(A member of Custodian Investment Plc)

Innovation, Expertise, Excellence.

2021

# Annual Report

The consolidated and separate financial statements, which are in line with the International Financial Reporting Standards (IFRS), Companies and Allied Matters Act (CAMA) and the Financial Reporting Council (FRC) Act, have been independently audited by Ernst & Young.

The financial statements have been prepared in such a manner as to provide stakeholders with an understanding of the company's business, performance, prospects and strategy. This report is also intended to provide stakeholders with an appreciation of the overall environment in which the company operates.

The report covers the operation of UPDC Plc. and its subsidiaries for the financial year ended 31st December, 2021.

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# NOTICE OF 2022 ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of UPDC PLC will be held at Asian Hall, Festival Hotel, Festac Town, Lagos on Tuesday, 24th May 2022 at 10am in order to transact the following businesses:

**ORDINARY BUSINESS**

1. Lay before the Members, the Report of the Directors, the Consolidated Statement of Financial Position of the Company as at 31st December 2021, together with the Consolidated Statement of Comprehensive Income for the year ended on that date and the Reports of the Auditors and the Audit Committee thereon.

2 (a) To elect a director: Mr. Odunayo Ojo.

2 (b) To re-elect a director: Mr. Oyekunle Osilaja.

3. To appoint a new External Auditor.

4. To authorize the directors to fix the remuneration of the Auditors.

5. To elect members of the Audit Committee.

6. Disclosure of Remuneration of Managers.

**SPECIAL BUSINESS**

7. To fix the remuneration of the Directors.

8. To consider and if thought fit, to pass the following, with or without modification, as a special resolution of the Company:

    (a) In compliance with Section 124 of the Companies and Allied Matters Act No. 3 of 2020 (as amended) and the Companies Regulations 2021, the shareholders hereby approve the cancellation of all of the 40,030,000 unissued ordinary shares of 50 kobo each of the Company.

    (b) That further to resolution 8(a) above, Clause 6 of the Memorandum of Association and Article 5 of the Articles of Association of the Company be amended to read as follows:

    "The issued share capital of the Company is N9,279,98,968 divided into 18,559,969,936 ordinary shares of 50 kobo each".

    (c) That the Directors be and are hereby authorised to take all such lawful steps, pass all requisite resolutions, and do all such other lawful acts and/or things as may be necessary for and/or incidental to giving effect to this resolution; and all prior lawful steps taken by the Directors in the above regard be and are hereby ratified.

Dated this 7th day of March 2022

**BY ORDER OF THE BOARD**

**Folake Kalaro (Mrs.)**
Company Secretary
FRC/2018/NBA/00000017754

# NOTES

1. **COMPLIANCE WITH COVID-19 RELATED DIRECTIVES AND GUIDELINES**

The Federal Government of Nigeria, State Governments, Health Authorities, and Regulatory Agencies have each issued several directives and guidelines aimed at curbing the spread of COVID-19 in Nigeria. The Corporate Affairs Commission has also issued Guidelines on holding of Annual General Meetings by proxy. The convening and conduct of this Annual General Meeting shall be done in compliance with these directives and guidelines.

2. **PROXY**

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company. A proxy form must be completed and deposited at the office of the Company's Registrar, Africa Prudential Plc, 220B Ikorodu Road, Palmgrove, Lagos or sent via email to **cxc@africaprudential.com** not later than 48 hours before the time fixed for the meeting.

3. **ATTENDANCE BY PROXY**

In line with the CAC Guidelines, attendance at the AGM shall be by proxy only. Shareholders are required to appoint a proxy of their choice from the list of nominated proxies below:

(i) Mr Wole Oshin (Chairman)

(ii) Mr Odunayo Ojo (CEO)

(iii) Alhaji Gbadebo Olatokunbo

(iv) Mrs Adebisi Bakare

4. **STAMPING OF PROXY**

The Company has made arrangements at its cost for the stamping of duly completed and signed proxy forms submitted to the Company's Registrars within the stipulated timeline.

5. **LIVE STREAMING OF THE AGM**

The AGM will be streamed live. This will enable shareholders and other stakeholders who will not be attending physically to follow the proceedings. The link for the AGM live stream would be made available at the Company's website at www.updcplc.com.

6. **CLOSURE OF REGISTER**

The Register of Members and Transfer Books will be closed from Tuesday, 3rd May 2022 to Tuesday, 10th May 2022 both days inclusive for the purpose of updating the Register of Members.

