

UBN Property Company Plc
Lagos, Nigeria

ANNUAL REPORT
FOR THE YEAR ENDED 31st DECEMBER 2023

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Corporate Information

| | | |
|-----------|---|------------------------------------|
| Directors | Yetunde Bolanle Oni (Mrs.) ¹ | Board Chair |
| | Mudassir Amray ² | Chairman |
| | Michael Onagbola ³ | Managing Director |
| | Joseph Mbulu ⁴ | Non-Executive Director |
| | Obiaku Nneze Akwiwu - Nwadike (Mrs.) | Non-Executive Director |
| | Remi Kolarinwa | Independent Non-Executive Director |
| | Olajumoke Odulaja (Mrs.) ⁵ | Non-Executive Director |
| | Mannir Ringim ⁶ | Non-Executive Director |

¹ Appointed with effect from 26th March 2024

² Retired with effect from 10th January 2024

³ Appointed with effect from 9th January 2023

⁴ Appointed with effect from 27th February 2023; retired with effect from 10th January 2024

⁵ Retired with effect from 13th February 2023

⁶ Appointed with effect from 26th March 2024

| | |
|------------------------|---|
| Registered Office | 163, Obafemi Awolowo Way Alausa, Ikeja Lagos |
| Company Secretary | Somuyiwa Adedeji Sonubi FRC/2013/PRO/NBA/004/00000002061 Stallion Plaza 36 Marina Lagos |
| Registrar | CardinalStone Registrars Limited 335/337, Herbert Macaulay Way Yaba Lagos, Nigeria |
| Estate Valuer | Bode Adedeji Partnership 15, Bishop Oluwole Street Victoria Island Lagos FRC/2013/NIESV/00000001479 |
| Auditor | Ernst & Young UBA House, 10 th and 13 th Floors 57 Marina, Lagos |
| Banker | Union Bank of Nigeria Plc |
| Tax Identification No. | 00346822-0001 |
| RC Number | 476267 |

Report of the Directors

Directors' report

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 31st December 2023.

Legal form

The Company was incorporated in Nigeria under the Companies and Allied Matters Act as a Limited Liability Company on 24th March 2003 and has been in operation since then. On 11th 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 highlight of the Company's operating results for the year is as follows:

| <i>in thousands of Nigerian Naira</i> | 2023 | 2022 |
|---|-----------|-----------|
| Profit before income tax expense | 1,934,105 | 1,293,962 |
| Income tax expense | (567,021) | (406,306) |
| Profit after tax | 1,367,084 | 887,656 |
| Dividend declared and paid during the year | (421,982) | (112,528) |
| Basic and diluted earnings per share (kobo) | 24 | 16 |

Analysis of Shareholding

The shareholding structure of the Company is as stated below:

As of 31st December 2023

| Range | No. of Holders | % of Total Holders | Units held | % of Total Holders |
|-----------------------------|----------------|-----------------------|---------------|-----------------------|
| 1 - 50,000 | 262 | 31.23 | 7,101,763 | 0.13 |
| 50,001- 500,000 | 337 | 40.17 | 70,208,181 | 1.25 |
| 500,001- 5,000,000 | 179 | 21.33 | 344,406,947 | 6.12 |
| 5,000,001- 50,000,000 | 52 | 6.20 | 1,016,037,999 | 18.06 |
| 50,000,001- 500,000,000 | 6 | 0.72 | 461,825,700 | 8.21 |
| 500,000,001 - 5,626,416,051 | 3 | 0.36 | 3,726,835,461 | 66.24 |
| Grand total | 839 | 100 | 5,626,416,051 | 100 |

As of 31st December 2022

| Range | No. of Holders | % of Total Holders | Units held | % of Total Holders |
|-----------------------------|----------------|-----------------------|---------------|-----------------------|
| 10 - 50,000 | 245 | 29.27 | 6,898,442 | 0.12 |
| 50,001- 500,000 | 343 | 40.98 | 71,320,162 | 1.27 |
| 500,001- 5,000,000 | 176 | 21.03 | 338,913,722 | 6.02 |
| 5,000,001- 50,000,000 | 63 | 7.53 | 1,231,859,085 | 21.89 |
| 50,000,001- 500,000,000 | 8 | 0.96 | 1,208,654,815 | 21.48 |
| 500,000,001 - 5,626,416,051 | 2 | 0.24 | 2,768,769,825 | 49.21 |
| Grand total | 837 | 100 | 5,626,416,051 | 100 |

Proposed Dividend

The Directors, pursuant to the powers vested in it by the provisions of the Companies and Allied Matters Act 2020, propose a dividend of N0.075 kobo per 1 unit of ordinary shares from the retained earnings account as of 31st December 2023 (31st December 2022: N0.075 kobo per 1 unit of ordinary shares). This proposed dividend will be presented to the shareholders for approval at the Annual General Meeting. The proposed dividend is subject to withholding tax at the appropriate tax rate.

Report of the Directors - Continued

Directors and their interests

The names of the Directors at the date of this report and of those who held offices during the year are as follows:

| | |
|--------------------------------------|--|
| Yetunde Bolanle Oni (Mrs.) | Board Chair (Appointed with effect from 26 th March 2024) |
| Mudassir Amray | Chairman (Retired with effect from 10 th January 2024) |
| Michael Onagbola | Managing Director (Appointed with effect from 9 th January 2023) |
| Joseph Mbulu | Non-Executive Director (Appointed with effect from 27 th February 2023; retired with effect from 10 th January 2024) |
| Obiaku Nneze Akwiwu - Nwadike (Mrs.) | Non-Executive Director |
| Remi Kolarinwa | Independent Non-Executive Director |
| Olajumoke Odulaja (Mrs.) | Non-Executive Director (Retired with effect from 13 th February 2023) |
| Mannir Ringim | Non-Executive Director (Appointed with effect from 26 th March 2024) |

The direct and indirect 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 the provisions of CAMA 2020 are as follows:

| Directors | 31-Dec-23 | | 31-Dec-22 | |
|--------------------------------------|------------------|-------------------|------------------|-------------------|
| | Direct | Indirect | Direct | Indirect |
| Yetunde Bolanle Oni (Mrs.) | - | - | - | - |
| Mudassir Amray | - | - | - | - |
| Michael Onagbola | - | - | - | - |
| Olajumoke Odulaja (Mrs.) | - | - | - | - |
| Mannir Ringim | - | - | - | - |
| Joseph Mbulu | - | - | - | - |
| Obiaku Nneze Akwiwu - Nwadike (Mrs.) | 3,500,000 | 56,000,000 | 3,500,000 | 50,000,000 |
| Remi Kolarinwa | - | - | - | - |
| Peter Nwankwo | - | - | 50,000 | - |
| Total | 3,500,000 | 56,000,000 | 3,550,000 | 50,000,000 |

Directors' interest in Contracts

In accordance with the provision of the Companies and Allied Matters Act, 2020 none of the Directors has notified the Company of any declarable interests in contracts with the Company.

Directors' retirements

The Directors who retire by rotation and, being eligible, offer themselves for re-election in accordance with Articles 26 and 27 of the Company's Articles of Association are Mr. Remi Kolarinwa, Mrs. Yetunde Bolanle Oni and Mr. Mannir Ringim.

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 31st December 2023:

| | 2023 | | 2022 | |
|---|---------------|-----------|---------------|-----------|
| | No. of shares | % Holding | No. of shares | % Holding |
| Union Bank of Nigeria Plc | 2,195,000,000 | 39 | 2,195,000,000 | 39 |
| Dangana Abdulwahab | 941,238,746 | 17 | - | 0 |
| Suleiman Tanko Yakasai | 590,596,715 | 10 | - | 0 |
| Greenwich Registrars and Data Solutions Limited | - | 0 | 573,769,825 | 10 |
| Allianz Nigeria Insurance Nigeria Plc | - | 0 | 495,000,000 | 9 |

Property, plant and equipment

Information relating to changes in property, plant and equipment is given in Note 15 to the financial statements. In the opinion of the Directors, market value of property, plant and equipment is not less than the value shown in the financial statements.

Donations and charitable gifts

There was donation of N1,600,000 made during the year towards Chief Nwadike's funeral (2022: Nil).

Report of the Directors - Continued

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 disabled persons, as far as possible, are identical with that of other employees.

Health, safety at work and welfare of employees

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

Employees' involvement and training

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

The Company places a lot of emphasis on employee development and training. Consequently, in-house training is complemented by additional external training where the need is assessed as required or necessary.

Events after the reporting date

There were no subsequent events after reporting date which could have had material effect on the state of affairs of the Company as of 31st December 2023, 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 (eighteen 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

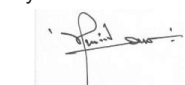
Major sources of operational risk include operational process, IT security, dependence on key suppliers, fraud, human error, regulatory compliance, recruitment, training, retention of staff, and social and environmental impact. The Company has strict operational procedures in place. The compliance and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

Auditor

Messrs. Ernst & Young (EY) acted as the Company's independent auditor during the financial year ended 31st December 2023. The independent auditor's report was signed by Babayomi Ajijola, a partner in the firm, with Financial Reporting Council of Nigeria (FRC) membership number FRC/2013/PRO/ICAN/004/00000001196.

