Company's Board of Directors on 8 April 2019.

(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, financial asset and liability measured at amortised cost, employee benefit liabilities are recognised at the present value of the defined benefit obligation and trading properties are measured at the lower of cost and net realisable value.
All financial instruments are measured at amortised 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 recognised 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 recognised in the financial statements are included in note 5.

3 Changes in accounting policies

3.1 Except for the changes below, the Company has consistently applied the accounting policies set out in note 3 to all periods presented in these financial statements. The Company has adopted *IFRS 15 Revenue from Contracts with Customers* and *IFRS 9 Financial Instruments* from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

(i) Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue Barter of Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods and services. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.

The Company initially applied IFRS 15 on 1 January 2018 using the cumulative effect method - i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. The details of the significnat changes are set below and the quantitative impact of the changes are set in note 27.

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Given the nature of revenue earned by the Company and based on management's assessment, IFRS 15 had a material impact on the Company's financial statements on transition date of 1 January 2018. Specifically, the Company has analysed the nature of its revenue as follows:
(i) Revenue- sales of trading properties:
This is the gross inflow received from the sale of properties which is the ordinary activity of UPCP. UPCP's trading properties includes residential apartments and trading properties under construction. Previously, revenue from the sale of goods is recognised by the Company 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 and all significant performance obligations have been met. The risks and the rewards of ownership and control of property are transferred to the buyer when the title to the property is transferred. Under IFRS 15, revenue for a performance obligation is recognised at a point in time upon transfer of control of the promised good or service. Transfer of control is evaluated based on other evidences of performance of the customer such as physical enhancement of the property, physical possessions of the property etc. This is largely because the Company may retain legal title solely as protection against the customer's failure to pay, those rights of the Company would not preclude the customer from obtaining control of a property.

(ii) Investment income:
Investment income comprises interest income earned on short-term deposits and treasury bills. The standard does not apply to revenue associated with financial instruments, and therefore, will not impact the Company's revenue from investments which is covered under IFRS 9 Financial Instruments.

(iii) Other income:
Other income includes rental income, property management fees, foreign exchange gain etc. Income is recognized when the right to receive income is established.
Property Management fees income are fees received for maintenance of property and on rent received on behalf of landlord. The Company currently recognises 10% of the total service charge paid by the customer/rent received on properties and amortises this over the year. Under IFRS 15, the Company will only recognise fees when performance obligation (i.e. property management service) is satisfied. The impact of IFRS 15 on the accounting treatment of property management fees and other income have been assessed to be immaterial.

(ii) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018, but have not been applied to the comparative information.

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 27.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through otther comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. For an explanation of how the Company classifies financial assets under IFRS 9, see Note 27. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Company applies the impairment requirements of IFRS 9, see Note 27.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.
–Comparative periods generally have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

Notes to the financial statements
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The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 27.

(iii) Transfers of Investment Property (Amendment to IAS 40)

The IASB has amended the requirement in IAS 40 investment property on when a Company should transfer a property asset to,or form, investment property. The amendment states that a transfer is made when and only when there is a change in use -i.e an asset ceases to meet the definition of investment property and there is evidence of change in use. Achange in management intention alone does not support a transfer. A company has a choice on transition to apply :

a) the prospective approach -i.e apply the amendment to transfers that occur after the date of initial application and also reassess the classification of property asset held at that date or

b) the retrospective approach-i.e apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The standard has no significant impact on its business as at 1 January 2018.

3.2 Significant accounting policies

The Company has consistently applied the following accounting policies 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 recognised 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 related to the differences between fair value and amortised 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 recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised 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 derecognised or classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.

Depreciation is recognised in profit or loss.

The estimated useful lives for the current and comparative period are as follows:

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

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

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(iv) De-recognition
An item of property and equipment is derecognised 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 derecognised.

(c) Intangible assets
(i) Recognition and measurement
Intangibles are carried at cost less accumulated depreciation and impairment losses. Subsequent expenditure of intangible assets are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates . All other expenditure is expensed as incurred.

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

(iii) Amortization
Amortization is recognized in the profit or loss on a straight line basis over the estimated useful life of the software, from the date that it is available for use since this most reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is five years.
The amortization methods, useful lives and residual values are reviewed at each financial year-end if appropriate.

(iv) De-recognition
Intangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or loss arising on derecognition 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 recognized.

(d) 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 recognised 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 recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the 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 derecognised. Investment properties are derecognised 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 trading properties. A property's deemed cost for subsequent accounting as trading properties is its fair value at the date of change in use.

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(e) Trading properties

Trading properties (inventory) are measured at the lower of cost and net realisable value. Net realizable 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.

(f) Financial instruments

Financial Instruments - Policy applicable from 1 January 2018

(a) Recognition and initial measurement

The Company initially recognises placements, treasury bills, bonds and staff loans on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(b) Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Company may irrevocably designate a financial asset thatn otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:
– the stated policies and objectives for the portfolio and the operation of those policies in practice.
– how the performance of the portfolio is evaluated and reported to the Company's management;
– how managers of the business are compensated.
– the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
– the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.
However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial asset

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the creditrisk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Notes to the financial statements
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Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial liabilities
The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

(c) Derecognition
Financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower/counterparty, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(d) Modifications of financial assets and financial liabilities

Financial assets
If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:
– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
– other fees are included in profit or loss as part of the gain or loss on derecognition.

If such a modification is carried out because of financial difficulties of the borrower/counterparty, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities
The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.
If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(e) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Company of similar transactions such as in the Company's trading activity.

Notes to the financial statements
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(f) 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 one is available, the Company 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.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise 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.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.
– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls fromthe existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Lifetime ECL credit imapired financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:
– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or past due event;
– the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors: the market's assessment of creditworthiness as reflected in the bond yields, the rating agencies' assessments of creditworthiness, the country's ability to access the capital markets for new debt issuance and the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Write off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Policy applicable before 01 January 2018
(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 recognised at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately in profit or loss.

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Financial instruments are recognised (derecognised) on the date that 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 amortised 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 amortised cost using the effective interest method less any impairment losses with changes in amortised cost recognised in the income statement.

