



(A subsidiary of Union Bank of Nigeria Plc)

# 20 19 | ANNUAL REPORT



**UBN Property Company Plc**  
Annual Report - 31<sup>st</sup> December 2019

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# NOTICE OF TENTH ANNUAL GENERAL MEETING



**NOTICE** is hereby given that the Tenth Annual General Meeting of UBN Property Company Plc will be held in The Auditorium, Stallion Plaza (9<sup>th</sup> Floor), 36 Marina, Lagos on Tuesday, 23<sup>rd</sup> June 2020 at 11.00 a.m. to transact the following business:

## ORDINARY BUSINESS

1. To receive and adopt the Company's Audited Financial Statements for the financial year ended 31<sup>st</sup> December 2019 together with the reports of the Directors, Auditor, Board Appraiser and Statutory Audit Committee thereon.
2. To declare a dividend for the financial year ended 31<sup>st</sup> December 2019.
3. To elect/re-elect Directors.
4. To appoint Messrs. Ernst and Young as the External Auditor.
5. To authorise the Directors to fix the remuneration of the Auditor.
6. To elect members of the Statutory Audit Committee.

## NOTES

### a) PROXY

All members are advised that due to the COVID-19 Pandemic, attendance shall be by way of proxy, subject to the quorum provisions in the Company's Articles of Association, and the names of the proxies have been provided in the Proxy Form.

A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in its, his or her stead. A proxy need not be a member of the Company. A proxy form is supplied with this Notice. For duly completed proxy forms to be valid for the purpose of the meeting, they must be duly stamped by the Commissioner of Stamp Duties and deposited at the office of the Company's Registrar, CardinalStone Registrars Limited, 358 Herbert Macaulay Way, Yaba, Lagos or forwarded by email to [registrars@cardinalstone.com](mailto:registrars@cardinalstone.com) not less than forty-eight (48) hours before the meeting.

### b) STATUTORY AUDIT COMMITTEE

Any member may nominate a shareholder for election as a member of the Statutory Audit Committee by giving notice in writing of such nomination, attaching the curriculum vitae of the nominee, to the Company Secretary at least twenty-one (21) days before the Annual General Meeting. Shareholders are enjoined to note that the Securities Exchange Commission requires members of the Statutory Audit Committee to have basic financial literacy and an ability to read financial statements.

### c) CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members and Transfer Books of the Company will be closed from Monday, 15<sup>th</sup> June 2020 to Friday, 19<sup>th</sup> June 2020 (both days inclusive) for the purpose of preparing an updated Register of Members.

### d) PAYMENT OF DIVIDEND

If the dividend of N0.05Kobo per N1.00 ordinary share recommended by Directors is approved by members at the Annual General Meeting, the dividend payments will be made on Wednesday, 24<sup>th</sup> June 2020 to members whose names appear in the Register of Members at the close of business on Friday, 12<sup>th</sup> June 2020.

### e) 2019 FINANCIAL STATEMENTS (WEBLINK)

Shareholders can access the 2019 Financial Statements on the Company's website by using the following link: <http://ubnproperty.com/Financial-Statement-2019.pdf>

## BY ORDER OF THE BOARD

**Somuyiwa Adedeji Sonubi**

*FRC/2013/NBA/0000002061*

*Company Secretary*

*UBN Property Company Plc*

*163 Obafemi Awolowo Way,*

*Ikeja, Lagos*

*Dated this 21<sup>st</sup> day of May, 2020*

# CHAIRMAN'S STATEMENT

Distinguished Shareholders, Board of Directors, Colleagues, I am pleased to welcome you to the 10th Annual General Meeting of UBN Property Company Plc ("the Company") and to present you with the annual report of the Company for the year ended 31<sup>st</sup> December 2019.

## **The Economy**

2019 saw the global economy GDP fall from 3.7% in 2018 to 2.9% in 2019 according to the International Monetary Fund (IMF) due to trade tensions, Brexit negotiations, civil unrest and weak investment sentiments.

Prior to the outbreak of the COVID-19 global pandemic which began at the end of 2019, the International Monetary Fund (IMF) projected global growth would improve to 3.3% in 2020 from the 2.9% in 2019. Given the current global shutdown of businesses, borders and economies, a severe contraction of the global economy is expected as the global economy is projected to contract sharply by -3% in 2020.

Nigeria's Gross Domestic Product (GDP) grew by 2.3% in 2019 compared to 1.9% in 2018. In the fourth quarter of 2019, the economy witnessed its strongest quarterly expansion since Q3 2015, driven largely by the non-oil sector such as the ICT and transport sectors. The industrial sector saw some noteworthy improvements following improved manufacturing and construction activity.

## **The Property Industry**

In 2019, the Nigerian real estate sector declined significantly from 0.93% in Q1 2019 to -3.45% in Q4 2019. It contributed 6.21% to real GDP in Q4 2019, 39 bps lower than its contribution in Q4 2018.

The performance of the sector could be attributed to a reduced disposable income among consumers, high interest rates which makes mortgage financing less attractive.

Regulations guiding land use and registration, as well as rising cost of acquiring building materials, continue to undermine the demand for housing in Nigeria.

The Finance Bill passed in November 2019 seeks to change Nigeria's fiscal laws and change the landscape of Real Estate Investment Trusts (REITs) once operational. This initiative has the potential to encourage public investments and mobilise more liquidity for real estate projects with a corresponding positive impact on the capital market. Policies on recapitalisation of mortgage banks and insurance companies are also expected to create traction in those sectors with great positives for the real estate industry.

The housing deficit remains prevalent at about 22 million units for a country with a population of nearly 200 million people and a growth rate of 2.6%. To combat the deficit, the Family Home Fund (FHF) was created to give Nigerians an opportunity to own homes while the established Nigeria Mortgage Refinance Company (NMRC) continues to support the Federal Government by providing long term funding to the mortgage sector.

The US\$2.5 billion FHF commenced in August 2019 with the construction of residential development pilot projects in Yobe and Akwa Ibom states towards achieving 500,000 homes by 2023 in different states.

## **Dividend**

In view of the performance being presented for the 2019 Financial Year, the Board of Directors is proposing the sum of N281,320,802.55 as dividend payment for the year ended 31<sup>st</sup> December 2019. This translates to N0.05Kobo per ordinary share. We hereby request your approval of this dividend proposal.

## **Board Changes**

There was no change on the Board of Directors during the year.

## **Union Bank's Divestment**

The ongoing divestment of Union Bank of Nigeria Plc's interest in UBN Property Company Plc ("UPCP") has been suspended due to pending litigation instituted by some shareholders of UPCP and will be concluded as soon as the litigation is resolved.

### **Outlook for 2020**

The Nigerian economy was expected to grow by 2.5% in 2020, driven by expected increased lending to the real sector, and continuous implementation of the Economic Recovery and Growth Plan. However, the COVID-19 outbreak has led to a global health crisis with negative impact on business and commercial activities with the 2020 outlook on the Nigerian economy revised to negative growth of 3.4% by the IMF.

Global lockdown measures have led to a slowdown in activities in over 180 countries, including Nigeria, where the real estate sector has been particularly hard hit.

Mandatory social distancing protocols on construction sites, coupled with unfavorable macroeconomic factors including high interest rates and availability of foreign exchange for the importation of building materials, will impact activities in the sector. However, with the increase in online search for real estate properties amid the lockdown, we anticipate a demand in real estate services and transactions post-COVID-19.

Despite tough global and domestic conditions, the Company remains focused on achieving its objectives to be a leader in the real estate industry whilst providing excellent services to all stakeholders. We will actively seek new opportunities whilst delivering maximum returns for shareholders.

### **Conclusion**

I would like to thank our esteemed and distinguished shareholders for your commitment and unyielding support to the Board and Management of the Company.

I assure you we will continue to provide better performance. We reiterate our commitment to achieve the Company's set goals and objectives as we look forward to a productive 2020



**Emeka Emuwa**  
*Chairman*

# MANAGING DIRECTOR'S STATEMENT

## INTRODUCTION

It is a pleasure to welcome you all to the 10th Annual General Meeting (AGM) of UBN Property Company Plc ("the Company") holding today 23<sup>rd</sup> June, 2020 at The Auditorium, Stallion Plaza (9<sup>th</sup> Floor), 36 Marina, Lagos.

I am pleased to present a review of the operating environment and our Company's Annual Report and Financial Statements for the year ended 31 December 2019 to our shareholders, members of the Board of Directors, management and colleagues.

The global economy witnessed some turbulence in 2019, with the intensified US-China trade war, and Brexit delays influencing the growth story significantly. Despite external factors, the Nigerian economy showed marginal improvement in 2019 relative to 2018. Nigeria's GDP grew by 2.27% in 2019, 0.36% points higher than 2018 driven by the following sectors: Information & Communication, Agriculture, Financial & Insurance Services and Manufacturing.

Oil prices witnessed volatility throughout the year due to tensions between the US and Iraq as well as escalated trade wars between the US and China. Fiscal and monetary efforts resulted in the stability of exchange rates which averaged N362.5 to the dollar in 2019 across the different windows.

Inflationary pressures remained in 2019, starting at 11.37% in January before falling to an all-year low in August at 11.02% and surging to 11.98% in December 2019. This spike was largely driven by the continuous rise of food inflation due to the closure of the borders since August 2019.

The performance of the real estate sector declined significantly from 0.93% in Q1 2019 to -3.45% in Q4 2019, contributing 6.21% to real GDP in Q4 2019 (39 bps lower than its contribution in Q4 2018). In the full year, the sector recorded a share of 6.12% of total real GDP in 2019, down from 6.41% in 2018.

After exiting 12 consecutive quarters of recession in the first quarter of 2019, the real estate industry was hit by slow economic growth, limited liquidity and dampened purchasing power.

## DEVELOPMENTS IN PROPERTY INDUSTRY

In 2019, according to Broll Property Intel Research Reports, Nigeria's retail property market demand was strong as tenant activity increased in the retail space in Q2 2019. Enquiries decreased in malls operating at near full capacity as retailers concentrated on securing space in newer malls or locations, while some retailers locked in last minute leases to take advantage of the festive season.

Other players in the retail spaces were retailers in the specialty, furniture and fashion industries; expansions to other mall locations were largely driven by local retail operations while a few international brands made their way into the market. These included Dodo Pizza, a Russian food outlet chain, and Swarovski which took up some retail spaces in the mall locations.

Supply in the property market was boosted with opening of the Landmark Retail Boulevard, coming in at roughly 8,000 square metres of retail space. Others include the Osogbo Mall in Osun and the Simbiat Mall in Lagos (both approximately 5,000 square metres). Presently, the Nigeria retail market vacancy rate is about 16.7% in the core and secondary markets due to strict lease terms.

Vacancy rates have also declined in the commercial space on average, following gross leasing activities in new buildings, with Ikoyi sitting at a vacancy rate of 25%, and Victoria Island unchanged at an average of 57%.

## 2019 FINANCIAL PERFORMANCE

2019 was a profitable year for the Company as our sustained liquidity allowed us to take advantage of the returns from our investments in treasury bills and other money market instruments.