Messrs. Ernst & Young (EY) has indicated willingness to continue in office as auditor in accordance with Section 401(2) of the Companies and Allied Matters Act 2020, Laws of the Federation of Nigeria.

By order of the Board



Somuyiwa Adedeji Sonubi
FRC/2013/PRO/NBA/004/00000002061
Company Secretary

2nd May 2024

Statement of Corporate Responsibility for the Financial Statements

In line with the provision of Section 405 of the Companies and Allied Matters Act, 2020, we have reviewed the audited financial statements of the Company for the year ended 31st December 2023 based on our knowledge and confirm as follows:

- i The audited financial statements do not contain any untrue statement of material fact and/or omit to state a material fact which would make the statements misleading.
- ii The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Company as of and for the year ended 31st December 2023.
- iii The Company's internal controls have been designed to ensure that all material information relating to the Company is received and provided to the auditors in the course of the audit.
- iv The Company's internal controls were evaluated within ninety (90) days of the financial reporting date and are effective as of 31st December 2023.
- v That we have disclosed to the Company's auditor and Statutory Audit Committee the following information:
 - a there are no significant deficiencies in the design or operation of the Company's internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data, and have discussed with the auditors any weaknesses in internal controls observed in the course of audit.
 - b there is no fraud involving management or other employees which could have any significant role in the Company's internal control.
- vi There are no significant changes in internal controls or in the other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.



Michael Onagbola
FRC/2023/PRO/DIR/003/413829
Managing Director

2nd May 2024



Oluwagbenga Adeoye
FRC/2013/ICAN/00000002063
Chief Financial Officer

2nd May 2024

Statement of Directors' Responsibilities in Relation to the Preparation of the Financial Statements

Section 377 of the Companies and Allied Matters Act, 2020, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss and other comprehensive income. The responsibilities include ensuring that the Company:

- a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with IFRS Accounting Standards as issued by the International Accounting Standards Board, the relevant requirements of the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.
- b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board, the relevant requirements of the Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit and other comprehensive income. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve (12) months from the date of this statement.

Signed on behalf of the Board of Directors by:



Michael Onagbola
FRC/2023/PRO/DIR/003/413829
Managing Director

2nd May 2024



Yetunde Bolanle Oni (Mrs.)
FRC/2024/PRO/DIR/003/678857
Board Chair

2nd May 2024

Corporate Governance Report

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, the Nigerian Code of Corporate Governance of 2018 by the Financial Reporting Council of Nigeria, 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 (DSCL Corporate Services Limited) 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 16th 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 media:

- 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.

Corporate Governance Report - Continued

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 at the end of 31 December 2023 comprised a Non-Executive Chairman, one Independent Non-Executive Director, two Non-Executive Directors, and the Managing Director as listed below:

| NAME | | 12.01.2023 | 02.02.2023 | 27.02.2023 | 20.04.2023 | 30.10.2023 | 13.12.2023 |
|---------------------------------------|--|------------|------------|------------|------------|------------|------------|
| Mudassir Amray ¹ | | ü | ü | ü | ü | ü | ü |
| Michael Onagbola ² | | ü | ü | ü | ü | ü | ü |
| Joseph Mbulu ³ | | NA | NA | NA | ü | ü | ü |
| Obiaku Nneze Akwiwu - Nwadike (Mrs.) | | ü | ü | ü | ü | AB | ü |
| Remi Kolarinwa | | ü | ü | ü | ü | ü | ü |
| Olajumoke Odulaja (Mrs.) ⁴ | | ü | ü | R | R | R | R |

Present ü

Not yet appointed NA

Resigned/Retired

Absent

R

AB

¹Retired with effect from 10th January 2024

²Appointed with effect from 9th January 2023

³Appointed with effect from 27th February 2023 ; retired with effect from 10th January 2024

⁴Retired with effect from 13th February 2023

Responsibilities of the Board of Directors

The Board, the highest decision-making body approved by the shareholders, met six (6) times during the year to provide strategic direction, leadership and articulate policies required to achieve 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.

Corporate Governance Report - Continued

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 consists of the following members:

| | | 27.02.2023 |
|---|----------|------------|
| i. Remi Kolarinwa | Chairman | ü |
| ii. Olajumoke Odulaja (Mrs.) ¹ | Member | R |
| iii. Obiaku Nneze Akwiwu - Nwadike (Mrs.) | Member | ü |
| iv. Joseph Mbulu ² | Member | ü |

¹Retired with effect from 13th February 2023

²Appointed with effect from 27th February 2023; retired with effect from 10th January 2024

Its responsibilities include the following, amongst others:

- Review and approve the annual external 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 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 comprises the following members:

| NAME | |
|---------------------------------------|----------|
| Remi Kolarinwa | Chairman |
| Obiaku Nneze Akwiwu - Nwadike (Mrs.) | Member |
| Olajumoke Odulaja (Mrs.) ¹ | Member |
| Joseph Mbulu ² | Member |

¹Retired with effect from 13th February 2023

²Appointed with effect from 27th February 2023; retired with effect from 10th January 2024

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 to the Board for 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.

Corporate Governance Report - Continued

3. Statutory Audit Committee

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

| NAME | | 27.02.2023 | 20.04.2023 | 27.10.2023 | 14.12.2023 |
|---------------------------------------|----------|------------|------------|------------|------------|
| Kamarudeen Oladosu FCA | Chairman | ✓ | ✓ | ✓ | ✓ |
| Remi Kolarinwa | Member | ✓ | ✓ | ✓ | ✓ |
| Nornah Awoh | Member | ✓ | AB | ✓ | ✓ |
| Olajumoke Odulaja (Mrs.) ¹ | Member | R | R | R | R |
| Joseph Mbulu ² | Member | NA | ✓ | ✓ | ✓ |
| Timothy Oyedele | Member | ✓ | ✓ | ✓ | ✓ |

Present ✓ Resigned/ Retired R
Not yet appointed NA Absent AB

¹Retired with effect from 13th February 2023

²Appointed with effect from 27th February 2023; retired with effect from 10th January 2024

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 Adedeji Sonubi
FRC/2013/PRO/NBA/004/00000002061
Company Secretary

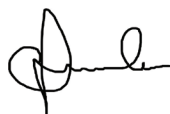
2nd May 2024

Report of the Statutory Audit Committee

In compliance with Section 404 of Companies and Allied Matters Act, 2020, we reviewed the financial statements of UBN Property Company Plc. for the year ended 31st December 2023 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 28 to the financial statements in accordance with requirements of the IFRS Accounting Standards as issued by the International Accounting Standards Board.

Signed on behalf of the Committee by:



Kamarudeen Oladosu FCA
FRC/2013/PRO/DIR/00000005091
Chairman, Statutory Audit Committee

2nd May 2024

MEMBERS OF THE COMMITTEE

- | | | |
|---|---------------------------------------|----------|
| 1 | Kamarudeen Oladosu FCA | Chairman |
| 2 | Remi Kolarinwa | Member |
| 3 | Nornah Awoh | Member |
| 4 | Olajumoke Odulaja (Mrs.) ¹ | Member |
| 5 | Joseph Mbulu ² | Member |
| 6 | Timothy Oyedele | Member |

¹Retired with effect from 13th February 2023

²Appointed with effect from 27th February 2023; retired with effect from 10th January 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS 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 2023, 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 to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of UBN Property Company Plc as at 31 December 2023 and its financial performance and cash flows for the year then ended prepared in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UBN PROPERTY COMPANY PLC - Continued

Key audit matters – continued

| Key audit matter | How our audit addressed the matter |
|--|---|
| <p>Valuation of Investment Property</p> <p>The carrying value of investment property as at 31 December 2023 amounted to N3.302 billion (2022: N3.090 billion). This represents 26.5% (2022: 27%) of the total assets. The fair value gain on it for the year then ended amounted to N166.7 million (2022: N31 million).</p> <p>It is the Company's policy that Investment Property is stated at fair value as determined by independent external valuation experts.</p> <p>Determining the fair value of investment property requires a high level of professional judgement and assessment. The value of the property was assessed by a professional valuer using the market data approach (Comparison methods of valuation) based on recent sales transactions of similar sites in a comparable location.</p> <p>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 the actual transaction for similar properties in the area in recent times.</p> <p>The valuation of investment property was considered to be a key audit matter due to the inherent subjectivity in determining the property values.</p> <p>The Company's accounting policy on investment property and related disclosures are shown in Notes 3.5.3 and 14 respectively of the financial statements.</p> | <p>Our procedures included the following:</p> <ul style="list-style-type: none"> § We obtained a schedule of investment properties and agreed the balances to the respective general ledger accounts. § We assessed the external property valuers' qualifications, experience, and expertise in the properties being valued and considered their objectivity and independence. § We assessed the reasonableness of the adjusted valuation per square meter by carrying out independent online research on the market price for properties in the same location. § We engaged an independent valuer to review the valuation report of the investment properties and conclude on the completeness and reasonableness of the analysis included in the report. § We engaged an independent valuer to assess the valuation method adopted and conclude whether the valuation method as applied by the external valuers is acceptable and in accordance with applicable standards, for the purpose of the valuation of the underlying investment property. |