- Held to maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the intention and ability to hold until maturity. After initial measurement, held to maturity financial assets are measured at amortized cost, using the Effective Interest Rate, less impairment. The Effective Interest Rate amortization is included in 'interest income' in the income statement. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

- 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. Unrealised gains or losses are recognised directly in the fair value reserve until the financial asset is derecognised 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 recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Company's right to receive payments is established.

- Financial liabilities at amortised cost

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

(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 market or, in its absence, the most advantageous market for the asset or liability 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.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise 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 recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

Notes to the financial statements
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(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 realise 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 derecognises 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 derecognises 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

(vi) Impairment of assets

(i) Financial assets carried at amortised 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 recognised 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 recognised 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 recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss.

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(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.

(g) 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.

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.

(h) 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. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) 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.

(j) 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.

(k) 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.

(l) 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.

Notes to the financial statements
For the year ended 31 December 2018

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 on temporary differences between the carrying amounts of assets and liabilities in the Company's financial statements and the corresponding tax bases used in the computation of taxable profit.
Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill (arising in a business combination) or from the initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilties are offset when the entity has a legally enforceable right to offset current tax liabilities against current tax assets, and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on the Company; or on different taxable entities but they intend to settle current tax liabilties and current tax assets on a net basis; or the tax assets and liabilities will be realized simultaneously.

(m) 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 employee 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 refunds 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.

Notes to the financial statements
For the year ended 31 December 2018

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 refunds 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.

(n) 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.

(o) Revenue recognition

Policy applicable after 1 January 2018

Revenue is recognised when (or as) the Company satisfies a performance obligation by transferring a promised good or service (i.e. a property) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. When (or as) a performance obligation is satisfied, the Company recognises revenue as the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some rent).

(i) Revenue- sales of trading properties:

This is the gross inflow received from the sale of properties which is the ordinary activity of UPCP. UPCP's trading properties includes residential apartments and trading properties under construction. Revenue for a performance obligation is recognised at a point in time upon transfer of control of the promised good or service. Transfer of control is evaluated based on other evidences of performance of the customer such as physical enhancement of the property, physical possessions of the property etc. This is largely because the Company may retain legal title solely as protection against the customer's failure to pay, those rights of the Company would not preclude the customer from obtaining control of a property.

Notes to the financial statements
For the year ended 31 December 2018

(ii) Investment income:
This comprises interest income earned on short-term deposits and treasury bills including all realised and unrealised fair value changes, interest, dividends and foreign exchange differences. Investment income is accounted for on an accrual basis.

(iii) Other income:
Other income includes rental income, property management fees, foreign exchange gain etc. Income is recognized when the right to receive income is established. Property Management fees income are fees received for maintenance of property and on rent received on behalf of landlord. The Company recognise fees when performance obligation (i.e. property management service) is satisfied. The impact of IFRS 15 on the accounting treatment of property management fees and other income have been assessed to be immaterial.

Policy applicable before 1 January 2018
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 realise 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.

(p) 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. The Company is yet to carry out an assessment to determine the impact that the initial application of this amendment could have on its business; however the Company plans to adopt these standards at their respective effective dates.

• ***Amendment to IAS 1 and IAS 8***

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."
The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

Notes to the financial statements
For the year ended 31 December 2018

• ***IFRS 16 Leases***

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.

The Company is still assessing the potential impact of IFRS 16 on the financial statements.

• ***IFRIC 23 Uncertainty over Income Tax Treatments***

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:
• Judgments made;
• Assumptions and other estimatesused; and
• The potential impact of uncertainties that are not reflected.
IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted.

• ***Amendments to IFRS 9***

The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

The amendments apply for annual periods beginning on or after 1 January 2019 with retrospective application, early adoption is permitted.

Notes to the financial statements

For the year ended 31 December 2018

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 establish 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. Other counterparties that are small and medium enterprises and individuals who have no formal credit rating. The Company ensures that the primary source of repayment must be from an identifiable cash flow.

A financial asset is past due and in arrears when a counterparty has failed to make a payment when contractually due and contractual obligations are in arrears.

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:
– the remaining lifetime probability of default (PD) as at the reporting date; with
– the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure.

The Company uses three criteria for determining whether there has been a significant increase in credit risk:
– quantitative test based on movement in PD;
– qualitative indicators; and
– a backstop of 90 days past due.

Determining whether credit risk has increased significantly

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the counterparty/issuer, and the geographical region.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences.

Notes to the financial statements

For the year ended 31 December 2018

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 90 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Definition of default

The Company considers a financial asset to be in default when:
– the counterparty/issuer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
– the counterparty/issuer is more than 90 days past due on any material credit obligation to the Company or
– it is becoming probable that the counterparty/issuer will restructure the asset as a result of bankruptcy due to the counterparty's/issuer's inability to pay its credit obligations.

In assessing whether a issuer/counterparty is in default, the Company considers indicators that are:
– qualitative: e.g. breaches of covenant;
– quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Nigeria, supranational organisations such as the International Monetary Fund, and selected private-sector and academic forecasters.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:
– probability of default (PD);
– loss given default (LGD); and
– exposure at default (EAD).

ECL for exposures that have not shown significant increase in credit risk is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

PD is the is the likelihood over a specified period, usually one year, that a borrower will not be able to make scheduled repayments. Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parametersbased on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

Notes to the financial statements

For the year ended 31 December 2018

The Company's maximum exposure to credit risk is as follows:

31 December 2018

	Notes	Carrying Amount (Gross)	12 months ECL Allowance	Lifetime ECL Allowance	Carrying Amount (Net)
Investment securities	17	4,464,255	(3,243)	-	4,461,012
Trade and other receivables	18	1,354,644	-	(1,193,616)	161,028
Cash and cash equivalents	19	19,798	-	-	19,798
		5,838,697	(3,243)	(1,193,616)	4,641,838

31 December 2017

In thousands of naira	Cash and cash equivalents	Other receivables (excluding prepayment & WHT)	Investment securities
	31-Dec-17	**31-Dec-17**	**31-Dec-17**
Carrying amount	5,365,780	123,161	-
Assets at amortised cost			
Neither past due nor impaired	5,365,780	109,619	-
Impaired	-	1,204,106	-
Gross amount	5,365,780	1,313,725	-
Allowance for impairment	-	(1,204,106)	-
Carrying amount	5,365,780	109,619	-

The credit risk are concentrated in Nigeria. The Company's cash equivalents and investments are placed with Union Bank of Nigeria.