Estate agency and valuation service fees grew by 250% from N0.8 million to N2.9 million, property management fees grew by 6% from N44.3 million to N46.9 million in 2019 while rental income was down by 20% from N86.7 million to N69.0 million in 2019. Investment income was down by 7% to N619.1 million from N668.1 million in 2018 as a result of the low-interest yield environment on treasury bills while other income was down by 53% from N181.2 million to N85.8 million.

Operating expenses increased by 6% to N118.6 million from N112.4 million in 2018 with personnel expenses reducing by 15% from N144.2 million to N121.9 million in 2019.

Total assets stood at N9.4 billion as at 31 December 2019 compared to N9.7 billion recorded in 2018. Shareholders' funds reduced by 2% to N8.5 billion in 2019 from N8.7 billion in 2018.

The Company's profits for the year dropped by 39% from N910.4 million in 2018 to N559.6 million in 2019 on the back of reduced investment income and the loss on fair valuation of investment property.

## KEY BUSINESS HIGHLIGHTS

In the year under review, we commenced the construction of a residential estate comprising 19 units on a parcel of land owned by the Company in Parkview Estate Extension, Ikoyi, Lagos. We expect to deliver this project by Q1 2021.

## REGULATORY COMPLIANCE

In 2019, the Company met all statutory and regulatory obligations required for the operation of the Company as a PLC.

## 2020 OUTLOOK

In 2020, the global economy is expected to slow down considerably due to the COVID-19 pandemic spreading across more than 180 countries worldwide. The various lockdown and containment measures across countries have led to disruptions in global supply chains. The United Nations Trade and Development Agency has estimated the economic impact of the pandemic to be -US\$1-2 trillion in 2020. We therefore expect a tougher operating environment in Nigeria with GDP growth likely in the negative territory for 2020

Despite the dimmer outlook, we aim to position the Company to take advantage of Government's new policy direction and purchase new landed properties where we see opportunities while strongly pursuing disciplined development of these properties for residential and commercial purposes towards maximising value for shareholders. Our growth ambitions remain unchanged as we aim to remain a key player in the property industry in 2020.

I would like to appreciate our shareholders for their continued support over the years as we look forward to a productive and profitable 2020. We also appreciate the commitment of our Board of Directors and we count on their continued support in 2020.

Finally, I would like to thank the Company's employees for their devotion towards work and look forward to a more productive year ahead.

Thank you.



**Oluwatosin Osikoya**  
Chief Executive Officer.

# CORPORATE INFORMATION

**Company's Registration Number:** RC: 476267

**Directors:**

Emeka Emuwa	<i>Chairman</i>
Oluwatosin Osikoya	<i>Managing Director</i>
Obiaku Nneze Akwivu - Nwadike (Mrs.)	<i>Non-Executive Director</i>
Remi Kolarinwa	<i>Independent Non-Executive Director</i>
Adekunle Sonola	<i>Non-Executive Director</i>

**Secretary:**

Somuyiwa A. Sonubi  
FRC/2013/NBA/00000002061  
Stallion Plaza  
36 Marina  
Lagos

**Registered Office:**

163, Obafemi Awolowo Way  
Alausa, Ikeja  
Lagos

**Auditor:**

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

**Registrar:**

Cardinal Stone Registrars Limited  
358, Herbert Macaulay 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

## THE BOARD



**Emeka Emuwa**

Chairman

Mr. Emeka Emuwa joined the Board of UBN Property Company Plc in February 2013, following his appointment as the Chief Executive Officer of Union Bank of Nigeria Plc in November 2012. Prior to joining Union Bank, Emeka had a distinguished 25-year career at Citi, one of the world's leading financial institutions. While at Citi, he led the bank's franchises in several Francophone and Anglophone African countries before his appointment as the first Nigerian Country Officer and Managing Director of Citi in Nigeria in 2005 - a role he held until his appointment as Chief Executive for Union Bank.

He is a Director of Africa Finance Corporation and a Fellow of the Chartered Institute of Bankers of Nigeria. He is also the Chairman of the Nigeria Portugal Friendship and Business Association, and was formerly Chairman of Accion Microfinance Bank Nigeria and Junior Achievement Nigeria. He is also a former Director of the American Business Council. Emeka is a graduate of Finance from the University of Lagos and holds an MSc. in Management from Purdue University's Krannert School of Management.



**Oluwatosin Osikoya**

Managing Director

Mr. Tosin Osikoya graduated with a B.Sc. (Hons) degree in Civil Engineering from Imperial College of Science and Technology (University of London) in 1983. Prior to joining the Company in 2012, he was the Executive Director of Fisko Construction Engineering Company Limited, where he was responsible for business development and project management.

He has at various times also worked as a Senior Business Analyst, Senior Contracts Engineer, Project Manager, Property Management Engineer and Facilities Engineer with the Shell Petroleum Development Company and Shell Trustees Nigeria Limited, both in Nigeria and the Netherlands.

His career spans over 32 years and commenced in 1984 when he joined Bouygues Nigeria Limited, working as a Construction Supervisor on many projects in Lagos including Elephant House on Broad Street, Lagos and the Mobil Offices in Apapa. He is an associate member of the Nigerian Society of Engineers.



**Adekunle Sonola**

Non-Executive Director

Mr. Adekunle Sonola was appointed to the Board of UBN Property in November 2018 as a Non-Executive Director.

He is currently the Executive Director in charge of Commercial Banking at Union Bank. Prior to this, he worked at Guaranty Trust Bank where he rose from being a member of the Corporate Finance Group to Divisional Head, Corporate Banking. He left Guaranty Trust Bank as Managing Director, East Africa, where he successfully rolled out the franchise in Uganda, Rwanda and Kenya.

Mr. Sonola has also served as Director, Investment Banking Africa for Standard Bank of South Africa. He has more than 28 years of banking experience.

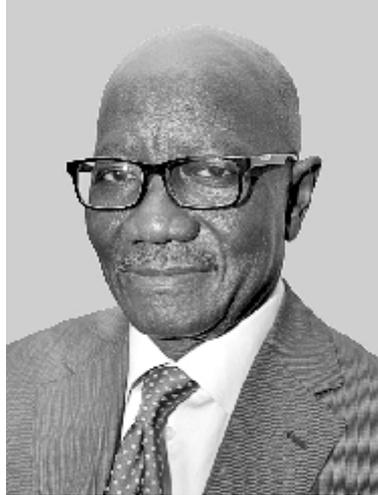
He holds a Bachelor's Degree in English from Ogun State University, Ogun State, Nigeria, an LL.B in Law from Obafemi Awolowo University, Ile-Ife, Nigeria and an MBA from Durham University Business School, Durham, United Kingdom.



**Obiaku Nneze  
Akwiwu-Nwadike (Mrs.)**  
Non-Executive Director

Mrs. Obiaku Nneze Akwiwu-Nwadike joined the Board in December 2014 as a Director representing minority shareholders on the Company's Board. She is a trained structural engineer, with a career spanning over 30 years, 14 of which have been in active service as a structural engineer, property developer and consultant in construction of luxury residential and multi-shop, plaza or mall properties.

She is a member of the Council of Registered Engineers of Nigeria and has worked in various capacities in the public and private sectors. She was Principal/ Assistant Chief Engineer at the Nigerian Ports Authority between 1984 and 1991, Wealth Adviser/ Regional Executive at BGL Plc till 2012. She is the Founder/Chief Executive Officer of Trixibelle Limited and is currently Managing Director of Wren Regent Properties Limited, in charge of several high net worth property developments.



**Remi Kolarinwa**  
Independent Non-Executive Director

Mr. Remi Kolarinwa joined the Board in December 2014 as an Independent Non-Executive Director. He is an Economics graduate of the University of Toronto, Canada, with an MBA from York University, Toronto. He has had a career in banking spanning over 27 years, during which time he held leadership positions in retail, corporate, and investment banking and retired as the Deputy Managing Director of the defunct IBTC Chartered Bank.

He was also an Independent Non-Executive Director of Union Homes Savings and Loans Plc. He currently serves as the Chairman, Capiflex Management Limited, an investment management and financial advisory company, a Non- Executive Director of Sterling Bank Plc, USP Communications Limited, and Bancorp Finance Limited. He is a Fellow of the Chartered Institute of Stockbrokers.

# STATEMENT OF CORPORATE GOVERNANCE IN RELATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

Corporate Governance practices in UBN Property Company Plc (“UPCP” or “the Company”) are as codified in the Securities and Exchange Commission (“SEC”) Code of Corporate Governance of 2011 and other relevant statutes. These provide guidance for the governance of the Company, compliance with regulatory requirements and form the basis of the core values upon which the Company is run. The codes and statutes are geared towards ensuring the accountability of the Board of Directors (“the Board”) and Management to the stakeholders of the Company in particular and emphasize the need to meet and address the interests of a range of stakeholders, to promote the long-term sustainability of the Company.

UPCP is committed to the best corporate governance practices and believes that adherence and commitment to high governance principles and standards is the panacea for effective control and management of the Company. The principle of good corporate governance practices remains one of our core values and an important ingredient in creating, protecting, promoting and sustaining shareholders’ interests, rights and values, as well as delivering excellent service to our customers. The Company is committed to the highest ethical standards and transparency in the conduct of its business.

In compliance with the requirements of the SEC Code of Corporate Governance, an annual board appraisal review is conducted by an independent consultant appointed by the Company, whose report is submitted to the Board and presented to shareholders at the Annual General Meeting (AGM) of the Company.

## **Securities Trading Policy**

To further demonstrate its commitment to transparency and ensure compliance with regulatory requirements, the Company has developed a Securities Trading Policy in line with the SEC Code of Corporate Governance. The Policy sets out the process by which directors, staff, shareholders, key management personnel, third party service providers or any other connected persons who have direct or indirect access to the Company’s insider information can deal in the Company’s securities. It also prohibits the trading of the Company’s securities during ‘Closed Periods’. The policy is designed to ensure that its compliance is monitored on an ongoing basis.

## **Complaints’ Management Policy**

The Company’s Complaints’ Management Policy has been prepared pursuant to the Rules Relating to the Complaints’ Management Framework of the Nigerian Capital Market issued by the SEC on 16<sup>th</sup> February 2015. The Policy applies strictly to the Company’s shareholders and provides an avenue for them to make complaints regarding their shareholding and relationship with the Company.

The Complaints’ Management Policy aims to promote and safeguard the interest of the Company’s shareholders and investors, with its primary objective of ensuring that the activities of the Board and Management are in the best interest of the Company and its shareholders. The policy, jointly implemented by the Registrar and the Company Secretary, sets out the process and channels through which shareholders can submit their complaints, and the process for managing these complaints.