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UBN PROPERTY COMPANY PLC - Continued

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled "UBN Property Company Plc Annual Report for the year ended 31 December 2023", which includes the Corporate Information, Report of the Directors, Statement of Corporate Responsibility for the Financial Statements, Statement of Directors' Responsibilities in Relation to the Preparation of Financial Statements, Report of the Statutory Audit Committee and Other National Disclosures. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the provisions of the Companies and Allied Matters Act, 2020 and in compliance with the Financial Reporting Council of Nigeria (Amendment) Act, 2023 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 judgement and maintain professional scepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UBN PROPERTY COMPANY PLC - Continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

- 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 the 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 Directors 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 the Directors 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UBN PROPERTY COMPANY PLC - Continued

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Fifth Schedule of the Companies and Allied Matters Act, 2020, we confirm that:

- I. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
- II. in our opinion, proper books of account have been kept by the Company, in so far as it appears from our examination of those books; and
- III. the Company's statement of financial position and statement of profit or loss and other comprehensive income agree with the books of account.

In accordance with the requirements of the Financial Reporting Council of Nigeria (FRC) Guidance on Assurance Engagement Report on Internal Control over Financial Reporting:

We performed a limited assurance engagement and reported on management's assessment of the company's internal control over financial reporting as of December 31, 2023. The work performed was done in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and FRC Guidance on Assurance Engagement Report on Internal Control over Financial Reporting, and we have issued an unmodified conclusion in our report dated 15 August 2024.



Babayomi Ajijola
FRC/2013/PRO/ICAN/004/00000001196
For: Ernst & Young
Lagos, Nigeria

Date: 15 August 2024



Statement of Profit or Loss and Other Comprehensive Income

31st December 2023*For the year ended 31 December 2023**in thousands of Nigerian Naira*

| | Notes | 2023 | 2022 |
|--|-------|-----------|-------------|
| Revenue from the sale of trading properties | 7 | 1,661,000 | 1,954,684 |
| Cost of sale of trading property | 7 | (782,658) | (1,157,383) |
| Profit from the sale of trading property | | 878,342 | 797,301 |
| Property management fees | 7 | 30,910 | 38,548 |
| | | 909,252 | 835,849 |
| Other operating income | | | |
| Rental income from investment property | 8 | 103,779 | 95,720 |
| Interest income calculated using the effective interest method | 10 | 935,150 | 541,881 |
| Other income | 11 | 79,834 | 34,286 |
| Fair value gain on investment property | 9 | 166,717 | 31,000 |
| Other operating income | | 1,285,480 | 702,887 |
| Total income | | 2,194,733 | 1,538,736 |
| Personnel expenses | 12 | (161,383) | (168,114) |
| Depreciation of property, plant and equipment | 15 | (12,419) | (9,230) |
| Operating expenses | 13 | (86,826) | (67,430) |
| Total expenses | | (260,628) | (244,774) |
| Profit before income tax expense | | 1,934,105 | 1,293,962 |
| Income tax expense | 22.1 | (567,021) | (406,306) |
| Profit after tax | | 1,367,084 | 887,656 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive income for the year, net of tax | | 1,367,084 | 887,656 |
| Basic and diluted earnings per share (kobo) | 26 | 24 | 16 |

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

Statement of Financial Position

31st December 2023

| As at 31 December 2023 in thousands of Nigerian Naira | Notes | 31 December 2023 | 31 December 2022 |
|--|-------|---------------------|---------------------|
| Non-current assets | | | |
| Investment property | 14 | 3,301,800 | 3,090,000 |
| Property, plant and equipment | 15 | 38,345 | 48,794 |
| Total non-current assets | | 3,340,145 | 3,138,794 |
| Current assets | | | |
| Trading properties | 17 | 554,773 | 1,282,003 |
| Trade and other receivables | 18 | 149,836 | 44,056 |
| Cash and short term deposits | 19 | 8,435,113 | 6,880,528 |
| Total current assets | | 9,139,722 | 8,206,587 |
| Total assets | | 12,479,867 | 11,345,381 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 23 | 211,729 | 190,857 |
| Total non-current liabilities | | 211,729 | 190,857 |
| Current liabilities | | | |
| Trade and other liabilities | 20 | 712,882 | 649,509 |
| Current income tax payable | 22.3 | 571,033 | 406,718 |
| Contract liabilities | 21 | 668,330 | 727,506 |
| Total current liabilities | | 1,952,245 | 1,783,733 |
| Total liabilities | | 2,163,974 | 1,974,590 |
| Equity | | | |
| Share capital | 25.1 | 5,626,416 | 5,626,416 |
| Share premium | 25.1 | 1,092,822 | 1,092,822 |
| Retained earnings | | 3,596,655 | 2,651,553 |
| Total equity | | 10,315,893 | 9,370,791 |
| Total liabilities and equity | | 12,479,867 | 11,345,381 |

The financial statements were approved by the Board of Directors on 2 May 2024 and signed on its behalf by:

Yetunde Bolanle Oni (Mrs.) (Board Chair)
FRC/ 2024/ PRO/ DIR / 003/ 678857



Michael Onagbola (Managing Director)
FRC/ 2023/ PRO/ DIR / 003/ 413829



Oluwagbenga Adeoye (Chief Financial Officer)
FRC/ 2013/ ICAN/ 00000002063



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

Statement of Changes in Equity

For the year ended 31 December 2023

| <i>in thousands of Nigerian Naira</i> | Note | Share capital | Share premium | Retained earnings | Total equity |
|---|------|---------------|---------------|-------------------|--------------|
| <i>As at 1 January 2023</i> | | 5,626,416 | 1,092,822 | 2,651,553 | 9,370,791 |
| Profit for the year | | - | - | 1,367,084 | 1,367,084 |
| Total comprehensive income for the year, net of tax | | - | - | 1,367,084 | 1,367,084 |
| <i>Transactions with owners of equity</i> | | | | | |
| Dividends declared and paid at NO.075kobo per 1 unit of ordinary shares | | - | - | (421,982) | (421,982) |
| Total transactions with owners of equity | | - | - | (421,982) | (421,982) |
| <i>As at 31 December 2023</i> | | 5,626,416 | 1,092,822 | 3,596,655 | 10,315,893 |
| <i>As at 1 January 2022</i> | | 5,626,416 | 1,092,822 | 1,876,425 | 8,595,663 |
| Profit for the year | | - | - | 887,656 | 887,656 |
| Total comprehensive income for the year, net of tax | | - | - | 887,656 | 887,656 |
| <i>Transactions with owners of equity</i> | | | | | |
| Dividends declared and paid at NO.02kobo per 1 unit of ordinary shares | | - | - | (112,528) | (112,528) |
| Total transactions with owners of equity | | - | - | (112,528) | (112,528) |
| <i>As at 31 December 2022</i> | | 5,626,416 | 1,092,822 | 2,651,553 | 9,370,791 |

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

Statement of Cash Flows

For the year ended 31 December 2023
in thousands of Nigerian Naira

| | Notes | 2023 | 2022 |
|--|-------|-------------|-----------|
| Cash flows from operating activities | | | |
| Profit before income tax | | 1,934,105 | 1,293,962 |
| <i>Adjustments to reconcile profit before tax to net cash flows</i> | | | |
| Depreciation of property, plant and equipment | 15 | 12,419 | 9,230 |
| Profit from sale of office equipment | 11 | (170) | - |
| Fair value gain on investment property | 9 | (166,717) | (31,000) |
| Interest income | 10 | (935,150) | (541,881) |
| Accruals no-longer required | 11 | - | (2,381) |
| Non-cash retirement benefits | | - | 5,764 |
| <i>Operating profit before changes in working capital</i> | | 844,487 | 733,693 |
| <i>Changes in working capital</i> | | | |
| Decrease in trading properties | 17.2 | 727,230 | 884,676 |
| Increase trade and other receivables | 27.1 | (183,452) | (20,376) |
| Increase in trade and other liabilities | 27.2 | 63,373 | 132,232 |
| Decrease in other liabilities | 27.3 | (59,176) | (586,291) |
| | | 1,392,461 | 1,143,934 |
| Income tax paid | 22.3 | (304,162) | (59,487) |
| <i>Net cash flows from operating activities</i> | | 1,088,300 | 1,084,447 |
| Cash flows from investing activities | | | |
| Interest income received | 27.4 | 868,815 | 541,882 |
| Movement in short-term deposits with maturity of more than 3 months on date of origination | 27.5 | (8,201,740) | |
| Cost capitalised on investment properties | 14 | (45,083) | - |
| Proceed from disposal of office equipment | | 170 | - |
| Purchase of property, plant and equipment | 15 | (1,970) | (46,690) |
| <i>Net cash flows (used in)/from investing activities</i> | | (7,379,808) | 495,191 |
| Cash flows from financing activities | | | |
| Dividends paid | | (421,982) | (112,528) |
| <i>Net cash flows used in financing activities</i> | | (421,982) | (112,528) |
| Net (decrease)/increase in cash and cash equivalents | | (6,713,490) | 1,467,111 |
| Cash and cash equivalents as at 1 January | 19.1 | 6,880,528 | 5,413,417 |
| Cash and cash equivalents as at 31 December | 19.1 | 167,038 | 6,880,528 |

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

Notes to the Financial Statements

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 24th March 2003. On 11th 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 entities and individuals. The Company is a subsidiary of Union Bank of Nigeria Plc.