Notes to the financial statements
For the year ended 31 December 2018

4.2 Liquidity Risk

Liquidity Risk is the risk that the Company will be unable to efficiently meet both expected and unexpected current and future cash flow and collateral needs without affecting either its daily operations or its financial condition. Sufficiency of liquidity is of critical importance to financial institutions.

The Company monitors its risk to a shortage of funds 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 funding 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 2018	Note	Carrying amount	Gross nominal inflow	Less than 3 month	3 - 6 months	6 - 12 months	1 - 2 years
In thousands of naira							
Non-derivative assets:							
Investment securities	17	4,461,012	4,666,000	3,526,000	-	1,140,000	-
Trade and other receivables (Financial assets)	18	161,028	161,028	161,028	-	-	-
Cash and cash equivalents	19	19,798	19,798	19,798	-	-	-
Total assets held for managing liquidity risk		4,641,838	4,846,826	3,706,826	-	1,140,000	-
Non-derivative liabilities							
Trade and other payables (Financial Liabilites)	20	604,943	604,943	604,943	-	-	-
		604,943	604,943	604,943	-	-	-
Gap (asset - liabilities)		4,036,895	4,241,883	3,101,883	-	1,140,000	-
Cumulative liquidity gap			4,241,883	3,101,883	3,101,883	4,241,883	4,241,883

31 December 2017	Note	Carrying amount	Gross nominal inflow /(outflow)	Less than 3 month	3 - 6 months	6 - 12 months	1-2years
In thousands of naira							
Non-derivative assets:							
Trade and other receivables (Financial assets)	17	109,619	109,619	109,619	-	-	-
Cash and cash equivalents	18	5,365,780	5,365,780	5,365,780	-	-	-
Total assets held for managing liquidity risk		5,475,399	5,475,399	5,475,399	-	-	-
Non-derivative liabilities							
Trade and other payables (Financial Liabilites)	20	1,754,557	1,754,557	1,754,557	-	-	-
		1,754,557	1,754,557	1,754,557	-	-	-
Gap (asset - liabilities)		3,720,842	3,720,842	3,720,842	-	-	-
Cumulative liquidity gap			3,720,842	3,720,842	3,720,842	3,720,842	3,720,842

Notes to the financial statements
For the year ended 31 December 2018

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 money market instruments such as Treasury Bills and Term Deposits.

4.3.1 Interest rate risk

Interest Rate risk is the risk of loss to interest income arising from changes in interest rates. 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.

The table below shows the analysis of the Company's sensitivity to impact of changes in interest rate on financial instruments which are exposed to interest rate risk as at 31 December 2018:

31 December 2018
Sensitivity analysis

	Carrying	Interest rate shock			
In thousands of Naira	**Value**	**1%**	**2%**	**-1%**	**-2%**
Investment securities	4,461,012	44,610	89,220	(44,610)	(89,220)
	4,461,012	44,610	89,220	(44,610)	(89,220)

31 December 2017
Sensitivity analysis

	Carrying	Interest rate shock			
In thousands of Naira	**Value**	**1%**	**2%**	**-1%**	**-2%**
Cash and cash equivalents	5,298,510	52,985	105,970	(52,985)	(105,970)
	5,298,510	52,985	105,970	(52,985)	(105,970)

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 2017. The Company has no foreign currency exposure as at 31 December 2018.
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

31 December 2017

In thousands of naira	**Total**	**Naira**	**US Dollar**	**Euro**
Cash and cash equivalents	5,365,780	5,359,488	1,870	4,423
Total financial assets	5,365,780	5,359,488	1,870	4,423

Notes to the financial statements

For the year ended 31 December 2018

4 Financial assets and liabilities

Accounting classification and 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 2018 *In thousands of naira*	Note	**At Amortised cost**	**Total carrying amount**
Investment securities*	17	4,461,012	4,461,012
Trade and other receivables (Financial assets)	18	161,028	161,028
Cash equivalents	19	19,798	19,798
		4,641,838	4,641,838
Trade and other payables (Financial liabilities)	20	604,943	604,943
		4,036,895	4,036,895

** The fair value (level 1) of the Company's treasury bills as at 31 December 2018 is N4.45 billion.*

31 December 2017	Note	**Held-to-Maturity**	**Loans and receivables**	**Other financial liabilities**	**Total carrying amount**
Trade and other receivables (Financial assets)	18	-	109,619	-	109,619
Cash and cash equivalents	19	-	5,365,780	-	5,365,780
		-	5,475,399	-	5,475,399
Trade and other payables (Financial liabilities)	20	-	-	1,754,557	1,754,557
		-	-	1,754,557	1,754,557

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

Notes to the financial statements
For the year ended 31 December 2018

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) *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 3.2(f).

- Investment property

Investment property is measured at fair value in line with the Company's accounting policy disclosed in note 3.2(d).

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

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.

(ii) *Impairment*

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(f).

(iii) *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.

(iv) *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.

(v) *Income taxes*

Significant estimates are required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(vi) *Valuation of financial instruments*

The Company's accounting policy on fair value measurements is discussed under note 3.2(f)

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 data (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.

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For the year ended 31 December 2018

(vii) 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 periodically.