## **Whistle Blowing Procedures**

In line with the Company’s commitment to instill the best corporate governance practices, the Company’s anonymous whistle-blowing channel is independent through the following:

- Whistle blower hotline: 01-2805791
- Email: Tip-offs@deloitte.com.ng

This is to uphold commitment to the highest standards of openness, integrity, accountability and ethical standards. There is a direct link to the web portal <https://tradeconnect.unionbankng.com/WhistleBlower/> on the Company’s website and intranet to enable stakeholders, including members of staff, report all suspected breaches of the Company’s Code of Corporate Governance.

## **Remuneration Policy for Directors and Senior Management**

The Company’s Remuneration Policy for Directors and senior management is geared towards attracting, retaining and motivating the best talent and enables the Company achieve its financial, strategic and operational objectives. The policy sets out amongst others, the structure and components of the remuneration packages for Executive and Non-Executive Directors, and ensures that the remuneration packages comply with the SEC code of corporate governance.

In line with the provisions of the extant regulations and codes of corporate governance, the remuneration of Directors and senior management is set at levels, which are fair and competitive, and take into consideration the economic realities in the real estate services sector and the Company’s financial performance.

## Governance Structure

The following governance bodies are in place.

### A. Board of Directors

The Board of Directors oversees the management of the Company, and comprises a Non-Executive Chairman, one Independent Non-Executive Director, two other Non-Executive Directors, and the Managing Director as listed below:

S/N	NAME	12/2/2019	30/04/2019	25/06/2019	25/06/2019	30/10/2019
1	EMUWA, Emeka	✓	✓	✓	✓✓	✓
2	OSIKOYA, Oluwatosin	✓	✓	✓	✓✓	✓
3	SONOLA, Adekunle	✓	✓	✓	✓✓	✓
4	AKWIWU-NWADIKE, Obiaku Nneze (Mrs.)	✓	✓	AB	AB	AB
5	KOLARINWA, Remi	✓	✓	✓	✓✓	✓

✓ Present

AB Absent

✓✓ AGM

### Responsibilities of the Board of Directors

The Board, the highest decision-making body approved by the shareholders, met five (5) times during the year to provide strategic direction, policies and leadership in attaining the objectives of the Company.

The Board monitors the activities of the Managing Director and the Senior Management staff and the accomplishment of set objectives through reports at its meetings. In performing its oversight function over the Company's business, the Board operates through the following Board Committees.

### B. Standing Board Committees

The Board of Directors has two standing committees, which deal with specific operations of the Company, namely:

#### 1. Board Audit and Risk Management Committee

The Committee comprised the following members:

- AKWIWU-NWADIKE, Obiaku Nneze (Mrs.)
- KOLARINWA, Remi
- SONOLA, Adekunle

Its responsibilities include the following, amongst others:

- Review and approve the annual audit plan and to ensure the Company's information security policies, business continuity management and disaster recovery plans are comprehensive and adequate;
- Define the Company's risk appetite, develop and periodically review the Company's risk management strategy;
- Ensure that an internal audit function is established to provide reasonable assurance to the Board on the effectiveness of the Company's system of internal controls;
- Oversee Company's process and strategy for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms.
- Ensure the development of comprehensive internal audit, internal control and risk management frameworks for the Company;
- Obtain and review reports from the internal audit function in order to assess the strength, quality and effectiveness of internal controls, and monitor the status and implementation of any exceptions or recommendations for improvement raised by the most recent internal reviews of the Company's internal controls and control functions.

## 2. Board Governance and Remuneration Committee

The Committee comprised the following members:

- a. AKWIWU-NWADIKE, Obiaku Nneze (Mrs.)
- b. KOLARINWA, Remi
- c. SONOLA, Adekunle

Its responsibilities include the following, amongst others:

- Review and report to the Board annually on the broad key performance indicators set by executive management for staff groups below the executive management level (“Staff”) to achieve that year’s business and financial goals.
- Review and report to the Board, on the annual performance evaluation of Staff conducted by management for the prior year’s performance and the overall outcome of the annual performance evaluation process.
- Review and report to the Board annually, the overall training policy and program for Staff and any changes as they arise to achieve business and financial goals.
- Consider and review staff compensation, welfare and industrial relations matters and make appropriate recommendations to the Board from time to time.
- Consider and recommend compensation increments for staff for Board consideration and approval.
- Review and recommend for Board approval, any policies relating to Staff, and engagement of outsourced services, not otherwise contemplated herein, as may be deemed necessary.
- Review and advise the Board annually, on the strategy for and engagement of service providers of Support Staff, including the overall cost, performance and effectiveness of these firms in delivering cost-effective and high-quality service to the Company’s customers.

## 3. Statutory Audit Committee

The Committee is constituted at the Company’s Annual General Meeting (AGM) and it met four (4) times during the year. It consists of the following members:

- Oladosu Kamarudeen - *Chairman*
- Kolarinwa Remi - *Member*
- Awoh Nornah - *Member*
- Sonola Adekunle - *Member*

S/No	NAME	12/02/2019	30/04/2019	29/07/2019	30/10/2019
1	Oladosu Kamarudeen	✓	✓	✓	✓
2	Kolarinwa Remi	✓	✓	✓	✓
3	Awoh Nornah	✓	✓	✓	✓
4	Sonola Adekunle	✓	✓	✓	✓

✓ Present

AB Absent

The Statutory Audit Committee has responsibility for the following:

- Oversight responsibility for the Company’s accounting and financial reporting functions.
- Oversight responsibility for the Company’s accounting systems.
- Oversight responsibility for the Company’s internal audit and control structures.
- Recommending the appointment, remuneration and removal of external auditors to the Board.
- Reviewing and recommending the audited financial statements to shareholders for approval.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS BY:



Somuyiwa A. Sonubi  
FRC/2013/NBA/00000002061  
Company Secretary  
25<sup>th</sup> February 2020

# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

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<sup>st</sup> December 2019.

### 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<sup>th</sup> March 2003 and has been in operation since then. On 11<sup>th</sup> February 2015, the Company was re-registered as a Public Limited Company. The address of its registered office is 163, Obafemi Awolowo Way, Alausa, Ikeja, Lagos, 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

The highlights of the Company’s operating results for the year are as follows:

<i>In thousands of naira</i>	31-Dec-19	31-Dec-18
Profit before tax	581,232	959,601
Income tax expense	(21,652)	(49,220)
<b>Profit after tax</b>	<b>559,580</b>	<b>910,381</b>
Basic and diluted earnings per share (kobo)	10	16

### Analysis of Shareholding

The shareholding structure of the Company is as stated below:

#### *As at 31<sup>st</sup> December 2019*

Range	No. of Holders	% of Total Holders	Units held	% of Total Holders
1,000 - 50,000	228	27.94%	6,726,227	0.12%
50,001- 500,000	336	41.18%	69,855,562	1.24%
500,001- 5,000,000	179	21.94%	352,502,422	6.27%
5,000,001- 50,000,000	63	7.72%	1,226,676,900	21.80%
50,000,001- 500,000,000	9	1.10%	1,775,654,940	31.56%
500,000,001- and above	1	0.12%	2,195,000,000	39.01%
<b>Grand total</b>	<b>816</b>	<b>100.00%</b>	<b>5,626,416,051</b>	<b>100.00%</b>

#### *As at 31<sup>st</sup> 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%
<b>Grand total</b>	<b>319</b>	<b>100.00%</b>	<b>5,626,416,051</b>	<b>100.00%</b>

### Proposed Dividend

The Directors, pursuant to the powers vested in it by the provisions of Section 379 of the Companies and Allied Matters Act (CAMA) of Nigeria, propose a dividend of NO.05kobo per share from the retained earnings account as at 31<sup>st</sup> December 2019 (31<sup>st</sup> December 2018: NO.13k per share). This proposed dividend will be presented to shareholders for approval at this next Annual General Meeting. The proposed dividend is subject to withholding tax at the appropriate tax rate.

### Directors and their interests

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

Emeka Emuwa	<i>Chairman</i>
Oluwatosin Osikoya	<i>Managing Director</i>
Obiaku Nneze Akwiwu - Nwadike (Mrs.)	<i>Non-Executive Director</i>
Remi Kolarinwa	<i>Independent Non-Executive Director</i>
Adekunle Sonola	<i>Non-Executive Director</i>

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-19	31-Dec-18
Emeka Emuwa	Nil	Nil
Oluwatosin Osikoya	Nil	Nil
Obiaku Nneze Akwiwu - Nwadike (Mrs.)	53,500,000	50,000,000
Remi Kolarinwa	Nil	Nil
Adekunle Sonola	Nil	Nil

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

### Directors' interest in 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<sup>st</sup> December 2019:

	2019	
	No of shares	% Holding
Union Bank of Nigeria Plc	2,195,000,000	39.01%
Allianz Nigeria Insurance Nigeria Plc (formerly Ensure Insurance Plc)	495,000,000	8.80%
Greenwich Registrars and Data Solutions Limited	495,000,000	8.80%

The shares held in trust by UTL Trust Management Services were unbundled during the year to the respective shareholders. As such, UTL Trust Management Services does not form part of shareholders with at least 5% of the issued capital of the Company as at 31<sup>st</sup> December 2019.

	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%
Ensure Insurance Plc	495,000,000	8.80%
GTL Registrars Limited	495,000,000	8.80%

**Property and equipment**

Information relating to changes in property and equipment is given in Note 16 to the financial statements.

**Donations and charitable gifts**

There were no donations made during the year (2018: Nil).

**Employment of Physically Challenged Persons**

The Company had no physically challenged persons in its employment during the year. However, applications for employment by physically challenged 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 physically challenged, 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 physically challenged 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.

**Events after reporting period**

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<sup>st</sup> December 2019, 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.

**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 shall not be seeking reappointment at the next annual general meeting of the Company.

BY ORDER OF THE BOARD



**Somuyiwa A. Sonubi**

*FRC/2013/NBA/00000002061*

*Company Secretary*

*25<sup>th</sup> February 2020*

# STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

The Directors accept responsibility for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies and Allied Matters Act, 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 are 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**  
*FRC/2013/CIBN/00000001774*  
Chairman  
25<sup>th</sup> February 2020



**Oluwatosin Osikoya**  
*FRC/2013/NSE/00000002333*  
Managing Director  
25<sup>th</sup> February 2020

# REPORT OF THE STATUTORY AUDIT COMMITTEE

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

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<sup>st</sup> December 2019 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 25<sup>th</sup> February 2020



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

## MEMBERS OF THE COMMITTEE

- 1 Kamarudeen Oladosu, FCA - *Chairman*
- 2 Remi Kolarinwa
- 3 Adekunle Sonola
- 4 Nornah Awoh

**DCSL Corporate Services Limited**

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Shehu Shagari Way,  
Central Business District  
By Abia House and  
Federal High Court Abuja

RC NO. 352393

**May 2020**

**REPORT OF THE EXTERNAL CONSULTANTS ON THE PERFORMANCE OF THE BOARD OF DIRECTORS OF UBN PROPERTY COMPANY PLC FOR THE YEAR-ENDED DECEMBER 31, 2019.**

DCSL Corporate Services Limited (DCSL) was engaged by UBN Property Company Plc (“UBN”, “the Company”) to carry out an evaluation of the performance of the Board of Directors for the year-ended December 31, 2019 in line with the provisions of **Section 15.6 of the Securities and Exchange Commission Code of Corporate Governance for Public Companies (“the SEC Code”)** and **Section 14.1 of the Nigerian Code of Corporate Governance 2018 (“NCCG”)** as well as global best practices on Corporate Governance. The appraisal entailed a review of the Company’s corporate and statutory documents, Minutes of Board and Committee meetings, policies and other ancillary documents made available to us. We also administered electronic surveys and conducted interviews with the Directors to ascertain the level of the Board’s compliance with the provisions of the SEC Code and NCCG, relevant legislation as well as global Best Practice.