2 Financial period

These financial statements cover the financial year ended 31st December 2023, with comparative amounts and other information for the financial year ended 31st December 2022.

3 Accounting Policies

3.1 Basis of Preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. These financial statements comply with the requirements of Companies and Allied Matters Act, 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023. The accounting policies have been consistently applied to all periods presented. The financial statements for the year ended 31st December 2023 were authorised for issue by the Company's Board of Directors on 2nd May 2024.

3.2 *Functional and presentation currency*

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

3.3 *Basis of measurement*

These financial statements are prepared on the historical cost basis except for investment properties measured at fair value and trading properties measured at lower of cost and net realisable value.

3.4 *Significant accounting judgments, estimates and assumptions*

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. 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 6.

3.5 Summary of material accounting policies

The accounting policies adopted and methods of computation followed are consistent with those of the previous financial year.

3.5.1 Property, plant and equipment

(i) Recognition and measurement

The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

Property, plant 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, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant 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.

Notes to the Financial Statements - Continued**3.5 Summary of material accounting policies****3.5.1 Property, plant and equipment***(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. 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:

| | |
|-----------------------|---------|
| Plant and machinery | 5 years |
| Fixtures and fittings | 5 years |
| Office equipment | 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, plant 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.

Notes to the Financial Statements - Continued**3.5 Summary of material accounting policies****3.5.2 Investment property**

Property that is held for long-term rental yield 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.

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.

Notes to the Financial Statements - Continued

3.5.3 Trading properties

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as trading property and is measured at the lower of cost and net realisable value (NRV).

Cost includes:

- i. Freehold and leasehold rights for land
- ii. Amounts paid to contractors for construction
- iii. Other directly attributable costs e.g planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

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 and measured at cost.

The cost of inventory property recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

3.5.4 Financial instruments

a 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.

b Classification

i 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.

Notes to the Financial Statements - Continued

b Classification

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.

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.

c Financial instruments - classification, and subsequent measurement appropriately.

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 on 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.

Notes to the Financial Statements - Continued**d 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.

e 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.

Notes to the Financial Statements - Continued**e Modifications of financial assets and financial liabilities - continued****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.

f 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.

g 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.

h 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.

Notes to the Financial Statements - Continued

h Impairment of financial assets

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.

Notes to the Financial Statements - Continued

i 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.

3.5.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

3.5.6 Short term deposits

These represent cash held in fixed deposits in bank and are continuously rolled over throughout the year. All short-term deposits have maturity range of three to twelve months.

3.5.7 Share capital

The ordinary share capital of the entity is classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity net of any tax effects.

3.5.8 Dividend on ordinary shares

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

3.5.9 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.

3.5.10 Taxation

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.

Notes to the Financial Statements - Continued

3.5.10 Taxation

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.

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.

Minimum tax

A Company is subject to Minimum tax in a year where it has no taxable profit on which to base its tax liabilities on. Taxes based on taxable profit for the period are treated as income tax in line with IAS 12; whereas Minimum tax which is based on gross amount which is outside the scope of IAS 12 and are not presented as part of income tax expense in the profit or loss but rather presented above the income tax line as Minimum tax.

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.

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.

Notes to the Financial Statements - Continued

3.5.10 Taxation

Deferred tax

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.

3.5.11 Employee 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.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Short-term benefits include wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised

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.

3.5.12 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.

3.5.13 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).

Notes to the Financial Statements - Continued

3.5.13 Revenue recognition

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 properties includes residential apartments and assets 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 evidence 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 Property Management Fees

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Property Management fees are fees received for maintenance of property and on rent received on behalf of landlord. The Company concluded that revenue from Properties Management is to be recognised over time; as service is being performed which automatically transfers control.

iii Rental income

The Company is the lessor in operating leases. Rental income arising from operating leases on properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

iv Interest income

This comprises interest income earned on short-term deposits, treasury bills and other fixed term securities. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss.

v Other income

Other income includes gain on disposal of investment properties, foreign exchange gain, fee income and other sundry income etc. Income is recognized when the right to receive income is established. Income from the sale of investment properties is recognised by the entity when the control have been transferred to the customer, which is considered to occur when title passes to the customer, all managerial responsibilities and control are completely devolved to the customer and where the costs and income on sale can be measured reliably.

Notes to the Financial Statements - Continued**4 Application of new and revised International Financial Reporting Standard (IFRS)****4.1 Standards/amendments issued that became effective during 2023**

During the year, the following new/amendments to IFRSs became effective, but has no impact on the financial statements of the Company except Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 which has been effected in the financial statements.

- * International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12
- * IFRS 17 Insurance Contracts
- * Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- * Definition of Accounting Estimates – Amendments to IAS 8

* **Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

4.2 Standards/amendments issued but not yet effective

The following revisions to accounting standards and pronouncements that may be applicable to the Company were issued but are not yet effective. Where IFRSs and IFRIC Interpretations listed below permits, early adoption is permitted, the Company has elected not to early adopt any of them in the preparation of these financial statements.

The amendments are not expected to have a material impact on the Company's financial statements.

- * Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1
- * Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- * Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7
- * Lack of exchangeability – Amendments to IAS 21
- * Presentation and Disclosure in Financial Statements – IFRS 18
- * Subsidiaries without Public Accountability – IFRS 19

Notes to the Financial Statements - Continued

5 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.

5.1 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.

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

| | | Carrying Amount (Gross) | 12 months ECL Allowance | Lifetime ECL Allowance | Carrying Amount (Net) |
|------------------------------|------|-------------------------------|-------------------------------|------------------------------|-----------------------------|
| 31 December 2023 | Note | | | | |
| <i>In thousands of naira</i> | | | | | |
| Trade and other receivables | 18 | 1,048,704 | - | (1,003,512) | 45,192 |
| Cash and short term deposits | 19 | 8,435,113 | - | - | 8,435,113 |
| | | 9,483,818 | - | (1,003,512) | 8,480,306 |
| <hr/> | | | | | |
| | | Carrying Amount (Gross) | 12 months ECL Allowance | Lifetime ECL Allowance | Carrying Amount (Net) |
| 31 December 2022 | Note | | | | |
| <i>In thousands of naira</i> | | | | | |
| Trade and other receivables | 18 | 1,044,942 | - | (1,042,512) | 2,430 |
| Cash and short term deposits | 19 | 6,880,528 | - | - | 6,880,528 |
| | | 7,925,470 | - | (1,042,512) | 6,882,958 |

The Company's credit risk is concentrated in Nigeria. The Company's bank balances and short-term deposits are placed with Union Bank of Nigeria Plc.

Notes to the Financial Statements - Continued

5.2 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

| 31 December 2023 | Note | Carrying amount | nominal amount | Less than 3 months | 3-6 months | 6-12 months |
|---|------|-----------------|----------------|--------------------|------------|-------------|
| <i>In thousands of naira</i> | | | | | | |
| <i>Financial assets</i> | | | | | | |
| Trade and other receivables | 18 | 44,842 | 44,842 | 44,842 | - | - |
| Cash and short term deposits | 19 | 8,435,113 | 8,328,901 | 2,288,192 | 6,040,709 | - |
| Total assets held for managing liquidity risk | | 8,479,955 | 8,373,742 | 2,333,033 | 6,040,709 | - |
| <i>Financial liabilities</i> | | | | | | |
| Trade and other payables | 20 | 678,982 | 678,982 | 678,982 | - | - |
| | | 678,982 | 678,982 | 678,982 | - | - |
| Gap (assets - liabilities) | | 7,800,974 | 7,694,761 | 1,654,052 | 6,040,709 | - |

| 31 December 2022 | Note | Carrying amount | nominal amount | Less than 3 months | 3-6 months | 6-12 months |
|---|------|-----------------|----------------|--------------------|------------|-------------|
| <i>In thousands of naira</i> | | | | | | |
| <i>Financial assets</i> | | | | | | |
| Trade and other receivables | 18 | 2,430 | 2,430 | 2,430 | - | - |
| Cash and short term deposits | 19 | 6,880,528 | 6,880,528 | 6,880,528 | - | - |
| Total assets held for managing liquidity risk | | 6,882,958 | 6,882,958 | 6,882,958 | - | - |
| <i>Financial liabilities</i> | | | | | | |
| Trade and other payables | 20 | 616,790 | 616,790 | 616,790 | - | - |
| | | 616,790 | 616,790 | 616,790 | - | - |
| Gap (assets - liabilities) | | 6,266,168 | 6,266,168 | 6,266,168 | - | - |

5.3 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 short-term deposits.