6 Revenue-sales of trading properties

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Sales of trading properties	644,095	531,500
	644,095	531,500

7 Cost of sales- trading properties

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Cost of trading properties sold	475,133	520,071
Reversal of write down in value of trading properties	-	(51,615)
	475,133	468,456

8 Fair value gain on investment property

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Gain on fair valuation of investment property (see note 13	6,928	199,647

9 Investment income

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Investment income on treasury bills	601,195	152,156
Interest income on placements	66,929	530,574
	668,124	682,730

10 Other income

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Foreign exchange revaluation gain	595	987
Professional fees	3,528	6,725
Estate agency and valuation service fee	835	7,284
Property management fees	44,301	43,259
Rental income	86,698	92,781
Sundry income	9,256	7,796
Profit on disposal of property and equipment	42	759
Provision no longer required	167,810	174,034
Others	-	11,040
	313,065	344,665

Notes to the financial statements
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11 Impairment loss / (Writeback) on assets

In thousands of Naira	31-Dec-18	31-Dec-17
Non-financial assets		
Impairment write back of trading properties (Mambilla estate foreshore)	(72,500)	(273,348)
Other receivables	-	13,542
	(72,500)	(259,806)
Financial assets		
Investment securities	3,243	-
	(69,257)	(259,806)

12 Operating expenses

In thousands of Naira	31-Dec-18	31-Dec-17
Staff costs (see note 25 (ii))	144,264	128,012
Depreciation	9,889	11,180
Amortization	212	50
Professional fees	12,676	13,848
Auditor's remuneration	6,000	5,400
Directors' fees and sitting allowance (See note 25(i))	23,770	24,362
Interest and bank charges	6,503	2,355
Statutory fees and filing	954	4,006
Rent	6,149	9,871
Repairs and maintenance	4,642	4,380
Insurance	3,632	2,612
AGM expenses	3,352	2,713
Transportation	3,195	2,784
Industrial Training Fund levy	2,000	2,000
Telecommunication and rates	110	5,472
Legal fees	1,625	7,382
Technical management fees (see note (i) below)	29,536	15,564
Witholding tax expense	-	9,228
Stationery and subscription	2,683	1,660
Other operating expenses	5,543	22,235
	266,735	275,114

(i) Amount represents the accrual for the services provided by Union Bank of Nigeria Plc to the Company.

13 Investment property
Reconciliation of fair value

In thousands of Naira	Completed Investment Property	Investment Property Under Construction	Total
Balance as at 1 January 2018	2,153,000	2,798,080	4,951,080
Expenditure / cost capitalised	-	78,853	78,853
Fair value gain/ (loss) (see note 8)	41,204	(34,276)	6,928
Balance as at 31 December 2018	2,194,204	2,842,657	5,036,861

In thousands of Naira	Completed Investment Property	Investment Property Under Construction	Total
Balance as at 1 January 2017	2,100,000	2,630,000	4,730,000
Expenditure / cost capitalised	17,995	3,438	21,433
Fair value gain/ (loss) (see note 8)	35,005	164,642	199,647
Balance as at 31 December 2017	2,153,000	2,798,080	4,951,080

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.

Notes to the financial statements
For the year ended 31 December 2018

(i) The items of investment properties are valued as shown below:

Investment properties location

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Corner piece Office/Banking complex at Plot 97 Adeola Odeku/ Ahmadu Bello Way, Victoria Island Lagos.	2,194,204	2,153,000
12.81 hectares of land at Plot 332, Cadastral Zone C07, off Sunny Wale Estate Road Galadima Abuja	1,248,975	1,230,000
9,600 square meters of land at plot 294, Cadastral Zone B04, P.O.W Mafemi Crescent Jabi District Abuja	777,600	768,000
3,200 square meters fenced bare land , Block A5, plot 5,6 and 7 Olusegun Aina Street, Park View, Extension Ikoyi Lagos.	816,082	800,080
	5,036,861	4,951,080

(ii) 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/NIESV/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 N5.04billion has been categorised as Level 3 based on the inputs into the valuation technique used.

(b) Valuation technique and significant unobservable inputs

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 cost method of valuation and comparison method of valuation was employed in determining the current market value.The cost method of valuation reflects, the amount that would be required currently to replace the service capability of an asset . In the Comparison 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 analysed and adjustment was made to reflect differences in site area and the actual location, quality of construction and off-site facilities.	- Current rent - Outright sale price - Quality of construction - Number of floors - Exact location of the property -Level of service and infrastructure provided	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).

Notes to the financial statements
For the year ended 31 December 2018

14 Property and equipment

31 December 2018

	Office Equipment	Motor Vehicles	Fixtures and Fittings	Total
In thousand of Naira				
Cost				
Balance as at 1 January 2018	34,100	23,650	3,636	61,386
Acquisitions	518	-	-	518
Disposals / write-offs	(7,556)	-	(2,990)	(10,546)
Balance at 31 December 2018	27,062	23,650	646	51,358
Depreciation and impairment				
Balance as at 1 January 2018	14,817	13,016	3,482	31,316
Depreciation charge for the year	4,904	4,947	38	9,889
Disposals	(7,535)	-	(2,990)	(10,525)
Balance at 31 December 2018	12,186	17,963	530	30,680

31 December 2017

	Office Equipment	Motor Vehicles	Fixtures and Fittings	Total
In thousand of Naira				
Cost				
Balance as at 1 January 2017	21,239	43,895	3,536	68,670
Acquisitions	22,505	-	100	22,605
Disposal	(9,644)	(20,245)	-	(29,889)
Balance at 31 December 2017	34,100	23,650	3,636	61,386
Depreciation and impairment				
Balance as at 1 January 2017	18,453	27,086	3,450	48,990
Depreciation charge for the year	4,973	6,175	32	11,180
Disposals	(8,609)	(20,245)	-	(28,854)
Balance at 31 December 2017	14,817	13,016	3,482	31,316
Carrying amount				
At 31 December 2018	14,876	5,687	116	20,679
At 31 December 2017	19,283	10,634	154	30,070

(i) No leased assets are included in the above property and equipment account (31 December 2017 : Nil)
(ii) There was no impairment loss on any class of property and equipment during the year (31 December 2017 : Nil
(iii) There was no capitalized borrowing costs related to the acquisition of property and equipment (31 December 2017 : Nil)