To ascertain the extent of compliance with relevant corporate governance principles, and the performance of the Board in general, we benchmarked the Company’s corporate governance structures, policies and processes against the provisions of the SEC Code, the NCCG as well as global best practices and considered the following seven key corporate governance themes:

1. Board Structure and Composition
2. Strategy and Planning
3. Board Operations and Effectiveness
4. Measuring and Monitoring of Performance
5. Risk Management and Compliance
6. Corporate Citizenship; and
7. Transparency and Disclosure.

Our review of the corporate governance standards and processes affirm that the Board has substantially complied with the provisions of the SEC Code, the NCCG and corporate governance best practice. Whilst commending the Board for its efforts thus far towards ensuring compliance with the Codes, we have recommended that the Board should hold an annual Strategy Session to assess implementation of the Company’s Strategy and review same within the context of current realities.

The details of our key findings and other recommendations are contained in our detailed Report.

Yours faithfully,

**For: DCSL Corporate Services Limited**



Bisi Adeyemi

**Managing Director**  
**FRC/2013/NBA/00000002716**

**Directors:** • Abel Ajayi (Chairman) • Obi Ogbechi • Seni Ogunsanya • Adebisi Adeyemi (Managing Director)





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## 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, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 13 to 46.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (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 our 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. We have nothing to report in this regard.

#### Other Information

The Directors are responsible for the other information. The other information comprises the Corporate Information, Directors' report, Statement of Directors' Responsibilities in Relation to the Financial Statements, Statement of Corporate Governance, Report of the Statutory Audit Committee and other national disclosures, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

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Partners:  
Adedotun O. Lamilola Adegoke A. Oyelami Adesola A. Edeolu Adesola F. Adeniji  
Adewale K. Ajayi Akintola O. Olanrewaju Apolunmi I. Solami Ayoola A. Soyinka  
Ayoola H. Olatunji Chikuzo N. Anyesochi Chinama S. Nwagbo Eric A. Abangbebe  
Elioh O. Olatunjiye Goodfash C. Olu Isiyomi M. Akande Igboye T. Eniola-Egbin  
Joseph O. Tagbo Ebi O. Okunribido Lawrence C. Amadi Mohammed M. Adama  
Nneka C. Eborne Ogundeyo I. Ogundimu Olatimpe S. Atolabi Olatunji I. Salau Adem  
Olarinde I. James Olanide O. Olayinka Oluogun A. Sosande Oluwole I. Ogunlowo  
Olufemi O. Awonjo Okunribido A. Gbolu Temitope A. Oshin Tokope A. Oshale  
Victor U. Oriyentpa



### ***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.

Akinyemi J Ashade, FCA  
FRC/2013/ICAN/00000000786  
For: KPMG Professional Services  
Chartered Accountants  
11 March 2020  
Lagos, Nigeria



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

<i>In thousands of Naira</i>	Notes	31-Dec-19	31-Dec-18
Revenue- sales of trading properties	7	-	644,095
Cost of sales- trading properties	8	-	(475,133)
<b>Profit from sale of trading properties</b>		<b>-</b>	<b>168,962</b>
Fair value (loss)/gain on investment property	9	(122,574)	6,928
Investment income	10	619,081	668,124
Other income	11	204,675	313,065
Write-back of impairment on financial assets	12	130,419	69,257
<b>Other operating income</b>		<b>831,601</b>	<b>1,057,374</b>
Personnel expenses	13	(121,977)	(144,264)
Depreciation of property and equipment	16	(8,732)	(9,889)
Amortisation of intangible assets	17	(1,031)	(212)
Operating expenses	14	(118,629)	(112,370)
<b>Total expenses</b>		<b>(250,369)</b>	<b>(266,735)</b>
<b>Profit before income tax</b>		<b>581,232</b>	<b>959,601</b>
Income tax expense	23(i)	(21,652)	(49,220)
<b>Profit for the year</b>		<b>559,580</b>	<b>910,381</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>559,580</b>	<b>910,381</b>
<b>Profit attributable to:</b>			
Owners of the Company		559,580	910,381
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		559,580	910,381
Basic and diluted earnings per share (kobo)	27	10	16

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

# STATEMENT OF FINANCIAL POSITION

AS AT 31<sup>ST</sup> DECEMBER 2019

<i>In thousands of Naira</i>	Notes	31-Dec-19	31-Dec-18
<b>Non-current assets</b>			
Investment property	15	4,202,518	5,036,861
Property and equipment	16	32,751	20,679
Intangible assets	17	1,792	2,476
<b>Total non-current assets</b>		<b>4,237,061</b>	<b>5,060,016</b>
<b>Current assets</b>			
Trading properties	18	1,579,209	-
Investment securities	19	3,450,080	4,461,012
Trade and other receivables	20	89,534	188,968
Cash and cash equivalents	21	72,076	19,798
<b>Total current assets</b>		<b>5,190,899</b>	<b>4,669,778</b>
<b>Non current liabilities</b>			
Deferred tax liabilities	24	280,438	225,943
<b>Total non-current liabilities</b>		<b>280,438</b>	<b>225,943</b>
<b>Current liabilities</b>			
Trade and other payables	22	616,770	725,230
Current income tax payable	23(iii)	21,854	97,867
<b>Total current liabilities</b>		<b>638,624</b>	<b>823,097</b>
<b>Net assets</b>		<b>8,508,898</b>	<b>8,680,752</b>
<b>EQUITY</b>			
Share capital	26(a)(ii)	5,626,416	5,626,416
Share premium	26(b)	1,092,822	1,092,822
Retained earnings		1,789,660	1,961,514
<b>Total equity</b>		<b>8,508,898</b>	<b>8,680,752</b>

The financial statements were approved by the Board of Directors on 25 February 2020 and signed on its behalf by:



**Emeka Emuwa** (Chairman)  
FRC/2013/CIBN/00000001774



**Oluwatosin Osikoya** (Managing Director)  
FRC/2013/NSE/00000002333

Additionally certified by:



**Oluwagbenga Adeoye** (Chief Financial Officer)  
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<sup>ST</sup> DECEMBER 2019

*In thousands of Naira*

	Share capital	Share premium	Other reserves	Retained earnings	Total
Balance at 31 December 2018	5,626,416	1,092,822	-	1,961,514	8,680,752
<b>Profit for the year</b>	-	-	-	559,580	559,580
<b>Other comprehensive income for the year</b>					
<b>Total comprehensive income</b>	-	-	-	559,580	559,580
<b>Transactions with owners of the Company</b>					
Dividend paid	-	-	-	(731,434)	(731,434)
<b>Balance at 31 December 2019</b>	<b>5,626,416</b>	<b>1,092,822</b>	<b>-</b>	<b>1,789,660</b>	<b>8,508,898</b>

	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	-	-	-	1,222	1,222
Restated balance at 1 January 2018	5,626,416	1,092,822	5,214	1,889,881	8,614,333
<b>Profit for the year</b>	-	-	-	910,381	910,381
<b>Other comprehensive income for the year</b>					
Transfer on discontinuation of gratuity scheme	-	-	(5,214)	5,214	-
<b>Total comprehensive income</b>	-	-	(5,214)	915,595	910,381
<b>Transactions with owners of the Company</b>					
Dividend paid	-	-	-	(843,962)	(843,962)
<b>Balance at 31 December 2018</b>	<b>5,626,416</b>	<b>1,092,822</b>	<b>-</b>	<b>1,961,514</b>	<b>8,680,752</b>

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

# STATEMENT OF CASH FLOW

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

*In thousands of Naira*

	Notes	31-Dec-19	31-Dec-18
<b>Operating activities</b>			
Profit for the year		559,580	910,381
Add: tax expense		21,652	49,220
Profit before tax		581,232	959,601
<i>Adjustments for:</i>			
Depreciation of property and equipment	16	8,395	9,889
Amortization of intangible assets	17	1,031	212
Fair value loss/(gain) on investment property	9	122,574	(6,928)
Investment income	10	(619,081)	(668,124)
Impairment loss on investment securities	12	(1,713)	3,243
Impairment writeback on trading properties	12	(128,706)	(72,500)
Write-off of property and equipment	16	354	(42)
Operating profit before changes in working capital		(35,914)	225,351
<i>Changes in working capital</i>			
Trade and other receivables	28(i)	11,589	98,706
Trading properties	28(vii)	-	459,172
Trade and other payables	28(ii)	(93,447)	(1,247,690)
		(117,772)	(464,462)
Employee benefit paid (gratuity & long service award)		-	(53,387)
Withholding and value added tax paid	28(ii)	(15,013)	(14,073)
Income taxes paid	23(iii)	(30,325)	(144,443)
Net cash flows used for operating activities		(163,110)	(676,365)
<b>Investing activities</b>			
Investment income received	28(iv)	5,190	520,282
Acquisition of investment property	15	(663,734)	(78,853)
Acquisition of property and equipment	16	(20,820)	(518)
Acquisition of intangible assets	17	(347)	(2,103)
Proceeds from sale of property and equipment		-	63
Net (Purchase) / Redemption of investment securities	28(iii)	1,626,536	(4,254,037)
Net cash flows from/(used for) investing activities		946,825	(3,815,166)
<b>Financing activities</b>			
Dividend paid	28(v)	(731,434)	(792,075)
Net cash flows used for financing activities		(731,434)	(792,075)
Cash and cash equivalents at 1 January		19,798	5,303,404
Net increase/(decrease) in cash and cash equivalents		52,278	(5,283,606)
<b>Cash and cash equivalents at 31 December</b>	21	72,076	19,798

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

### 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<sup>th</sup> March 2003. On 11<sup>th</sup> February 2015, the Company was re-registered as a public limited liability Company. The address of its registered office is 163, Obafemi Awolowo Way, Alausa, Ikeja, 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 requirements of 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 except as described in Note 3.1. The financial statements for the year ended 31<sup>st</sup> December 2019 were authorised for issue by the Company's Board of Directors on 25<sup>th</sup> February 2020.

#### (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, 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 3.2 to all periods presented in these financial statements. The Company has adopted IFRS 16 leases from 1<sup>st</sup> January 2019

#### IFRS 16 - Leases

The Company has adopted IFRS 16 Leases from 1<sup>st</sup> January 2019 using the modified retrospective approach. The standard has replaced the existing standard IAS 17 Leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).