5.3.1 Interest rate risk

The Company is not exposed to interest rate risk as it only invests in fixed interest rate instruments.

5.3.2 Exchange rate exposure

The Company has no foreign exchange exposure as at 31st December 2023 (2022: None).

Notes to the Financial Statements - Continued

5.4 Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital using a ratio of "adjusted net debt" to "total equity". For this purpose, adjusted net debt is defined as total liabilities, less cash and cash equivalents. Total equity comprises all components of equity.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows:

| <i>In thousands of naira</i> | | 2023 | 2022 |
|------------------------------------|-----|--------------|-------------|
| Total liabilities | | 1,381,212 | 1,377,015 |
| Less: Cash and cash equivalents | | (8,435,113) | (6,880,528) |
| Adjusted net (cash)/debt | a | (7,053,901) | (5,503,513) |
| Total equity | b | (10,315,893) | (9,370,791) |
| Adjusted net debt to equity ratio* | a/b | - | - |

*The Company does not have net debt, therefore the adjusted net to equity ratio is nil.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

6 Significant accounting judgments, estimates and assumptions

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 complement the commentary on financial risk management (see note 5).

6.1 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 3.3 and 3.5.6

- Investment property

Investment property is measured at fair value in line with the Company's accounting policy disclosed in note 3.3.

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

Notes to the Financial Statements - Continued

6.2 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 based on their short-term nature.

| 31 December 2023 | Note | Level | Carrying amount | At amortised cost | Fair value |
|------------------------------|------|-------|-----------------|-------------------|------------|
| In thousands of naira | | | | | |
| Trade and other receivables | 18 | | 45,192 | 45,192 | 45,192 |
| Cash and short term deposits | 19 | | 8,435,113 | 8,435,113 | 8,435,113 |
| | | | 8,480,305 | 8,480,305 | 8,480,305 |
| Trade and other payables | 20 | | 678,982 | 678,982 | 678,982 |
| | | | 678,982 | 678,982 | 678,982 |
| 31 December 2022 | Note | Level | Carrying amount | At amortised cost | Fair value |
| In thousands of naira | | | | | |
| Trade and other receivables | 18 | | 2,430 | 2,430 | 2,430 |
| Cash and short term deposits | 19 | | 6,880,528 | 6,880,528 | 6,880,528 |
| | | | 6,882,958 | 6,882,958 | 6,882,958 |
| Trade and other payables | 20 | | 616,790 | 616,790 | 616,790 |
| | | | 616,790 | 616,790 | 616,790 |

6.3 Going Concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

Therefore, the financial statements continue to be prepared on the going concern basis.

Notes to the Financial Statements - Continued

7 Revenue from contract with customers

| <i>In thousands of naira</i> | 2023 | 2022 |
|---|-----------|-------------|
| Revenue from the sale of trading properties | 1,661,000 | 1,954,684 |
| Cost of sale of trading property | (782,658) | (1,157,383) |
| Profit from the sale of trading property | 878,342 | 797,301 |
| Property management fees | 30,910 | 38,548 |
| | 909,252 | 835,849 |

Property Management fees are fees received for maintenance of property and on rent received on behalf of landlord. They are all earned within Nigeria. The Company concluded that revenue from Properties Management is to be recognised over time; as service is being performed which automatically transfers control.

8 Rental income

| | | |
|--|---------|--------|
| Rental income from investment property | 103,779 | 95,720 |
| | 103,779 | 95,720 |

There is no contingent rental income during the year ended 31 December 2023 (2022: Nil).

8.1 Operating leases - Company as lessor

The Company has entered into leases on its property portfolio. The commercial property leases typically have lease terms between 1 and 3 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. There are no future minimum lease receivable as rent are received in advance by the Company.

9 Fair value gain on investment property

| | | | |
|--|----|---------|--------|
| Fair value gain on investment property | 14 | 166,717 | 31,000 |
| | | 166,717 | 31,000 |

10 Interest income calculated using the effective interest method

| | | |
|--|---------|---------|
| Short-term placements | 886,937 | 538,595 |
| Investment income on commercial papers | 24,473 | - |
| Investment income on mutual funds | 23,740 | - |
| Treasury bills and linked instruments | - | 3,286 |
| | 935,150 | 541,881 |

The interest income is based on the effective interest rate during the reporting period.

11 Other income

| | | | |
|---|------|--------|--------|
| Withholding tax recovery | 11.1 | 36,046 | 9,839 |
| Recovery of fully impaired/previously written-off bad debts | 18.2 | 39,000 | 9,253 |
| Estate agency and valuation service fee | | 3,706 | 8,421 |
| Sundry income | 11.2 | 912 | 1,603 |
| Profit from sale of office equipment | | 170 | - |
| Accruals no longer required | | - | 2,381 |
| Professional fees income | | - | 2,789 |
| | | 79,834 | 34,286 |

11.1 This relates to excess withhold tax credit that was utilised during the year.

11.2 The sundry income is from Industrial Trust Fund reimbursable and reproduction of deed of assignment.

Notes to the Financial Statements - Continued

12 Personnel expenses

| <i>In thousands of naira</i> | 2023 | 2022 |
|---|---------|---------|
| Productivity bonus and other allowances | 95,814 | 70,237 |
| Staff salaries | 56,645 | 63,729 |
| Pension contribution | 4,874 | 6,790 |
| Staff training | 4,050 | 4,949 |
| Gratuity | - | 22,409 |
| | 161,383 | 168,114 |

13 Operating expenses

| | | | |
|---------------------------------------|------|--------|--------|
| Professional and consultancy fees | 13.1 | 28,430 | 18,105 |
| Directors' fees and sitting allowance | | 15,866 | 6,168 |
| Auditor's remuneration | 13.2 | 8,000 | 8,000 |
| Repairs and maintenance | | 4,197 | 5,896 |
| Annual General Meeting expense | | 5,012 | 5,664 |
| Legal fees | | 1,711 | 4,352 |
| Entertainment | | 3,376 | 3,680 |
| Insurance | | 3,813 | 3,057 |
| Statutory fees and filing | | 1,052 | 2,561 |
| Software maintainance | | 3,159 | 2,231 |
| Rent and land use charge expense | | 3,956 | 2,173 |
| Transportation | | 2,877 | 1,875 |
| Industrial Training Fund levy | | 1,500 | 1,833 |
| Stationery and subscription | | 907 | 1,529 |
| Telecommunication and rates | | 300 | 220 |
| Donation | | 1,600 | - |
| Bank charges | | 1,070 | 86 |
| | | 86,826 | 67,430 |

13.1 These are fees paid for various professional services rendered to the Company by consultants as well as other fees and charges incurred by the Company i.e tax services , professional fees on board evaluation, printing of annual report, etc..

13.2 The external auditor was engaged for a permissible service for a gross fee of N4 million in respect of the review of Internal Control over Financial Reporting (ICFR) for the year ended 31 December 2023 as required by FRC.

Notes to the Financial Statements - Continued

14 Investment property

Investment property comprises 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 | Landed Property | Total |
|----------------------------------|-------------------------------------|--------------------|-----------|
| Balance as at 1 January 2023 | 2,300,000 | 790,000 | 3,090,000 |
| Cost capitalised during the year | 34,533 | 10,550 | 45,083 |
| Fair value adjustment | 151,867 | 14,850 | 166,717 |
| Balance as at 31 December 2023 | 2,486,400 | 815,400 | 3,301,800 |
| Balance as at 1 January 2022 | 2,294,400 | 764,600 | 3,059,000 |
| Fair value adjustment | 5,600 | 25,400 | 31,000 |
| Balance as at 31 December 2022 | 2,300,000 | 790,000 | 3,090,000 |

14.1 Investment property

| <i>As at in thousands of Naira</i> | 31 December 2023 | 31 December 2022 |
|---|---------------------|---------------------|
| Corner piece Office/Banking complex at Plot 97 Adeola Odeku/ Ahmadu Bello Way, Victoria Island Lagos. | 2,486,400 | 2,300,000 |
| 9,600 square meters of land at Plot 294, Cadastral Zone B04, P.O.W Mafemi Crescent Jabi District Abuja | 815,400 | 790,000 |
| | 3,301,800 | 3,090,000 |

Measurement of fair value

14.2 Fair value hierarchy

Investment property is stated at fair value and has been determined based on valuations performed by Bode Adedeji Partnership (FRC/2013/NIESV/00000001517), 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 N3.301 billion has been categorised as Level 3 based on the inputs into the valuation technique used.