15 Intangible assets

	Purchased Software	Work in progress	Total
31 December 2018			
In thousand of Naira			
Cost			
Balance as at 1 January 2018	635	-	635
Acquisitions	-	2,103	2,103
Balance at 31 December 2018	635	2,103	2,738
Amortization and impairment			
Balance as at 1 January 2018	50	-	50
Amortization charge for the year	212	-	212
Balance at 31 December 2018	262	-	262

Notes to the financial statements
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31 December 2017			
In thousand of Naira			
Cost			
Balance as at 1 January 2017	-	-	-
Acquisitions	635	-	635
Balance at 31 December 2017	635	-	635
Amortization and impairment			
Balance as at 1 January 2017	-	-	-
Amortization charge for the year	50	-	50
Balance at 31 December 2017	50	-	50
Carrying amount			
At 31 December 2018	373	2,103	2,476
At 31 December 2017	585	-	585

(i) No leased assets are included in the above intangible account (31 December 2017 : Nil)
(ii) There was no impairment loss on any class of intangible during the year (31 December 2017 : Nil)
(iii) There was no capitalised borrowing costs related to the acquisition of intangible assets (31 December 2017 : Nil)

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For the year ended 31 December 2018

16 Trading properties

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

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Residential apartments (See (i) below)	-	326,393
Trading properties under development (See (ii) below)	-	314,172
	-	640,565

In thousands of Naira

	Category	**Description**	**31-Dec-18**	**31-Dec-17**
(i)	Residential apartments (gross)	* The 2017 balance represents cost of carrying value for 4 units of Mambilla apartments including the 2 defective units at Mambilla Estate, Osborne Foreshore Phase I, Ikoyi, Lagos.	-	398,893
	Impairment allowance on residential apartments		-	(72,500)
	Carrying value of residential apartment		-	326,393
(ii)	Trading properties under development (see note (a) below)	* The 2017 balance 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.	-	314,172
	Total - trading properties		-	640,565

(a) The carrying amount of Trading properties under development includes the following properties which have been fully impaired:

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Trading property - Ikorodu	18,353	18,353
Trading property - Okokomaiko [624 square metres]	6,970	6,970
Total carrying amount	25,323	25,323
Impairment allowance	(25,323)	(25,323)
	-	-

(iii) The movement in impairment allowance on trading properties was as follows:

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Balance at the beginning of the year	72,500	345,849
Write back of impairment allowance	(72,500)	(273,349)
Balance at the end of the year	-	72,500

In thousands of Naira	**Completed**	**Under Construction**	**Total**
As at 1 January 2018	326,393	314,172	640,565
Impairment write back on Mambilla Foreshore	72,500	-	72,500
Disposals	(398,893)	(314,172)	(713,065)
As at 31 December 2018	-	-	-

	Completed	**Under Construction**	**Total**
As at 1 January 2017	521,500	314,172	835,672
Additions	273,349	-	273,349
Disposals	(468,456)	-	(468,456)
As at 31 December 2017	326,393	314,172	640,565

UBN Property Company Limited has joint venture with Union Bank of Nigeria Plc. With respect to this, the Company signed a Memorandum of Understanding (MOU) detailing the guiding principles. The joint venture is in respect of trading properties located at Ilabere Street, Ikoyi, Lagos State. The carrying value of these properties as at 31 December 2018 was Nil (2017: N314.17m). The terms of the agreement are as follows:

- The value of the land shall represent the equity contribution for the Bank;

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For the year ended 31 December 2018

- The cost of constructing the building 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 determined 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 Union Bank of Nigeria Plc with both parties as joint signatories, 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 entitled to appropriate professional fees based on a scale pre approved by both parties; and
- Each project shall have an agreed time frame for completion.

The Company recognised the sale of Ilabere property, a joint venture arrangement with Union Bank of Nigeria Plc on 1 January 2018.

17 Investment securities

(i) Investment Securities at amortised cost

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Federal Government of Nigeria Treasury bills	4,464,255	-
12 months ECL Allowance	(3,243)	-
Federal Government of Nigeria Treasury bills	4,461,012	-

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18 Trade and other receivables

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Trade and other receivables comprise:		
Financial assets:		
Trade debtors	104,426	66,817
Staff debtors	-	542
Receivables from CDL Asset Management Limited (see note (i) below)	1,042,512	1,042,512
Receivable on reclaimed Parkview land (see note (ii) below)	207,706	203,854
Gross - financial assets	1,354,644	1,313,725
Less: Impairment allowance on financial assets (see note (iii) below)	(1,193,616)	(1,190,564)
Total - financial assets	161,028	123,161
Non-financial assets:		
Prepayments	14,920	7,566
Others	-	13,542
Withholding tax receivable	13,020	47,619
	27,940	68,727
Less: Impairment allowance on non-financial assets	-	(13,542)
Total - non financial assets	27,940	55,185
Gross trade and other receivables	1,382,584	1,382,452
Less: Impairment allowance on other assets (see note (iii) below)	(1,193,616)	(1,204,106)
	188,968	178,346

(i) The receivable from CDL Asset Management Limited represents the outstanding balance of the Company's investment with CDL Asset Management.

(ii) Included in this amount is N128.71m which represents the sum paid to the Lagos State Ministry of Waterfront Infrastructure Development for the allocation of a plot of reclaimed land to the Company. This was reclassified from investment property because the Company may be required to make additional payment to the Ministry of Lands to obtain legal title to the land. The additional amount incurred during the year ended 31 December 2018 relates to cost of engaging professionals to process the title documents for the reclaimed land.