The core principle of this standard is that the lessee and lessor should recognize all rights and obligations arising from leasing arrangements on the balance sheet. The most significant change pertaining to the accounting treatment of operating leases is from the lessee's perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognized for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result, a lessor continues to classify its leases as operating leases or finance leases and accounts for these as is currently done in terms of IAS 17. In addition, the standard requires the lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.

The standard does not have a material impact on the Company's operations as the company's leases qualify for recognition exemption based on the tenor and value of the underlying assets.

### 3.2 Significant Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

#### (a) 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 depreciable value 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.

##### *(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.

#### (b) 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.

**(c) Investment property**

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

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value with any change therein 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.

**(d) 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.

**(e) Financial instruments**

**(i) Recognition and initial measurement**

The Company initially recognises trade receivables and debt securities 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 (unless it is a trade receivable without a significant financing component) or financial liability is measured initially at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) **Classification**

**Financial assets**

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 solely payments of principal and interest.

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 that 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.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

***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 assets.

***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 credit risk 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 solely payments of principal and interest, 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.

***Financial assets - Subsequent measurement and gains and losses***

All financial assets are classified as measured at amortised cost. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss as derecognition is recognised in profit or loss.

***Financial liabilities - Classification, subsequent measurement and gains and losses***

The Company classifies its financial liabilities as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

**(iii) 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 the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

**Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred as liabilities assumed) is recognised in profit or loss.

**(iv) 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.

**(v) 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.

**(vi) 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. The company recognises transfers between levels of fair value hierarchy as at the end of the reporting period during which the change has occurred.

#### **(vii) Impairment of financial assets**

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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 informed credit assessment, that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the debtor 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); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be B- or higher per Fitch rating or BBB+ or higher per Global credit rating. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

#### **Measurement of credit risk**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### **Credit-impaired financial assets**

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. 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 debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

**Write-off**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

**(f) Impairment of other non-financial assets**

The carrying amounts of the Company's non-financial assets other than deferred tax assets, trading properties and investment property 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.

**(g) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the acquisition date, which are subject to insignificant risk of changes in their fair value and are used by the Company in the management of its short term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**(h) Share capital**

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

**(i) Dividend on ordinary shares**

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

**(j) Earnings per share**

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

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

**(k) Current and deferred tax****Income tax**

Income tax expense comprises current tax (company income tax, tertiary education tax National Information Technology Development Agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. The Company had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

### **Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits
- Tertiary education tax is computed on assessable profits
- National Information Technology Development Agency levy is computed on profit before tax
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year)

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. Taxes based on profit for the period are treated as income tax in line with IAS 12

### **Minimum tax**

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, is not presented as part of income tax expense in the profit or loss. Minimum tax is 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.

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

The Company offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

### **Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**(l) Employee benefits**

***(i) Post-employment benefits***

**Defined contribution plans**

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

***(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.

**(m) Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

**i) Restructuring**

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

**ii) Onerous contract**

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

**(n) Revenue recognition**

Revenue is recognised 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 UBN Property Company Plc (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.

***(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.

**(o) New standards and interpretations not yet adopted**

At the date of authorisation of these financial statements, the following are the Standards and Interpretations which may affect the company and were in issue but not effective for the year 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.

Standard	Date issued by IASB	Effective date Periods beginning on or after	Summary of the requirements and assessment of impact
Amendments to IAS 1 and IAS 8 Definition of Material	1 October 2018	1 January 2020 Early adoption is permitted	<p>The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.</p> <p>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</p> <p>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.</p> <p>The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>The amendments are effective from 1<sup>st</sup> 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.</p>
Amendments to IFRS 9, IAS 39 and IFRS 7	1 August 2019	1 January 2020 Early adoption is permitted	<p>Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.</p> <p>The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments are effective from 1<sup>st</sup> January 2020. Early application is permitted. However, the Board does not expect significant change - the refinements are not intended to alter the concept of materiality.</p>

## 4 Financial Risk Management

### *Introduction and overview*

The Company has exposure to the following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

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

### *Risk management framework*

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risk faced by the Company, to set appropriate risk limit and control, and to monitor risks and adherence to limit. The risk management policies are reviewed regularly to reflect changes in the market condition and in the Company's activities.

### 4.1 Credit Risk

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, investment securities 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. For 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 3.2e(vii)

#### *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 historical experience and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposed 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due; and
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### *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 qualitative factors are based on relevant historical experiences.

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 Company 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.

#### *Definition of default*

The Company considers a financial asset to be in default when:

- the debtor 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); or
- the financial asset is more than 90 days past due.

In assessing whether an 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 Company; 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 Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

ECL for exposures that have not shown significant increase in credit risk is calculated by multiplying the 12-month Probability of Default (PD) by Loss Given Default (LGD) and Exposure at Default (EAD). Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

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

#### **31<sup>st</sup> December 2019**

	Notes	Carrying Amount (Gross)	12 months ECL Allowance	Lifetime ECL Allowance	Carrying Amount (Net)
Investment securities	19	3,451,610	(1,530)	-	3,450,080
Trade and other receivables	20	1,141,719	-	(1,052,185)	89,534
Cash and cash equivalents	21	72,076	-	-	72,076
		4,665,405	(1,530)	(1,052,185)	3,611,690

**31<sup>st</sup> December 2018**

	Notes	Carrying Amount (Gross)	12 months ECL Allowance	Lifetime ECL Allowance	Carrying Amount (Net)
Investment securities	19	4,464,255	(3,243)	-	4,461,012
Trade and other receivables	20	1,354,644	-	(1,193,616)	161,028
Cash and cash equivalents	21	19,798	-	-	19,798
		5,838,697	(3,243)	(1,193,616)	4,641,838

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

The following table presents an analysis of the credit quality of financial assets at amortised cost. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit impaired.

**31<sup>st</sup> December 2019**

	12 months ECL Allowance	Lifetime ECL Allowance (Not credit impaired)	Lifetime ECL Allowance (Credit impaired)
<i>Investment securities</i>			
Gross carrying amount	3,451,610	-	-
Loss allowance	(1,530)	-	-
Net carrying amount	3,450,080	-	-
<i>Trade and other receivables</i>			
Gross carrying amount	-	89,534	1,052,185
Loss allowance	-	-	(1,052,185)
Net carrying amount	-	89,534	-

**31<sup>st</sup> December 2018**

	12 months ECL Allowance	Lifetime ECL Allowance (Not credit impaired)	Lifetime ECL Allowance (Credit impaired)
<i>Investment securities</i>			
Gross carrying amount	4,464,255	-	-
Loss allowance	(3,243)	-	-
Net carrying amount	4,461,012	-	-
<i>Trade and other receivables</i>			
Gross carrying amount	-	161,028	1,193,616
Loss allowance	-	-	(1,193,616)
Net carrying amount	-	161,028	-

## 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 the company.

The Company monitors its risk to a shortage of funds by using a daily cash management process. This process considers the maturity of the assets (e.g. accounts receivable, investment securities) 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.

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.

### *Residual contractual maturities of financial assets and liabilities*

<b>31<sup>st</sup> December 2019</b>	<b>Note</b>	<b>Carrying amount</b>	<b>Gross nominal inflow</b>	<b>Less than 3 month</b>	<b>3 - 6 months</b>	<b>6 - 12 months</b>
<i>In thousands of naira</i>						
<i>Financial assets:</i>						
Investment securities	19	3,450,080	3,541,000	3,120,000	55,000	366,000
Trade and other receivables	20	73,043	73,043	73,043	-	-
Cash and cash equivalents	21	72,076	72,076	72,076	-	-
<b>Total assets held for managing liquidity risk</b>		<b>3,595,199</b>	<b>3,686,119</b>	<b>3,265,119</b>	<b>55,000</b>	<b>366,000</b>
<i>Financial liabilities</i>						
Trade and other payables	22	547,781	547,781	547,781	-	-
		547,781	547,781	547,781	-	-
<b>Gap (asset - liabilities)</b>		<b>3,047,418</b>	<b>3,138,338</b>	<b>2,717,338</b>	<b>55,000</b>	<b>366,000</b>
<b>Cumulative liquidity gap</b>			<b>3,138,338</b>	<b>2,717,338</b>	<b>2,772,338</b>	<b>3,138,338</b>
<b>31<sup>st</sup> December 2018</b>	<b>Note</b>	<b>Carrying amount</b>	<b>Gross nominal inflow</b>	<b>Less than 3 month</b>	<b>3 - 6 months</b>	<b>6 - 12 months</b>
<i>In thousands of naira</i>						
<i>Financial assets:</i>						
Investment securities	19	4,461,012	4,666,000	3,526,000	-	1,140,000
Trade and other receivables	20	161,028	161,028	161,028	-	-
Cash and cash equivalents	21	19,798	19,798	19,798	-	-
<b>Total assets held for managing liquidity risk</b>		<b>4,641,838</b>	<b>4,846,826</b>	<b>3,706,826</b>	<b>-</b>	<b>1,140,000</b>
<i>Financial liabilities</i>						
Trade and other payables	22	604,943	604,943	604,943	-	-
		604,943	604,943	604,943	-	-
<b>Gap (asset - liabilities)</b>		<b>4,036,895</b>	<b>4,241,883</b>	<b>3,101,883</b>	<b>-</b>	<b>1,140,000</b>
<b>Cumulative liquidity gap</b>			<b>4,241,883</b>	<b>3,101,883</b>	<b>3,101,883</b>	<b>4,241,883</b>

### 4.3 Market Risk

Market risk is the risk that changes in market prices, such as interest rate 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 2019:

31<sup>st</sup> December 2019

Sensitivity analysis

In thousands of Naira	Note	Carrying amount	Interest rate shock			
			1%	2%	-1%	-2%
Investment securities	19	3,450,080	34,501	69,002	(34,501)	(69,002)
Fixed deposit	21	64,583	646	1,292	(646)	(1,292)
		3,514,663	35,147	70,294	(35,147)	(70,294)

31<sup>st</sup> December 2018

Sensitivity analysis

In thousands of Naira		Carrying amount	Interest rate shock			
			1%	2%	-1%	-2%
Investment securities	19	4,461,012	44,610	89,220	(44,610)	(89,220)
Fixed deposit	21	-	-	-	-	-
		4,461,012	44,610	89,220	(44,610)	(89,220)

#### 4.3.2 Exchange rate exposure

The company has no foreign exchange exposure as at 31 December 2019.

### 5 Use of Estimates

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.e(vi).

- *Investment property*

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

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

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

- verify all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report.

- Estimation of net-realizable value for trading properties

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

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

(v) *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. The Company has assessed the impact of IFRIC 23 on its operations and the effect of this is not different from what the Company currently practices.