Notes to the Financial Statements - Continued

14.3 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 |
|--|---|--|
| <i>The comparison method of valuation was employed in determining the current market value. 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 the actual location, age of the property, date of recent sales and condition of the property.</i> | <ul style="list-style-type: none"> - Recent selling price per sqm - Condition of the property - Date of recent sale - Age of the property | <p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> - the recent selling price increases (decreases) - the condition of the subject property is better/worse to comparable - the location of the property is better/worse to comparables - the age of the property is lower/higher than the comparables |

| Class of property | Key unobservable input | 2023 Range N'000 | 2022 Range N'000 |
|---------------------|------------------------|---------------------|---------------------|
| Corner piece Office | Price per sqm | 800-1,000 | 592-846 |
| Landed property | Price per sqm | 70-100 | 69-94 |

14.4 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 (2022: Nil).

14.5 Future minimum lease payment

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

14.6 Investment properties operating result

| As at in thousands of Naira | Note | 31 December 2023 | 31 December 2022 |
|---|------|---------------------|---------------------|
| Rental income derived from investment properties | 8 | 103,779 | 95,720 |
| Direct operating expenses (including repairs and maintenance) that did generate rental income | | (4,197) | (5,896) |
| Profit arising from investment properties carried at fair value | | 99,582 | 89,825 |

Notes to the Financial Statements - Continued

15 Property, plant and equipment

| <i>in thousands of Naira</i> | Plant & Machinery | Fixtures & fittings | Office equipment | Motor vehicles | Total |
|----------------------------------|-------------------|---------------------|------------------|----------------|----------|
| Cost | | | | | |
| Balance as at 1 January 2022 | 25,688 | 646 | 12,737 | 16,275 | 55,346 |
| Additions | 37,774 | - | 193 | 8,723 | 46,690 |
| Disposal | - | - | - | (16,275) | (16,275) |
| Balance as at 31 December 2022 | 63,462 | 646 | 12,930 | 8,723 | 85,761 |
| Additions | - | 150 | - | 1,820 | 1,970 |
| Disposal | - | - | (660) | - | (660) |
| Balance as at 31 December 2023 | 63,462 | 796 | 12,270 | 10,543 | 87,071 |
| Accumulated Depreciation | | | | | |
| Balance as at 1 January 2022 | 20,548 | 639 | 8,588 | 8,473 | 38,248 |
| Depreciation charge for the year | 3,873 | 5 | 1,682 | 3,670 | 9,230 |
| Disposal | - | - | - | (10,511) | (10,511) |
| Balance as at 31 December 2022 | 24,421 | 644 | 10,270 | 1,632 | 36,967 |
| Depreciation charge for the year | 8,568 | 3 | 2,184 | 1,664 | 12,419 |
| Disposal | - | - | (660) | - | (660) |
| Balance as at 31 December 2023 | 32,989 | 647 | 11,794 | 3,296 | 48,726 |
| Carrying amount | | | | | |
| 31 December 2023 | 30,473 | 149 | 476 | 7,247 | 38,345 |
| 31 December 2022 | 39,041 | 2 | 2,660 | 7,091 | 48,794 |

- i All items of property, plant and equipment are non-current.
- ii No leased assets are included in the above property, plant and equipment account (31 December 2022: Nil).
- iii There was no impairment loss on any class of property, plant and equipment during the year (31 December 2022: Nil).
- iv There was no capitalized borrowing costs related to the acquisition of property, plant and equipment (31 December 2022: Nil).
- v None of the property, plant and equipment were pledged as security during the year (31 December 2022: Nil).

Notes to the Financial Statements - Continued

16 Intangible Assets

| <i>in thousands of Naira</i> | Purchased software | Total |
|----------------------------------|--------------------|-------|
| Cost | | |
| Balance as at 1 January 2022 | 3,085 | 3,085 |
| Additions | - | - |
| Balance as at 31 December 2022 | 3,085 | 3,085 |
| Additions | - | - |
| Balance as at 31 December 2023 | 3,085 | 3,085 |
| Accumulated Amortisation | | |
| Balance as at 1 January 2022 | 3,085 | 3,085 |
| Amortization charge for the year | - | - |
| Balance as at 31 December 2022 | 3,085 | 3,085 |
| Amortization charge for the year | - | - |
| Balance as at 31 December 2023 | 3,085 | 3,085 |
| Carrying amount | | |
| 31 December 2023 | - | - |
| 31 December 2022 | - | - |

17 Trading properties

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

| <i>As at</i> <i>in thousands of Naira</i> | Note | 31 December 2023 | 31 December 2022 |
|--|------|---------------------|---------------------|
| Trading properties under construction | | | |
| Trading property - Park View estate | | 554,773 | 1,282,003 |
| Trading property - Ikorodu | 17.1 | 18,353 | 18,353 |
| | | 573,126 | 1,300,356 |
| Impairment allowance | | (18,353) | (18,353) |
| | | 554,773 | 1,282,003 |

17.1 The carrying amount of trading properties under construction includes the value of Ikorodu property which has been fully impaired due to elapsement of the title tenure which is due for renewal.

17.2 The movement in trading properties during the year was as follows:

| <i>As at</i> <i>in thousands of Naira</i> | 31 December 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| Balance at the beginning of the year | 1,300,356 | 2,185,032 |
| Cost of properties sold during the year | (782,658) | (1,157,357) |
| Expenditure/cost capitalised | 55,428 | 272,681 |
| Balance at the end of the year | 573,126 | 1,300,356 |
| Net change for cashflow purpose | (727,230) | (884,676) |

Notes to the Financial Statements - Continued

18 Trade and other receivables

| As at <i>in thousands of Naira</i> | Note | 31 December 2023 | 31 December 2022 |
|--|------|---------------------|---------------------|
| <i>Financial assets:</i> | | | |
| Trade receivables | | 44,842 | 2,430 |
| Receivables from CDL Asset Management Limited | 18.1 | 1,003,512 | 1,042,512 |
| <i>Gross - financial assets</i> | | 1,048,704 | 1,044,942 |
| Less: Impairment allowance on financial assets | 18.2 | (1,003,512) | (1,042,512) |
| <i>Total - financial assets</i> | | 45,192 | 2,430 |
| <i>Non-financial assets:</i> | | | |
| Withholding tax receivable | | 104,644 | 41,626 |
| <i>Total - non financial assets</i> | | 104,644 | 41,626 |
| Gross trade and other receivables | | 1,153,348 | 1,086,568 |
| Less: Impairment allowance | 18.2 | (1,003,512) | (1,042,512) |
| <i>Total</i> | | 149,836 | 44,056 |

18.1 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.

18.2 The movement in impairment allowance on trade and other receivables was as follows:

| As at <i>in thousands of Naira</i> | Note | 31 December 2023 | 31 December 2022 |
|---|------|---------------------|---------------------|
| Balance, beginning of year | | 1,042,512 | 1,042,512 |
| Write back of impairment on Trade debtors | 11 | (39,000) | - |
| <i>Total</i> | | 1,003,512 | 1,042,512 |

18.3 Impaired assets

| | | |
|---|-----------|-----------|
| Receivables from CDL Asset Management Limited | 1,042,512 | 1,042,512 |
| Recovered during the year | (39,000) | - |
| <i>Total</i> | 1,003,512 | 1,042,512 |

19 Cash and short term deposits

| | | |
|------------------------|-----------|-----------|
| Cash and bank balances | 167,038 | 113,288 |
| Short-term deposits | 8,268,076 | 6,767,240 |
| <i>Total</i> | 8,435,113 | 6,880,528 |

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, short term investments with an original maturity of three months or less, net of outstanding bank overdrafts, (if any). Cash and short term deposits at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as disclosed in note 19.1.

Notes to the Financial Statements - Continued

19 Cash and short term deposits - continued

19.1 Cash and cash equivalents

For the purpose of the statement of cash flows. The balance in this will consist of the following:

| As at <i>in thousands of Naira</i> | 31 December 2023 | 31 December 2022 |
|--|---------------------|---------------------|
| Cash and short term deposits per statement of financial position | 8,435,113 | 6,880,528 |
| Less: | | |
| Short term investments with maturity longer than 3 months | (8,268,076) | - |
| | 167,038 | 6,880,528 |
| <i>Analysis of cash and cash equivalents</i> | | |
| Bank balances | 167,038 | 113,288 |
| Short-term deposit with maturity not more than 3 months | - | 6,767,240 |
| | 167,038 | 6,880,528 |

The carrying amount of these assets is approximately equal to their fair value.