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

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Balance, beginning of year	1,204,106	1,190,564
Impact of adopting IFRS 9 on 1 January 2018	3,053	-
Charge for the year	(0)	13,542
Non-financial assets written off	(13,542)	-
Balance, end of year	1,193,616	1,204,106

(iv) Assets impaired

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Receivables from CDL Asset Management Limited	1,042,512	1,042,512
Trade debtors	19,346	19,346
Receivable on reclaimed Parkview land	128,706	128,706
Others	-	13,542
	1,190,564	1,204,106

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19 Cash and cash equivalents

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
Cash and cash equivalents comprise:		
Cash and bank balances	19,798	67,270
Money market placements	-	5,298,510
Cash and cash equivalents (statement of financial position)	19,798	5,365,780
Interest receivable on placements (See note 21 (iv))	-	(62,376)
Cash and cash equivalents for cash flow purposes*	19,798	5,303,404

20 Trade and other payables

In thousand of Naira	**31-Dec-18**	**31-Dec-17**
Trade and other payables comprise:		
Financial liabilities:		
Deposits for properties	-	930,414
Due to related companies (see note (a) below)	427,977	404,189
Trade payables	16,166	298,241
Dividend payable	71,544	19,657
Other liabilities and payables	89,256	102,056
Total - financial liabilities	604,943	1,754,557
Non-financial liabilities:		
Withholding tax payable	1,321	76,905
VAT payable	2,938	86,486
Accrued expenses	33,625	6,876
Deferred rental income	80,031	107,910
Total - non financial liabilities	117,915	278,177
Total - trade and other payables	722,858	2,032,734

(a) Amount due to related companies includes N299.1million (2017: N304.8million) which are funds received on behalf of Union Bank of Nigeria Plc for properties managed or sold by UBN Property Company Plc.

21 Statement of cashflow workings

(i) Increase in provision for gratuity recognised in the profit or loss

In thousand of Naira	**31-Dec-18**	**31-Dec-17**
Service cost (see note 22(i))	-	6,603
Interest cost (see note 22(i))	-	6,757
Net periodic benefit expense/ (income) (see note 22(ii))	-	(223)
	-	13,137

(ii) Changes in trade and other receivables

In thousand of Naira	**31-Dec-18**	**31-Dec-17**
Balance at the beginning of the year	178,346	127,327
Impact of adopting IFRS 9 (see note 27(b))	(3,053)	-
Impact of adopting IFRS 15 (see note 27(c))	160,000	-
	335,293	127,327
Impairment loss/ (write back) on receivables (see note 11)	-	(13,542)
Withholding tax credit notes utilised	(47,619)	-
Cash outflow	(98,706)	64,561
Balance at the end of the year	188,968	178,346

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(iii) Changes in trade and other payables

In thousand of Naira	31-Dec-18	31-Dec-17
Balance at the beginning of the year	2,032,734	2,111,570
Impact of adopting IFRS 15 (see note 27(c))	(100,000)	-
	1,932,734	2,111,570
Movement in Dividend payable	51,887	(678,732)
WHT and VAT paid	(14,073)	(25,236)
Cash inflow / (outflow)	(1,247,690)	625,132
Balance at the end of the year	722,858	2,032,734

(iv) Changes in investment securities

In thousand of Naira	31-Dec-18	31-Dec-17
Balance at the beginning of the year	-	2,870,544
Earned discount on outstanding treasury bills	210,218	152,156
(Redemption)/ purchase of investment securities	4,254,037	(3,022,700)
12 months ECL Allowance	(3,243)	-
Balance at the end of the year	4,461,012	-

(v) Investment income received

In thousand of Naira	31-Dec-18	31-Dec-17
Interest income on current year placements (see note 9)	66,929	530,574
Investment income on treasury bills	601,195	152,156
Interest inflow on prior year placements	62,376	27,631
Earned discount on outstanding treasury bills	(210,218)	(152,156)
Interest receivable on placements (see note 19)	-	(62,376)
Cash inflow	520,282	495,829

(vi) Dividend paid

In thousand of Naira	31-Dec-18	31-Dec-17
Balance at the beginning of the year	19,657	698,389
Dividend ratified for payment during the year	843,962	-
Dividend payable (see note 20)	71,544	19,657
Cash outflow	(792,075)	(678,732)

(vii) Proceeds from sale of property and equipment

In thousand of Naira	31-Dec-18	31-Dec-17
Gain on disposal of property	42	759
Cost eliminated on disposal	10,546	29,893
Accumulated depreciation eliminated on disposal	(10,525)	(28,856)
Proceeds from sale of property and equipment	63	1,796

(viii) Trading properties sold

In thousand of Naira	31-Dec-18	31-Dec-17
Balance at the beginning of the year	640,565	835,672
Impact of adopting IFRS 15 (see note 27(c))	(253,893)	-
	386,672	835,672
Impairment write back on trading properties	(72,500)	(273,349)
Balance at the end of the year	-	640,565
Cash outflow	459,172	468,456

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22 Employee benefits

In thousand of Naira	31-Dec-18	31-Dec-17
Defined benefit obligation (see (i) below)	-	51,947
Long service award (see (ii) below)	2,374	3,814
	2,374	55,761

(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. As at 31 December 2017, the defined benefit scheme was discontinued therefore the acturial valuation for 2017 was prepared on the discontinuance basis and the benefits were paid out in 2018.

The movement in the liability is as shown below:

In thousand of Naira	31-Dec-18	31-Dec-17
Balance at the beginning of the year	51,947	43,203
Service cost	-	6,603
Interest cost	-	6,757
Less: Benefits paid by the employer	(51,947)	(4,616)
Actuarial gains	-	-
	-	51,947

(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 thousand of Naira	31-Dec-18	31-Dec-17
Balance at the beginning of the year	3,814	4,037
Less: Benefits paid by the employer	(1,440)	-
Net periodic benefit gain	-	(223)
	2,374	3,814

23 Taxation

(i) Current tax expense

In thousand of Naira	31-Dec-18	31-Dec-17
Company income tax	91,278	234,572
Tertiary education tax	6,589	18,784
Charge for the year	97,867	253,356
Prior year over provision	(63,124)	(52,661)
	34,743	200,694
Deferred tax expense	14,477	60,837
Total tax expense	49,220	261,531

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(ii) Reconciliation of effective tax rate

In thousand of Naira		**31-Dec-18**		**31-Dec-17**
Profit before tax		959,601		1,274,778
Tax credit using the Company's domestic tax rate	30%	287,880	30%	382,433
Non-deductible expenses	0%	-	0%	2,789
Non-taxable income	-19%	(181,760)	-7%	(89,814)
Tertiary education tax	1%	6,589	1%	18,784
Prior year over provision	-7%	(63,124)	-4%	(52,661)
	5%	49,585	25%	261,531