## 6 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 carrying amounts of the financial assets and liabilities is a reasonable approximation of their fair values

#### 31 December 2019

<i>In thousands of naira</i>	Note	At Amortised cost	Fair value
Investment securities ( <i>Fair value level 1</i> )	19	3,450,080	3,450,290
Trade and other receivables	20	73,043	73,043
Cash equivalents	21	72,076	72,076
		3,595,199	3,595,409
Trade and other payables	22	547,781	547,781
		3,047,418	3,047,628

#### 31 December 2018

<i>In thousands of naira</i>	Note	At Amortised cost	Fair value
Investment securities	19	4,461,012	4,453,490
Trade and other receivables	20	161,028	161,028
Cash equivalents	21	19,798	19,798
		4,641,838	4,634,316
Trade and other payables	22	604,943	604,943
		4,036,895	4,029,373

**7 Revenue-sales of trading properties**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Sales of trading properties	-	644,095
	-	644,095

**8 Cost of sales- trading properties**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Cost of trading properties sold	-	475,133
	-	475,133

**9 Fair value (loss)/gain on investment property**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Fair value loss on investment property (see note 15)	(122,574)	6,928

**10 Investment income**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Investment income on treasury bills	613,891	601,195
Interest income on placements	5,190	66,929
	619,081	668,124

**11 Other income**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Foreign exchange revaluation gain	-	595
Professional fees	2,833	3,528
Estate agency and valuation service fee	2,925	835
Property management fees	46,939	44,301
Rental income from investment property	69,000	86,698
Profit on disposal of treasury bills	11,441	9,256
Profit on disposal of property and equipment	-	42
Provision no longer required	-	167,810
Sundry income	71,537	-
	204,675	313,065

**12 Write-back of impairment on financial assets**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
<i>Non-financial assets</i>		
Write back of impairment on trading properties (see note (i) below)	(128,706)	(72,500)
	128,706	72,500
<i>Financial assets</i>		
Impairment of investment securities (see note 19(ii))	(1,713)	3,243
	(130,419)	(69,257)

- (i) Amount represents the write back of the sum paid to Lagos State Ministry of Waterfront Infrastructure Development for the allocation of a plot of reclaimed land to the Company which had been previously impaired. This was impaired because the Company had not received the title deed to the land and may be required to make additional payment to the Ministry of Lands to obtain legal title to the land. The Company obtained the title deed to the land in current year, hence the impairment was written back.

### 13 Personnel expenses

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Staff Salaries	59,472	61,781
Other staff cost	47,220	68,591
Pension contribution	9,429	9,747
Staff training	5,856	4,145
	<b>121,977</b>	<b>144,264</b>

### 14 Operating expenses

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Professional fees	36,496	12,676
Auditor's remuneration	6,000	6,000
Directors' fees and sitting allowance (See note 25(i))	22,555	23,770
Interest and bank charges	2,051	6,503
Statutory fees and filing	1,255	954
Rent expense	3,363	6,149
Repairs and maintenance	6,419	4,642
Insurance	3,988	3,632
Annual General Meeting expense	3,693	3,352
Transportation	2,735	3,195
Industrial Training Fund levy	2,000	2,000
Telecommunication and rates	86	110
Legal fees	7,024	1,625
Technical management fees (see note (i) below)	14,071	29,536
Stationery and subscription	1,533	2,683
Other operating expenses	5,360	5,543
	<b>118,629</b>	<b>112,370</b>

- (i) Technical management fees relate to the amount incurred for the services provided by Union Bank Plc to the Company.

### 15 Investment Property

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

<i>In thousands of Naira</i>	Completed Investment Property	Investment Property Under Construction	Total
Balance as at 1 January 2019	2,194,204	2,842,657	5,036,861
Expenditure / cost capitalised	-	663,734	663,734
Reclassification from other receivables (See note 28(i))	-	75,000	75,000
Reclassification of Park view receivable previously impaired (see note 12)	-	128,706	128,706
Fair value loss (see note 9)	(26,161)	(96,413)	(122,574)
Transfer to trading properties (See note 18)	-	(1,579,209)	(1,579,209)
Balance as at 31 December 2019	2,168,043	2,034,475	4,202,518

<i>In thousands of Naira</i>	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 9)	41,204	(34,276)	6,928
Balance as at 31 December 2018	2,194,204	2,842,657	5,036,861

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

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18
Corner piece Office/Banking complex at Plot 97 Adeola Odeku/ Ahmadu Bello Way, Victoria Island Lagos.	2,168,043	2,194,204
12.81 hectares of land at Plot 332, Cadastral Zone C07, off Sunny Wale Estate Road Galadima Abuja	1,248,975	1,248,975
9,600 square meters of land at plot 294, Cadastral Zone B04, P.O.W Mafemi Crescent Jabi District Abuja	785,500	777,600
3,200 square meters fenced bare land , Block A5, plot 5,6 and 7 Olusegun Aina Street, Park View, Extension Ikoyi Lagos.	-	816,082
	4,202,518	5,036,861

(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 N4.2billion has been categorised as Level 2 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.	<ul style="list-style-type: none"> <li>- Current rent</li> <li>- Outright sale price</li> <li>- Quality of construction</li> <li>- Level of service and infrastructure provided</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>- the current rent increases (decreases),</li> <li>- the outright sale price increases (decreases),</li> <li>- the quality of construction increases (decreases)</li> <li>- the level of service and infrastructure provided increases (decreases)</li> </ul>

(c) Maturity analysis for lease payment

The Company's lease are within a period of one to five years.

The company did not recognise any contingent rent as income during the year. (2018: Nil).

(d) Future minimum lease payment

There are no future minimum lease payments as rent are received in advance by the Company.

## 16 Property and Equipment

31<sup>st</sup> December 2019

<i>In thousand of Naira</i>	Plant & Machinery	Office Equipment	Motor Vehicles	Fixtures and Fittings	Total
<b>Cost</b>					
Balance as at 1 <sup>st</sup> January 2019	20,635	6,427	23,650	646	51,358
Acquisitions	-	4,545	16,275	-	20,820
Write-offs	-	(354)	-	-	(354)
<b>Balance at 31<sup>st</sup> December 2019</b>	<b>20,635</b>	<b>10,619</b>	<b>39,925</b>	<b>646</b>	<b>71,824</b>
<b>Depreciation</b>					
Balance as at 1 January 2019	8,071	4,115	17,963	530	30,680
Depreciation charge for the year	3,966	1,381	3,328	57	8,732
Write-offs	-	(337)	-	-	(337)
<b>Balance at 31 December 2019</b>	<b>12,037</b>	<b>5,158</b>	<b>21,291</b>	<b>587</b>	<b>39,074</b>

### 31 December 2018

<i>In thousand of Naira</i>	Plant & Machinery	Office Equipment	Motor Vehicles	Fixtures and Fittings	Total
<b>Cost</b>					
Balance as at 1 January 2018	20,635	13,465	23,650	3,636	61,386
Acquisitions	-	518	-	-	518
Disposals	-	(7,556)	-	(2,990)	(10,546)
Balance at 31 December 2018	20,635	6,427	23,650	646	51,358
<b>Depreciation</b>					
Balance as at 1 January 2018	3,944	10,873	13,016	3,482	31,315
Depreciation charge for the year	4,127	777	4,947	38	9,889
Disposals	-	(7,534)	-	(2,990)	(10,524)
Balance at 31 December 2018	8,071	4,115	17,963	530	30,680
<b>Carrying amount</b>					
At 31 December 2019	8,598	5,461	18,634	59	32,751
At 31 December 2018	12,564	2,312	5,687	116	20,679

- (i) All items of property and equipment are non current
- (ii) No leased assets are included in the above property and equipment account (31 December 2018 : Nil)
- (iii) There was no impairment loss on any class of property and equipment during the year (31 December 2018 : Nil)
- (iv) There was no capitalized borrowing costs related to the acquisition of property and equipment (31 December 2018 : Nil)

### 17 Intangible Assets

<i>In thousand of Naira</i>	Purchased Software	Work in progress	Total
<b>31 December 2019</b>			
<b>Cost</b>			
Balance as at 1 January 2019	635	2,103	2,738
Additions	347	-	347
Reclassification	2,103	(2,103)	-
Balance at 31 December 2019	3,085	-	3,085
<b>Amortization</b>			
Balance as at 1 January 2019	262	-	262
Amortization charge for the year	1,031	-	1,031
Balance at 31 December 2019	1,293	-	1,293

### 31 December 2018

*In thousand of Naira*

#### Cost

Balance as at 1 January 2018	635	-	635
Additions	-	2,103	2,103
Balance at 31 December 2018	635	2,103	2,738

#### Amortization

Balance as at 1 January 2018	50	-	50
Amortization charge for the year	212	-	212
Balance at 31 December 2018	262	-	262

#### Carrying amount

At 31 December 2019	1,792	-	1,792
At 31 December 2018	373	2,103	2,476

- (i) All items of property and equipment are non current (31 December 2018 : Nil)
- (ii) No leased assets are included in the above intangible assets account (31 December 2018 : Nil)
- (iii) There was no impairment loss on intangible asset during the year (31 December 2018 : Nil)
- (iv) There was no capitalised borrowing costs related to the acquisition of intangible assets (31 December 2018 : Nil)

### 18 Trading Properties

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

*In thousands of Naira*

	31-Dec-19	31-Dec-18
<b>Trading properties under construction</b>		
Trading property - Park view estate (see note (i) below)	1,579,209	-
Trading property - Ikorodu (see note (ii) below)	18,353	18,353
Trading property - Okokomaiko [624 square metres] (see note (iii) below)	-	6,970
Carrying amount	1,597,562	25,323
Impairment allowance	(18,353)	(25,323)
Balance as at 31 December 2019	1,579,209	-

- (i) Amount represents the fair value of Park view estate property as at 31 December 2019 which was reclassified from investment property to trading property during the year. The property, an on-going property construction at Block A5, Plot 5,6, & 7, Olusegun Aina street, Parkview Estate, Ikoyi, was reclassified from investment property to trading property following the change in use by management. Currently, management holds this property for the purpose of sale rather than to earn rentals or for capital appreciation and in line with IAS 40, the property was reclassified to trading property at the fair value. Consequently the fair value serves as the cost of the property upon transfer.
- (ii) The carrying amount of trading properties under construction includes the value of Ikorodu property which has been fully impaired.
- (iii) Amount represents the value of Okokomaiko land previously impaired. Following management's assessment of the realisability of the property, the asset was written off the Company's books. The write off was approved by the Board.
- (iv) The movement in trading properties during the year was as follows:

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Balance at the beginning of the year	-	-
Transfer from investment property (See note 15)	(1,579,209)	-
Balance at the end of the year	(1,579,209)	-

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

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Balance at the beginning of the year	25,323	25,323
Write-off of Okokomaiko land (see note (iii) above)	(6,970)	-
Balance at the end of the year	18,353	25,323

## 19 Investment Securities

(i) Investment Securities at amortised cost

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Federal Government of Nigeria Treasury bills	3,451,610	4,464,255
12 months ECL Allowance	(1,530)	(3,243)
Federal Government of Nigeria Treasury bills	3,450,080	4,461,012

(ii) Movement in impairment allowance on investment securities

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Balance at 1 January	3,243	-
12 month ECL allowance	1,713	3,243
Balance at 31 December 2019	(1,530)	3,243

## 20 Trade and Other Receivables

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
<b>Financial assets:</b>		
Trade debtors	82,085	104,426
Staff debtors	631	-
Receivables from CDL Asset Management Limited (see note (i) below)	1,042,512	1,042,512
Receivable on reclaimed Parkview land (see note 15)	-	207,706
<i>Gross - financial assets</i>	1,125,228	1,354,644
Less: Impairment allowance on financial assets (see note (ii) below)	(1,052,185)	(1,193,616)
<i>Total - financial assets</i>	73,043	161,028

**Non-financial assets:**

Prepayments	11,835	14,920
Bank road receivable	3,053	-
Withholding tax receivable	1,603	13,020
<b>Total - non financial assets</b>	<b>16,491</b>	<b>27,940</b>

Gross trade and other receivables	1,141,719	1,382,584
Less: Impairment allowance on other assets (see note (ii) below)	(1,052,185)	(1,193,616)
	<b>89,534</b>	<b>188,968</b>

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

(ii) The movement in impairment allowance on other receivables was as follows:

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Balance, beginning of year	1,193,616	1,204,106
Impact of adopting IFRS 9 on 1 January 2018	-	3,053
Receivables written off during the year (see note (a) below)	(12,725)	(13,542)
Write back of impairment on Park view receivable	(128,706)	-
<b>Balance, end of year</b>	<b>1,052,185</b>	<b>1,193,616</b>

(a) Amount represents Ogedengbe and Bank road receivables previously impaired. Following management's assessment of the realisability of this receivable, this amount was written off the books during the year. The write-off was approved by the Board.