Short term investments

These investments are placed in short-term deposits and are continuously rolled over throughout the year. All short-term deposits are subject to an average variable interest rate of 10%-13.5% per annum (2022: 7%-15%).

20 Trade and other liabilities

| As at <i>in thousands of Naira</i> | Note | 31 December 2023 | 31 December 2022 |
|---------------------------------------|----------|---------------------|---------------------|
| <i>Financial liabilities:</i> | | | |
| Due to related companies | 28.3(ii) | 281,896 | 262,850 |
| Deposits for service charge | 20.4 | 53,584 | 55,128 |
| Unclaimed dividends | 20.1 | 192,969 | 152,182 |
| Accrued expenses | 20.2 | 108,399 | 104,495 |
| Deposit for shares | 20.3 | 42,133 | 42,133 |
| | | 678,982 | 616,790 |
| <i>Non-financial liabilities:</i> | | | |
| Withholding tax payable | | 6,797 | 4,744 |
| VAT payable | | 27,102 | 27,975 |
| | | 33,899 | 32,719 |
| | | 712,882 | 649,509 |

20.1 Movement in unclaimed dividends

| | | |
|--------------------------|---------|---------|
| Opening balance | 152,182 | 137,479 |
| Returned during the year | 40,787 | 14,703 |
| Closing balance | 192,969 | 152,182 |

This represents unclaimed dividend that was returned to the Company by the registrar (Cardinalstone Registrars Limited).

20.2 These relate to various expenses (Consultancy and Professional fees, audit fee) that have been accrued for.

20.3 Deposit of shares relates to previous private placements for which the details of the investors are unknown and there is no pending request for unallocated shares.

20.4 Deposits for serve charge relate deposit for maintenance of property on behalf of tenants.

Notes to the Financial Statements - Continued

21 Contract liabilities

| <i>in thousands of Naira</i> | Note | 31 December 2023 | 31 December 2022 |
|------------------------------|------|---------------------|---------------------|
| Deferred rental income | | 92,843 | 142,519 |
| Deposit for properties | 21.1 | 575,487 | 584,987 |
| | | 668,330 | 727,506 |

21.1 Movement in deposit for properties

The movements in deposit for properties for the year ended 31 December 2023 are as follows:

| <i>in thousands of Naira</i> | | 31 December 2023 | 31 December 2022 |
|------------------------------|------|---------------------|---------------------|
| Opening balance | | 584,987 | 1,290,890 |
| Deferred during the year | | 1,441,600 | 1,253,331 |
| Released to profit or loss* | 21.3 | (1,451,100) | (1,959,234) |
| Closing balance | | 575,487 | 584,987 |

*Amounts included in deposit for properties at the beginning of the year is N584,587,000 (2022:N962,965,000).

- 21.2 Deposit for properties is the amount received from customers in respect of sale of property that is either under construction or completed. The deposits are non-refundable as the Company is under obligation to deliver the property.

21.3 Movement in deferred rental income

| <i>in thousands of Naira</i> | | 31 December 2023 | 31 December 2022 |
|------------------------------|--|---------------------|---------------------|
| Opening balance | | 142,519 | 22,907 |
| Deferred during the year | | 54,103 | 215,332 |
| Released to profit or loss | | (103,779) | (95,720) |
| Closing balance | | 92,843 | 142,519 |

21.4 Released to profit or loss

| <i>in thousands of Naira</i> | 2023 | 2022 |
|--|-----------|-----------|
| Deferred rental income | 103,779 | 95,720 |
| Proceeds from the sale of trading properties | 1,451,100 | 1,959,234 |

22 Taxation

22.1 Income tax expense

| <i>in thousands of Naira</i> | 2023 | 2022 |
|------------------------------|----------|---------|
| Companies income tax | 514,161 | 370,429 |
| Tertiary education tax | 52,356 | 31,805 |
| Police trust fund | 97 | 65 |
| Charge for the year | 566,614 | 402,299 |
| Prior year overprovision | (20,465) | - |
| | 546,149 | 402,299 |
| Deferred tax charge | 20,872 | 4,007 |
| | 567,021 | 406,306 |

Notes to the Financial Statements - Continued

22.2 Reconciliation of effective tax rate

| <i>in thousands of Naira</i> | | 31 December 2023 | | 31 December 2022 |
|---|----|---------------------|----|---------------------|
| Profit before tax | % | 1,934,105 | % | 1,293,962 |
| Tax using the Company's domestic tax rate | 30 | 580,231 | 30 | 388,188 |
| Non-deductible expenses | 1 | 25,129 | 1 | 6,775 |
| Capital allowance utilisation | 0 | (9,447) | -1 | (11,228) |
| Non-taxable income | -3 | (50,066) | -1 | (9,300) |
| Tertiary education tax | 3 | 53,437 | 2 | 31,805 |
| Prior year overprovision | -1 | (20,465) | 0 | - |
| Police trust fund levy | 0 | 97 | 0 | 65 |
| | 30 | 567,021 | 31 | 406,306 |
| Effective tax rate | | 29% | | 31% |

22.3 Current income tax payable

| | | |
|---------------------------------------|-----------|----------|
| <i>Balance, beginning of the year</i> | 406,718 | 63,906 |
| Income tax charge for the year | 566,614 | 402,299 |
| Prior year over-provision | (20,465) | - |
| Withholding tax credit notes utilised | (77,672) | - |
| Payments during the year | (304,162) | (59,487) |
| | 571,033 | 406,718 |

23 Deferred tax 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 deferred tax liabilities recognised during the year is as follows:

| 2023 <i>in thousands of Naira</i> | Opening balance | Recognised in profit/(loss) | Closing balance |
|--------------------------------------|--------------------|--------------------------------|--------------------|
| Property, plant and equipment | 4,020 | 4,200 | 8,220 |
| Investment properties | 186,837 | 16,672 | 203,509 |
| | 190,857 | 20,872 | 211,729 |
| 2022 <i>in thousands of Naira</i> | Opening balance | Recognised in profit/(loss) | Closing balance |
| Property, plant and equipment | 3,111 | 909 | 4,020 |
| Investment properties | 183,739 | 3,098 | 186,837 |
| | 186,850 | 4,007 | 190,857 |

Notes to the Financial Statements - Continued

24 Particulars of Directors and Employees

| <i>in thousands of Naira</i> | 2023 | 2022 |
|------------------------------|------|------|
|------------------------------|------|------|

24.1 Directors' remuneration

| | | |
|-----------------------------|--------|--------|
| Fees and sitting allowances | 15,866 | 6,168 |
| Executive compensation | 52,071 | 18,073 |
| | 67,937 | 24,241 |

Fees and other emoluments disclosed above include amounts paid to:

| | | |
|---------------------------|--------|--------|
| Chairman | - | - |
| The highest paid director | 52,071 | 18,073 |

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

| <i>in thousands of Naira</i> | 2023 | 2022 |
|------------------------------|------|------|
| N800,000 - N5,000,000 | 2 | 2 |
| | 2 | 2 |

24.2 Staff numbers and costs

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

| <i>in thousands of Naira</i> | 2023 | 2022 |
|------------------------------|------|------|
| N2,400,001 and above | 8 | 12 |
| | 8 | 12 |

Compensation for staff:

| | | |
|-----------------------------------|---------|---------|
| Salaries and wages | 56,645 | 63,729 |
| Other staff cost | 99,864 | 75,186 |
| Retirement benefits: pension cost | 4,874 | 6,790 |
| | 161,382 | 145,706 |

25 Share Capital and Reserves

| <i>As at</i> | 31 December | 31 December |
|------------------------------|-------------|-------------|
| <i>in thousands of Naira</i> | 2023 | 2022 |

25.1 Share capital and Share premium

i Authorised share capital

| | | |
|---|-----------|-----------|
| 5,626,416,000 units of Ordinary shares of ₦1 each (2022: 6,000,000,000 units of Ordinary shares of ₦1 each) | 5,626,416 | 6,000,000 |
|---|-----------|-----------|

During the year the Company cancelled 373,583,949 units of unissued Ordinary shares of ₦1 each in compliance with the directive issued by the Corporate Affairs Commission (CAC). The Memorandum and Article of Association have been altered and registered with CAC accordingly.

ii Issued and fully paid:

| | | |
|--|-----------|-----------|
| 5,626,416,051 Ordinary shares of ₦1 each (2022: 5,626,416,051) ordinary shares of ₦1 each) | 5,626,416 | 5,626,416 |
|--|-----------|-----------|

All shares rank equally. The holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at meetings of the Company.

iii Share premium

| | | |
|---------------|-----------|-----------|
| Share premium | 1,092,822 | 1,092,822 |
|---------------|-----------|-----------|

Share premium is the excess paid by shareholders over the nominal value for their shares.