(iii) Current income tax payable

In thousand of Naira	**31-Dec-18**	**31-Dec-17**
Balance, beginning of the year	253,354	164,852
Tax impact of adopting IFRS 15 (see note 27(c))	1,832	-
	255,186	164,852
Charge for the year	97,867	253,356
Prior year over provision	(63,124)	(52,661)
Withholding tax credit notes utilised	(47,619)	-
Payments during the year	(144,443)	(112,192)
Balance, at the end of year	97,867	253,354

24 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:

2018

Movement in deferred tax	**Balance as at 1 January**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance as at 31 December**
Property, plant and equipment	4,981	(1,259)	-	3,722
Provision for gratuity	(15,584)	15,584	-	-
Long service award	(1,145)	432	-	(713)
Impairment allowance (12 months ECL)	-	(973)	-	(973)
Investment properties	223,214	693	-	223,907
	211,466	14,477	-	225,943

2017

Movement in deferred tax	**Balance as at 1 January**	**Recognised in profit or loss**	**Recognised in other comprehensive income**	**Balance as at 31 December**
Property and equipment	(18,207)	23,188	-	4,981
Provision for gratuity	(12,961)	(2,623)	-	(15,584)
Long service award	(1,211)	66	-	(1,145)
Unrelieved losses	(20,241)	20,241	-	-
Investment properties	203,249	19,965	-	223,214
	150,629	60,837	-	211,466

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

Notes to the financial statements
For the year ended 31 December 2018

In thousand of Naira	**31-Dec-18**	**31-Dec-17**
Assets:		
Property and equipment		
Provision for gratuity	-	15,584
Long service award	713	1,145
Impairment allowance (12 months ECL)	973	-
Deferred tax assets	1,686	16,729
Liabilities:		
Investment properties	(223,907)	(223,214)
Property and equipment	(3,722)	(4,981)
Deferred tax liabilities	(227,629)	(228,195)
Net Deferred tax liabilities	(225,943)	(211,466)

Notes to the financial statements
For the year ended 31 December 2018

25 Particulars of directors and employees

In thousands of Naira	**31-Dec-18**	**31-Dec-17**
i) Directors' remuneration		
Fees and sitting allowances	2,770	3,362
Executive compensation	21,000	21,000
	23,770	24,362

Fees and other emoluments disclosed above include amounts paid to:

The chairman	-	-
The highest paid director	21,000	21,000

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	4
N1,000,000 - N2,000,000	-	-
Above 2,000,000	-	-
	3	4

ii) Staff numbers and costs

The number of employees (excluding directors) who received emoluments in the following ranges were:

	31-Dec-18	**31-Dec-17**
N1,400,000 -N2,400,000	7	7
N2,400,001- and above	8	8
	15	15

Compensation for staff :

In thousand of Naira	**31-Dec-18**	**31-Dec-17**
Salaries and wages	61,781	93,124
Other staff cost	72,736	11,324
Retirement benefits: Pension Cost	9,747	10,427
Gratuity and Long Service Award	-	13,137
	144,264	128,012

Notes to the financial statements
For the year ended 31 December 2017

26 Capital and reserves

(i) Share capital

in thousands of naira	**31-Dec-18**	**31-Dec-17**
(a) Authorised:		
6,000,000,000 units of Ordinary shares of =N=1 each		
(2016: 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		
(2016: 5,626,416,051 ordinary shares of =N= 1 each)	5,626,416	5,626,416

(c) Share premium

In thousands of naira	**31-Dec-18**	**31-Dec-17**
Balance, beginning of year	1,092,822	1,092,822
Balance, end of year	1,092,822	1,092,822

(d) Other reserve: Other reserve comprises of the remeasurement of employee retirement benefit recognised in the other comprehensive income.

27 IFRS 9 & 15 Transition Adjustments

The following table summarises the impact net of tax, of transition to IFRS 9 on the retained earnings. There is no impact on other components of equity.

(a) Impact of adopting new standards

In thousands of naira	**1-Jan-18**
Balance at 31 December 2017 under IAS 39	1,888,659
Impact of adopting IFRS 9 (see note 27(b) below)	(3,053)
Impact of adopting IFRS 15 (see note 27(c) below)	4,275
	1,222
	1,889,881

(b) IFRS 9 Transition Adjustments

The following table summarises the impact net of tax, of transition to IFRS 9 on the retained earnings. There is no impact on other components of equity.

(i)

	At 31 December 2017		**At 1 January 2018**		
In thousands of naira	**Original classification - IAS 39**	**Original carrying Value under IAS 39**	**New classification - IFRS 9**	**New carrying Value under IFRS 9**	**Transitional adjustment**
Trade and other receivables (Financial assets)	Loans and receivables	123,161	Amortised cost	120,108	(3,053)
Cash and cash equivalents	Loans and receivables	19,798	Amortised cost	19,798	-
Total financial assets		142,959		139,906	(3,053)
Trade and other payables (Financial liabilities)	Other financial liabilities	604,943	Amortised cost	604,943	-
Total financial liabilities		604,943		604,943	-
Net impact					(3,053)

Notes to the financial statements
For the year ended 31 December 2017

(ii) Impairment allowance

	Investment securities	
In thousands of naira	**12 months ECL Allowance**	**Total**
Impact of adopting IFRS 9 at 1 Jan 2018 (see (ii) above)	(3,053)	(3,053)
Balance at 1 January	(3,053)	(3,053)

(c) Impact of adopting IFRS 15

The following table summarises the impact net of tax, of transition to IFRS 15 on the retained earnings. There is no impact on other components of equity.

In thousands of naira	**1-Jan-18**
Revenue- sales of trading properties (Mambilla)	260,000
Cost of sales- trading properties (Mambilla)	(253,893)
Sale of trading properties (Mambilla)	6,107
Related tax (see note 23(iii))	(1,832)
	4,275

The following table summarises the impact of transition to IFRS 15 on the statement of financial position.