(iii) Impaired assets

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Receivables from CDL Asset Management Limited	1,042,512	1,042,512
Trade debtors	9,673	22,398
Receivable on reclaimed Parkview land	-	128,706
	<b>1,052,185</b>	<b>1,193,616</b>

**21 Cash and Cash Equivalents**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Cash and cash equivalents comprise:		
Cash and bank balances	7,493	19,798
Money market placements	64,583	-
<b>Cash and cash equivalents</b>	<b>72,076</b>	<b>19,798</b>

## 22 Trade and other payables

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Trade and other payables comprise:		
<b>Financial liabilities:</b>		
Due to related companies (see note (a) below)	373,073	427,977
Trade payables	8,186	16,166
Dividend payable	32,813	71,544
Accrued expenses	24,678	33,625
Sundry creditors	74,182	75,233
Other liabilities and payables	34,849	16,400
<b>Total - financial liabilities</b>	<b>547,781</b>	<b>640,945</b>
<b>Non-financial liabilities:</b>		
Withholding tax payable	1,268	1,321
PAYE and other statutory deductions	3,265	-
VAT payable	49	2,938
Deferred rental income	64,407	80,031
<b>Total - non financial liabilities</b>	<b>68,989</b>	<b>84,290</b>
<b>Total - trade and other payables</b>	<b>616,770</b>	<b>725,235</b>

(a) Amount due to related companies includes N211.3 million (2018: N299.1million) which are funds received on behalf of Union Bank of Nigeria Plc for properties managed or sold by UBN Property Company Plc.

## 23 Taxation

(i) Current tax expense

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Company income tax	20,110	91,278
Tertiary education tax	1,716	6,589
Police Trust Fund	28	-
Charge for the year	21,854	97,867
Withholding tax notes utilised	(54,697)	-
Prior year over-provision	-	(63,124)
	<b>(32,843)</b>	<b>34,743</b>
Deferred tax expense	54,495	14,477
<b>Total tax expense</b>	<b>21,652</b>	<b>49,220</b>

The Company's income tax for the year was calculated as 30% of taxable profit in line with the provisions of Finance Act 2020 ("the Act"). This is pursuant to the provision of Finance Act 2020 which states that excess dividend tax will no longer apply to tax exempt income, franked investment income and retained earnings which have been subjected to tax. Hence, the Company has not been assessed for Excess Dividend Tax.

## (ii) Reconciliation of effective tax rate

<i>In thousands of Naira</i>	<b>31-Dec-19</b>		<b>31-Dec-18</b>	
Profit before tax		581,232		959,601
Tax credit using the Company's domestic tax rate	30%	174,370	30%	287,880
Non-deductible expenses	6%	33,651	0%	-
Non-taxable income	-32%	(188,113)	-19%	(181,760)
Tertiary education tax	0%	1,716	1%	6,589
Police trust fund levy	0%	28	0%	-
Prior year over-provision	0%	-	-7%	(63,124)
	4%	21,652	5%	49,585

## (iii) Current income tax payable

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Balance, beginning of the year	97,867	253,354
Tax impact of adopting IFRS 15	-	1,832
	97,867	255,186
Charge for the year	21,854	97,867
Prior year over-provision	-	(63,124)
Withholding tax credit notes utilised	(67,542)	(47,619)
Payments during the year	(30,325)	(144,443)
Balance, at the end of year	21,854	97,867

**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:

**2019**

<b>Movement in deferred tax</b>	<b>Balance as at 1 January</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<b>Balance as at 31 December</b>
Property, plant and equipment	3,722	2,869	-	6,591
Impairment allowance (12 months ECL)	(973)	514	-	(459)
Long service award	(713)	152	-	(561)
Investment properties	223,907	50,960	-	274,867
	225,943	54,495	-	280,438

2018

Movement in deferred tax	Balance as at 1 <sup>st</sup> January	Recognised in profit or loss	Recognised in other comprehensive income	Balance as at 31 <sup>st</sup> December
Property 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 month ECL)	-	(973)	-	(973)
Investment properties	223,214	693	-	223,907
	211,466	14,477	-	225,943

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

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18
Assets:		
Long service award	561	713
Impairment allowance (12 months ECL)	459	973
Deferred tax assets	1,020	1,686
Liabilities:		
Investment properties	(274,867)	(223,907)
Property and equipment	(6,591)	(3,722)
Deferred tax liabilities	(281,458)	(227,629)
Net deferred tax liabilities	(280,438)	(225,943)

## 25 Particulars of Directors and Employees

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18
i) Directors' remuneration		
Fees and sitting allowances	3,000	2,770
Executive compensation	19,555	21,000
	22,555	23,770

Fees and other emoluments disclosed above include amounts paid to:

The chairman	-	-
The highest paid director	19,555	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	3
N1,000,000 - N2,000,000	-	-
Above 2,000,000	-	-
	3	3

ii) Staff numbers and costs

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

	31-Dec-19	31-Dec-18
N1,400,000 - N2,400,000	7	7
N2,400,001 and above	8	8
	15	15

Compensation for staff:

In thousands of Naira	31-Dec-19	31-Dec-18
Salaries and wages	59,472	61,781
Other staff cost	53,076	72,736
Retirement benefits: Pension Cost	9,429	9,747
	121,977	144,264

## 26 Capital and Reserves

(a) Share capital

<i>in thousands of naira</i>	31-Dec-19	31-Dec-18
(i) Authorised:		
6,000,000,000 units of Ordinary shares of =N=1 each (2018: 6,000,000,000 units)	6,000,000	6,000,000
(ii) Issued and fully-paid:		
5,626,416,051 Ordinary shares of =N=1 each (2018: 5,626,416,051 ordinary shares of =N= 1 each)	5,626,416	5,626,416
(b) Share premium		
<i>In thousands of naira</i>	31-Dec-19	31-Dec-18
Balance, beginning of year	1,092,822	1,092,822
Balance, end of year	1,092,822	1,092,822

## 27 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-19	31-Dec-18
Profit attributable to shareholders of the Company (N'000)	559,580	910,381
Weighted average number of ordinary shares in issue (N'000)	5,626,416	5,626,416
Basic earnings per share (kobo)	10	16

### (ii) Diluted earnings per share

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

## 28 Statement of Cashflow Workings

### (i) Changes in trade and other receivables

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18
Balance at the beginning of the year	188,968	178,346
Impact of adopting IFRS 9	-	(3,053)
Impact of adopting IFRS 15	-	160,000
	188,968	335,293
Withholding tax credit notes utilised	(12,845)	(47,619)
Reclassification of Parkview receivable (See note 15)	(75,000)	-
Cash outflow	(11,589)	(98,706)
Balance at the end of the year	89,534	188,968

### (ii) Changes in trade and other payables

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18
Balance at the beginning of the year	725,230	2,032,734
Impact of adopting IFRS 15	-	(100,000)
	725,230	1,932,734
Movement in dividend payable	(38,731)	51,887
Withholding and value added tax paid	(15,013)	(14,073)
Cash outflow	(54,716)	(1,247,690)
Balance at the end of the year	616,770	722,858

### (iii) Changes in investment securities

<i>In thousands of Naira</i>	31-Dec-19	31-Dec-18
Balance at the beginning of the year	4,461,012	-
Earned discount on outstanding treasury bills	613,891	210,218
(Redemption)/ purchase of investment securities	(1,626,536)	4,254,037
12 months ECL Allowance	1,713	(3,243)
Balance at the end of the year	3,450,080	4,461,012

**(iv) Investment income received**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Interest income on placements (see note 10)	5,190	66,929
Investment income on treasury bills	613,891	601,195
Interest receivable on placements	-	62,376
Earned discount on outstanding treasury bills	(613,891)	(210,218)
Cash inflow	5,190	520,282

**(v) Dividend paid**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Balance at the beginning of the year	(71,544)	(19,657)
Dividend ratified for payment during the year	(731,434)	(843,962)
Dividend payable (see note 22)	32,813	71,544
Cash outflow	(770,165)	(792,075)

**(vi) Proceeds from sale of property and equipment**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Gain on disposal of property	-	42
Cost eliminated on disposal	-	10,546
Accumulated depreciation eliminated on disposal	-	(10,525)
Proceeds from sale of property and equipment	-	63

**(vii) Trading properties sold**

<i>In thousands of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Balance at the beginning of the year	-	640,565
Impact of adopting IFRS 15	-	(253,893)
	-	386,672
Impairment write back on trading properties	-	72,500
Transfer from investment property	1,579,209	-
Balance at the end of the year	(1,579,209)	-
Cash inflow	-	459,172

**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.

**(i) Parent and ultimate controlling company**

Union Bank Plc is the parent and ultimate controlling company of the entity. 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:

<i>In thousand of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Directors' remuneration		
Fees and allowances	3,000	2,770
Executive compensation	19,555	21,000
	<b>22,555</b>	<b>23,770</b>

(iii) Other related party transactions

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

<i>In thousand of Naira</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
(a) Bank Balances		
Placements with Union Bank of Nigeria Plc	64,583	-
Bank balances with Union Bank of Nigeria Plc	7,493	19,798
	<b>72,076</b>	<b>19,798</b>
(b) Payables to related parties		
Union Bank of Nigeria Plc (see note 22(a))	373,073	427,977
	<b>373,073</b>	<b>427,977</b>
(c) Income from related parties:		
Professional fees-Project management fee	2,833	3,528
Management fee from Union Bank of Nigeria Plc	22,687	29,520
Rental income from Union Bank of Nigeria Plc	29,520	21,966
Interest income from treasury bills with Union Bank of Nigeria Plc	613,891	601,195
Interest income from deposits with Union Bank of Nigeria Plc	5,190	66,929
	<b>674,120</b>	<b>723,138</b>
Interest and bank charges [Union Bank of Nigeria Plc]	(2,051)	(6,503)
Technical management fees [Union Bank of Nigeria Plc]	(14,071)	(29,536)
	<b>(16,122)</b>	<b>(36,039)</b>
(d) Investment securities		
Federal Government of Nigeria Treasury bills (Held with Union Bank of Nigeria Plc)	3,450,080	4,461,012
	<b>3,450,080</b>	<b>4,461,012</b>

### **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 (3) suits. The claimants' claims are for the sum of N247million. 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 (2018: Nil ) as at the reporting date.