Notes to the Financial Statements - Continued

26 Basic and diluted earnings per share (kobo)

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.

| | 2023 | 2022 |
|---|-----------|-----------|
| Profit attributable to shareholders of the Company (N'000) | 1,367,084 | 887,656 |
| Weighted average number of ordinary shares in issue (N'000) | 5,626,416 | 5,626,416 |
| Basic earnings per share (kobo) | 24 | 16 |

Diluted earnings per share

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

27 Cashflow Workings

27.1 Changes in trade and other receivables

| <i>in thousands of Naira</i> | 2023 | 2022 |
|--|----------|--------|
| Balance at the beginning of the year | 44,056 | 23,680 |
| Withholding tax credit notes utilised | (77,672) | - |
| Changes in trade and other receivables | 183,452 | 20,376 |
| Balance at the end of the year | 149,836 | 44,056 |

27.2 Changes in trade and other liabilities

| <i>in thousands of Naira</i> | 2023 | 2022 |
|--------------------------------------|---------|---------|
| Balance at the beginning of the year | 649,509 | 519,658 |
| Accruals no-longer required | - | (2,381) |
| Changes in trade and other payables | 63,373 | 132,232 |
| Balance at the end of the year | 712,882 | 649,509 |

27.3 Changes in other liabilities

| <i>in thousands of Naira</i> | 2023 | 2022 |
|--------------------------------------|----------|-----------|
| Balance at the beginning of the year | 727,506 | 1,313,797 |
| Changes in other liabilities | (59,176) | (586,291) |
| Balance at the end of the year | 668,330 | 727,506 |

Notes to the Financial Statements - Continued

27.4 Interest income received

| <i>in thousands of Naira</i> | 2023 | 2022 |
|---|----------------|----------------|
| Interest income on placements | 886,937 | 538,595 |
| Investment income on commercial | 24,473 | - |
| Investment income on mutual funds | 23,740 | - |
| Interest income on treasury bills | - | 3,286 |
| Interest receivable earned on fixed deposit with maturity of more than 3 months at year end | (66,336) | - |
| Cashflow | 868,815 | 541,882 |

The income on treasury bills and placements is based on the effective interest rate during the reporting period.

27.5 Changes in short-term deposits with maturity of more than 3 months on date of origination

| <i>in thousands of Naira</i> | 2023 | 2022 |
|--------------------------------------|------------------|----------|
| Balance at the beginning of the year | - | - |
| Balance at the end of the year | 8,268,076 | - |
| Accrued interest | (66,336) | - |
| Cashflow | 8,201,740 | - |

28 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.

28.1 Parent and ultimate controlling company

Union Bank of Nigeria Plc is the parent and ultimate controlling entity of the Company.

28.2 Transactions with key management personnel

The Company's key management personnel constitutes those individuals who have the authority and the responsibility for planning, directing and controlling the activities of UBN Property Company Plc, directly or indirectly, including any director (whether executive or non- executive). The key management personnel have been identified as the executive and non-executive directors of the Company.

Key management personnel compensation for the year comprises:

Directors' remuneration

| <i>in thousands of Naira</i> | 2023 | 2022 |
|------------------------------|---------------|---------------|
| Fees and allowances | 15,866 | 6,168 |
| Executive compensation | 52,071 | 18,073 |
| | 67,937 | 24,241 |

Notes to the Financial Statements - Continued

28.3 Other related party transactions

i Bank Balances

| <i>in thousands of Naira</i> | Note | 2023 | 2022 |
|--|------|-----------|-----------|
| Placements with Union Bank of Nigeria Plc | | 7,879,336 | 6,767,240 |
| Bank balances with Union Bank of Nigeria Plc | | 167,038 | 113,288 |
| | | 8,046,373 | 6,880,528 |

ii Payables to related parties

| | | | |
|---------------------------|----|---------|---------|
| Union Bank of Nigeria Plc | 20 | 281,896 | 262,850 |
|---------------------------|----|---------|---------|

iii Income/expenses from/to related parties

| | | | |
|---|--|---------|---------|
| Professional fees | | - | 2,789 |
| Management fee from Union Bank of Nigeria Plc | | 30,910 | 36,656 |
| Rental income from Union Bank of Nigeria Plc | | 29,520 | 29,520 |
| Interest on treasury bills with Union Bank of Nigeria Plc | | - | 3,286 |
| Interest on deposits with Union Bank of Nigeria Plc | | 886,937 | 538,595 |
| | | 947,366 | 610,847 |
| Bank charges to Union Bank of Nigeria Plc | | 1,070 | 86 |
| | | 1,070 | 86 |

29 Segment reporting

The chief operating decision-maker has been identified as the Board of Directors of UBN Property Plc. The Board reviews the Company's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segments based on these reports. The Board considers the business from an industry perspective and has identified one (1) operating segment.

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.

As at 31 December 2023, the Company is a defendant in 1 (2022:1) suit. The Directors having sought professional legal counsel are of the opinion that no significant liability will crystallize from this litigation.

31 Events after the reporting date

There were no subsequent events after reporting date which could have had material effect on the state of affairs of the Company as at 31st December 2023, which have not been adequately provided for or disclosed.

Value Added Statement

in thousands of Nigerian Naira

| | 2023 | | 2022 | % |
|---|------------------|------------|------------------|------------|
| Gross earnings | 1,149,674 | 55 | 710,436 | 48 |
| Bought in material and services - local | 958,233 | 45 | 760,870 | 52 |
| Total Value Added | 2,107,907 | 100 | 1,471,306 | 100 |

Applied as follows:

To pay employees

| | | | | |
|---|---------|---|---------|----|
| - as salaries, wages and other benefits | 161,383 | 8 | 168,114 | 11 |
|---|---------|---|---------|----|

To provide for Government

| | | | | |
|-------------------------|---------|----|---------|----|
| - as company income tax | 546,149 | 26 | 402,299 | 27 |
|-------------------------|---------|----|---------|----|

For future

- as Depreciation of property, plant and equipments

| | | | |
|--------|---|-------|---|
| 12,419 | 1 | 9,230 | 1 |
|--------|---|-------|---|

- as deferred tax

| | | | |
|--------|---|-------|---|
| 20,872 | 1 | 4,007 | - |
|--------|---|-------|---|

- as profit for the year

| | | | |
|------------------|------------|------------------|------------|
| 1,367,084 | 65 | 887,656 | 60 |
| 2,107,907 | 100 | 1,471,306 | 100 |

The value-added statement represents the wealth created by the efforts of the company and its employees' efforts based on ordinary activities and the allocation of that wealth being created between employees, shareholders, government and that retained for the future creation of more wealth.

Five-Year Financial Summary

| As at <i>in thousands of Nigerian Naira</i> | 31 December 2023 | 31 December 2022 | 31 December 2021 | 31 December 2020 | 31 December 2019 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Investment property | 3,301,800 | 3,090,000 | 3,059,000 | 3,029,000 | 4,202,518 |
| Property, plant and equipment | 38,345 | 48,794 | 17,098 | 22,113 | 32,751 |
| Intangible assets | - | - | - | 817 | 1,792 |
| Trading properties | 554,773 | 1,282,003 | 2,166,679 | 1,787,666 | 1,579,209 |
| Investment securities | - | - | - | - | 3,450,080 |
| Trade and other receivables | 149,836 | 44,056 | 23,680 | 19,798 | 89,534 |
| Cash and short term deposits | 8,435,113 | 6,880,528 | 5,413,417 | 4,829,253 | 72,076 |
| Total assets | 12,479,867 | 11,345,381 | 10,679,874 | 9,688,647 | 9,427,960 |
| Liabilities | | | | | |
| Deferred tax liabilities | 211,729 | 190,857 | 186,850 | 175,196 | 280,438 |
| Trade and other liabilities | 712,882 | 649,509 | 519,658 | 546,042 | 616,770 |
| Current income tax payable | 571,033 | 406,718 | 63,906 | 7,790 | 21,854 |
| Provisions | - | - | - | 35,000 | - |
| Contract liabilities | 668,330 | 727,506 | 1,313,797 | 352,018 | - |
| Total liabilities | 2,163,974 | 1,974,590 | 2,084,211 | 1,116,046 | 919,062 |
| Total net assets | 10,315,893 | 9,370,791 | 8,595,663 | 8,572,601 | 8,508,898 |
| 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 |
| Retained earnings | 3,596,655 | 2,651,553 | 1,876,425 | 1,853,363 | 1,789,660 |
| Shareholders' funds | 10,315,893 | 9,370,791 | 8,595,663 | 8,572,601 | 8,508,898 |
| Total income | 2,194,733 | 1,538,736 | 461,315 | 484,993 | 831,601 |
| Profit before tax | 1,934,105 | 1,293,962 | 262,995 | 247,543 | 581,232 |
| Profit after income tax | 1,367,084 | 887,656 | 191,855 | 345,024 | 559,580 |