In thousands of naira	**Balance at 31-Dec-17**	**Impact**	**Balance at 1-Jan-18**
Trade and other receivables	178,346	160,000	338,346
Trading properties	640,565	(253,893)	386,672
	818,911	(93,893)	725,018
Trade and other payables	2,032,734	(100,000)	1,932,734
Current income tax payable	253,354	1,832	255,186
	2,286,088	(98,168)	2,187,920
Net Impact on retained earnings		4,275	

28 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-18	**31-Dec-17**
Profit attributable to shareholders of the Company (N'000)	910,381	1,013,247
Weighted average number of ordinary shares in issue (N'000)	5,626,416	5,626,416
Basic earnings per share (kobo)	16	18

(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.

Notes to the financial statements
For the year ended 31 December 2018

29 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 Plc 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:

In thousand of Naira	**31-Dec-18**	**31-Dec-17**
Directors' remuneration		
Fees and allowances	2,770	3,362
Executive compensation	21,000	21,000
	23,770	24,362

(iii) Other related party transactions

Year end balances arising from related party transactions were as follows:

In thousand of Naira	**31-Dec-18**	**31-Dec-17**
(a) Bank Balances		
Placements with Union Bank of Nigeria Plc	-	5,298,510
Bank balances with Union Bank of Nigeria Plc	19,798	67,270
	19,798	5,365,780
(b) Payables to related parties		
Union Bank of Nigeria Plc (see note 19(a))	427,977	404,189
	427,977	404,189
(c) Income from / (expenses to) related parties:		
Professional fees-Project management fee	3,528	6,725
Management fee from Union Bank of Nigeria Plc	29,520	7,400
Rental income from Union Bank of Nigeria Plc	21,966	14,760
Interest income from treasury bills with Union Bank of Nigeria Plc	601,195	152,156
Interest income from deposits with Union Bank of Nigeria Plc	66,929	530,573
	723,138	559,458
Interest and bank charges [Union Bank of Nigeria Plc]	(6,503)	(2,355)
Technical management fees [Union Bank of Nigeria Plc]	(29,536)	(15,564)
	(36,039)	(17,919)
(d) Investment securities		
Federal Government of Nigeria Treasury bills (Held with Union Bank of Nigeria Plc)	4,461,012	-
	4,461,012	-

30 Contingent liabilities, litigation and claims

Legal Risk

This is the risk that the Company would be exposed to legal actions arising from misinterpretation of contracts and from non-application of laws and regulations in day-to-day operations. To mitigate this risk, the Company's Legal and Compliance function ensures that operations are carried out within legal and regulatory guidelines.

(i) The Company is a defendant in three suits three (3) suits. The claimants' claims are for the sum of N817million. 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 three (3) suits against the Company, one (1) was brought against the Company by some of its minority shareholders with respect to the private placement done by the Company in 2006.

31 Capital commitments

The Company had no outstanding capital commitments (2017: Nil) as at the reporting date.

Other National Disclosures

Other National Disclosures: Value Added Statement
For the year ended 31 December 2018

In thousands of naira	31-Dec-18	%	31-Dec-17	%
Gross earnings	1,632,212		1,758,541	
Bought-in-materials and services				
-Local	(587,503)		(604,328)	
Impairment writeback on assets	69,257		259,806	
Value added	1,113,966	100	1,414,020	100
Distribution of value added:				
To employees				
Salaries, wages and benefits	144,264	13%	128,012	9%
To government				
Taxation	49,220	4%	261,531	18%
Retained in the business:				
Depreciation	9,889	1%	11,180	1%
Amortization	212	0%	50	0%
Profit for the year	910,381	82%	1,013,247	72%
	1,113,966	100%	1,414,020	100%

Other National Disclosures: Financial Summary
For the year ended 31 December 2018

In thousands of naira	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015	31 Dec 2014
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME					
Total Income	959,601	1,274,778	592,875	648,827	1,180,783
Profit/(loss) before taxation	959,601	1,274,778	592,875	316,387	(393,907)
Taxation	(49,220)	(261,531)	(88,449)	(146,500)	(41,836)
Profit/(loss) after taxation	910,381	1,013,247	504,426	169,887	(435,743)
Other comprehensive income/(loss)	-	-	(7,237)	5,152	(275,391)
Total other comprehensive income/(loss)	910,381	1,013,247	497,189	175,039	(711,134)
STATEMENT OF FINANCIAL POSITION					
Non-current assets					
Investment properties	5,036,861	4,951,080	4,730,000	4,267,163	4,205,000
Property and equipment	20,679	30,070	19,681	8,890	18,017
Intangible assets	2,476	585	-	-	-
	5,060,016	4,981,735	4,749,681	4,276,053	4,223,017
Current assets					
Trading properties	-	640,565	835,672	2,020,045	2,169,855
Investment securities	4,461,012	-	2,870,544	-	-
Trade and other receivables	188,968	178,346	127,327	60,288	1,069,923
Cash and cash equivalents	19,798	5,365,780	1,490,931	3,552,593	1,761,489
	4,669,778	6,184,691	5,324,474	5,632,926	5,001,267
Current liabilities					
Trade and other payables	722,858	2,032,734	2,111,570	1,510,422	1,150,369
Current income tax payable	97,867	253,354	164,852	145,124	97,269
	820,725	2,286,088	2,276,422	1,655,546	1,247,638
Non-current liabilities					
Employee retirement benefits	2,374	55,761	47,240	32,504	31,609
Deferred tax liabilities	225,943	211,466	150,629	105,499	4,646
	228,317	267,227	197,869	138,003	36,255
Net current assets	3,849,053	3,898,603	3,048,052	3,977,380	3,753,629
Net assets	8,680,752	8,613,111	7,599,864	8,115,430	7,940,391
Capital & reserves					
Share capital	5,626,416	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	1,092,822
Other reserves	-	5,214	5,214	12,451	10,427
Retained earnings	1,961,514	1,888,659	875,412	1,383,741	1,210,726
Shareholders' funds	8,680,752	8,613,111	7,599,864	8,115,430	7,940,391