## OTHER NATIONAL DISCLOSURES

# VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

<i>In thousands of naira</i>	<u>31-Dec-19</u>	%	<u>31-Dec-18</u>	%
Gross earnings	823,756	116%	1,632,212	147%
Bought-in-materials and services				
-Local	(241,203)	-34%	(587,503)	-53%
Impairment writeback on assets	130,419	18%	69,257	6%
<b>Value added</b>	<b>712,972</b>	<b>100%</b>	<b>1,113,966</b>	<b>100%</b>

## Distribution of value added:

### To employees

Salaries, wages and benefits	121,977	17%	144,264	13%
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### To government

Taxation	21,652	3%	49,220	4%
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### Retained in the business:

Depreciation	8,732	1%	9,889	1%
Amortization	1,031	0%	212	0%
Profit for the year	559,580	79%	910,381	82%

	712,972	100%	1,113,966	100%
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# FINANCIAL SUMMARY

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019

31 Dec 2019 31 Dec 2018 31 Dec 2017 31 Dec 2016 31 Dec 2015

*In thousands of naira*

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Dec 2015
Total Income	954,175	1,770,726	2,018,348	1,972,306	648,827
Profit before income tax	581,232	959,601	1,274,778	592,875	316,387
Tax expense	(21,652)	(49,220)	(261,531)	(88,449)	(146,500)
Profit for the year	559,580	910,381	1,013,247	504,426	169,887
Other comprehensive income	-	-	-	(7,237)	5,152
Total other comprehensive income	559,580	910,381	1,013,247	497,189	175,039

## STATEMENT OF FINANCIAL POSITION

### Non-current assets

Investment properties	4,202,518	5,036,861	4,951,080	4,730,000	4,267,163
Property and equipment	32,751	20,679	30,070	19,681	8,890
Intangible assets	1,792	2,476	585	-	-
	4,237,061	5,060,016	4,981,735	4,749,681	4,276,053

### Current assets

Trading properties	1,579,209	-	640,565	835,672	2,020,045
Investment securities	3,450,080	4,461,012	-	2,870,544	-
Trade and other receivables	89,534	188,968	178,346	127,327	60,288
Cash and cash equivalents	72,076	19,798	5,365,780	1,490,931	3,552,593
	5,190,899	4,669,778	6,184,691	5,324,474	5,632,926

### Current liabilities

Trade and other payables	616,770	722,858	2,032,734	2,111,570	1,510,422
Current income tax payable	21,854	97,867	253,354	164,852	145,124
	638,624	820,725	2,286,088	2,276,422	1,655,546

### Non-current liabilities

Employee retirement benefits	-	2,374	55,761	47,240	32,504
Deferred tax liabilities	280,438	225,943	211,466	150,629	105,499
	280,438	228,317	267,227	197,869	138,003

Net assets	8,508,898	8,680,752	8,613,111	7,599,864	8,115,430
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### 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
Retained earnings	1,789,660	1,961,514	1,888,659	875,412	1,383,741
Shareholders' funds	8,508,898	8,680,752	8,613,111	7,599,864	8,115,430





## PROXY FORM UBN PROPERTY COMPANY PLC TENTH ANNUAL GENERAL MEETING

<p style="text-align: center;">I/We</p> <div style="border: 1px solid black; height: 40px; width: 100%; margin-bottom: 10px;"></div> <p>Being a member/member of <b>UBN PROPERTY COMPANY PLC</b> hereby appoint .....or failing him/her <b>MR. EMEKA EMUWA</b> or failing him <b>MR. TOSIN OSIKOYA</b> to be my/our proxy, to act and vote for me/us and on my/our behalf at the Tenth Annual General Meeting of the Company to be held in The Auditorium, Stallion Plaza (9<sup>th</sup> Floor), 36 Marina, Lagos on Tuesday, 23<sup>rd</sup> June 2020 at 11.00 a.m. and at any adjournment thereof in such manner as such Proxy shall think proper and if expedient, to demand a poll.</p> <p>As witness my/our hands this ..... day of .....2020</p> <p>Signed:</p> <p>.....</p> <p><b>NOTE:</b> A member entitled to attend and vote at the Tenth Annual General Meeting is entitled to appoint a proxy in its, his or her stead. All completed proxy forms should be deposited at the office of <b>The Registrar, CardinalStone Registrars Limited, 358 Herbert Macaulay Way, Yaba, Lagos</b> or forwarded via e-mail to <a href="mailto:registrars@cardinalstone.com">registrars@cardinalstone.com</a> not less than forty-eight (48) hours before the time scheduled for holding the meeting. A proxy need not be a member of the Company.</p> <p>In the case of joint shareholders, any one of such may complete the form but the name of all joint shareholders must be stated.</p> <p>It is required by law under the Stamp Duties Act, Cap F8, Laws of the Federation of Nigeria, 2004 that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must bear stamp duty at the appropriate rate, not adhesive postage stamps.</p> <p>If the shareholder is a corporation, this form must be under its common seal or under the hand of officers or an attorney duly authorized in that behalf.</p>	<p>I/We desire this proxy to be used in favour o f / o r against the resolution a s indicated alongside (Strike out which-ever i s n o t desired)</p>	ORDINARY BUSINESS		FOR	AGAINST
		ORDINARY RESOLUTIONS			
	1.	To receive and adopt the Company's Audited Financial Statements for the financial year ended 31 <sup>st</sup> December 2019 together with the reports of the Directors, Auditor, Board Appraiser and Statutory Audit Committee thereon.			
	2.	To declare a dividend for the financial year ended 31 <sup>st</sup> December 2019.			
	3.	To elect/re-elect Directors.			
	A.	To re-elect Mr. Remi Kolarinwa who retires at this meeting and is eligible for re-election.			
	4.	To authorise the Directors to fix the remuneration of the Auditor.			
	5.	To appoint Messrs. Ernst and Young as the External Auditor			
	6.	To elect members of the Statutory Audit Committee.			
		Please indicate with "X" in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.			

BEFORE POSTING THE ABOVE CARD, KINDLY TEAR OFF THIS PART AND RETAIN IT.

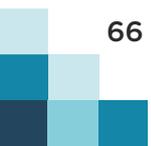
**ADMISSION CARD  
UBN PROPERTY COMPANY PLC  
TENTH ANNUAL GENERAL MEETING**

PLEASE ADMIT ONLY THE SHAREHOLDER NAMED ON THIS CARD OR ITS/HIS/HER DULY APPOINTED PROXY TO THE TENTH ANNUAL GENERAL MEETING OF UBN PROPERTY COMPANY PLC HELD IN THE AUDITORIUM, STALLION PLAZA (9<sup>th</sup> FLOOR), 36 MARINA, LAGOS ON TUESDAY, 23<sup>RD</sup> JUNE 2020 AT 11.00 A.M.

NAME OF SHAREHOLDER/PROXY..... SIGNATURE.....

ADDRESS.....

**THIS CARD IS TO BE SIGNED AT THE VENUE IN THE PRESENCE OF THE REGISTRAR**





**Affix  
Current  
Passport**

**E-DIVIDEND MANDATE ACTIVATION FORM**

Write your name at the back of your passport photograph

**Instruction**

Only Clearing Banks are acceptable

Please complete all section of this form to make it eligible for processing and return to the address below

**The Registrar,  
CardinalStone Registrars Limited**

358, Herbert Macaulay Way, Yaba,  
P.O. Box 9117, Marina, Lagos  
Nigeria.

We hereby request that henceforth, all my/our Dividend Payment(s) due to me/us from my/our holdings in all the companies ticked at the right hand column be credited directly to my\ our bank detailed below:

Bank Verification Number

Bank Name

Bank Account Number

Account Opening Date

**Shareholder Account Information**

Surname / Company's Name  First Name  Other Names

Address :

City  State  Country

Previous Address (If any)

CHN (If any)

Mobile Telephone 1  Mobile Telephone 2

Email Address

Signature(s)  Company Seal (If applicable)

Joint/Company's Signatories

TICK	NAME OF COMPANY	SHAREHOLDER'S ACCOUNT NO.
	ACORN PET. PLC	
	AFRIK PHARMACEUTICALS PLC	
	AG MORTGAGE BANK PLC	
	AG LEVENTIS PLC	
	ARBICO NIGERIA PLC	
	BANKERS WAREHOUSE PLC	
	BETA GLASS PLC	
	CAPITAL HOTELS PLC	
	ELLAH LAKES PLC	
	EVANS MEDICALS PLC	
	FCMB BOND 1	
	FCMB BOND 2	
	FCMB BOND 3	
	FCMB GROUP PLC	
	FIDSON BOND	
	G. CAPPALC	
	GUINEA INSURANCE PLC	
	JOS INT. BREWERIES PLC	
	LAFARGE AFRICA PLC	
	LAFARGE BOND 1	
	LAFARGE BOND 2	
	LAPO MICROFINANCE BANK	
	LAW UNION & ROCK INS. PLC	
	LEGACY EQUITY FUND	
	LEGACY DEBT FUND	
	LEGACY USD BOND FUND	
	LIVESTOCK FEEDS PLC	
	MORISON INDUSTRIES PLC	
	NAHCO BOND	
	NAHCO AVIANCE PLC	
	NEWPAK PLC	
	N.G.C PLC	
	NPF MICROFINANCE BANK PLC	
	OKOMU OIL PALM PLC	
	PREMIER PAINTS PLC	
	ROYAL EXCHANGE PLC	
	SKYE BANK PLC	
	TOTAL NIGERIA PLC	
	TRANS-NATIONWIDE EXP. PLC	
	UBN PROPERTY COMPANY PLC	
	UNION BANK OF NIGERIA PLC	
	WOMEN INVESTMENT FUND	

Help Desk Telephone No/Contact Centre Information for Issue resolution or clarification: 01-7120090

**CARDINALSTONE REGISTRARS**

Address: Lagos: 358, Herbert Macaulay Way, Beside St. Dominic Catholic Church, Yaba, Lagos.  
Port Harcourt: FCMB Building 85, Aba Express Way by Garrison Junction, Port Harcourt.  
Abuja: FCMB Building 252, Herbert Macaulay Way, Central Business District, Abuja.  
Website: [www.cardinalstoneregistrars.com](http://www.cardinalstoneregistrars.com), E-mail: [registrars@cardinalstone.com](mailto:registrars@cardinalstone.com)