7. **NOMINATION TO THE STATUTORY AUDIT COMMITTEE**

Pursuant to Section 404(6) of the Companies & Allied Matters Act 2020, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination. Such notice shall reach the Company Secretary at least 21 days before the Annual General Meeting. The Securities & Exchange Commission's Code of Corporate Governance for Public Companies has indicated that members of the Audit Committee should have basic financial literacy and should be able to read Financial Statements. We therefore request that nominations be accompanied by a copy of the nominee's curriculum vitae.

8. **DIRECTOR RETIRING BY ROTATION**

In accordance with the Articles of Association of the Company, Mr. Oyekunle Osilaja retires by rotation at the meeting and being eligible, offers himself for re-election. Mr Odunayo Ojo who was appointed to the Board since the last Annual General Meeting shall retire at this meeting and will be presented for election. The profiles of the directors submitted for re-election/election are contained in the Annual Report and on the Company's website at **www.updcplc.com**

**9. RIGHT OF SECURITIES' HOLDERS TO ASK QUESTIONS**

Shareholders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be submitted to the Company on or before Friday, 20th May 2022.

**10. UNCLAIMED DIVIDENDS**

Shareholders who are yet to claim their outstanding dividends are hereby advised to complete the e-dividend registration form by downloading the Registrar's E-Dividend Mandate Activation Form, which is available at **http://sec.gov.ng/wp-content/uploads/2016/04/Afric-Prudential-EDMMS-Form_2018.pdf**, and submit to the Registrars at Africa Prudential Plc, 220b Ikorodu Road, Palmgrove Lagos or their respective Banks for the purpose of claiming their outstanding dividends.

**Board of Directors**

| | |
|---|---|
| Mr Wole Oshin | Non-Executive Chairman |
| Mr Odunayo Ojo | Appointed CEO with effect from 3rd May 2021 |
| Mrs Deborah Nicol-Omeruah | Deputy CEO, resigned with effect from 14th October 2021 |
| Mrs Folakemi Fadahunsi | CFO, resigned with effect from 8th March 2022 |
| Mr Folasope Aiyesimoju | Non-Executive Director |
| Mr Oyekunle Osilaja | Non-Executive Director |
| Mr Adeniyi Falade | Non-Executive Director |

**Company Secretary/Legal Adviser**

Mrs Afolake Temitope Kalaro

**Registered Office**

UAC House
1-5, Odunlami Street
Marina, Lagos

**The Registrar**

Africa Prudential Plc
220B, Ikorodu Road
Palmgrove
Lagos

**Independent Auditors**

Ernst & Young
Chartered Accountants
10th & 13th Floors
UBA House
Marina, Lagos

# Financial Statements
For the year ended 31 December 2021

## Performance Highlights

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | % Change | 2021 N'000 | 2020 N'000 | % Change |
| **Continuing operations** | | | | | | |
| Revenue | 825,404 | 1,662,487 | (50) | 540,563 | 1,597,218 | (66) |
| Operating loss | (897,748) | (712,960) | (26) | (7,783,416) | (422,795) | (1,741) |
| Net finance cost | (718,053) | (1,477,774) | 51 | (718,778) | (1,477,774) | 51 |
| Share of profit of joint venture | - | 804 | (100) | - | - | |
| Guarantee on First Festival Mall loan | - | (940,000) | 100 | - | (940,000) | 100 |
| Fair value gain of disposal group held for sale | - | 2,867,237 | (100) | - | 1,894,377 | (100) |
| Loss before taxation | (1,615,801) | (262,693) | (515) | (8,502,194) | (946,192) | (799) |
| Taxation | (142,969) | (115,023) | (24) | (75,717) | (113,120) | 33 |
| Loss from discontinued operations | (116,286) | (228,201) | 49 | - | - | |
| Loss for the year | (1,875,056) | (605,917) | (209) | (8,577,911) | (1,059,312) | (710) |
| Total comprehensive loss for the year | (2,015,140) | (439,150) | (359) | (8,717,995) | (892,545) | (877) |
| Total equity | 8,018,068 | 9,641,788 | (17) | 854,502 | 9,181,077 | (91) |
| Total equity and liabilities | 19,596,232 | 22,292,672 | (12) | 10,966,480 | 20,287,020 | (46) |
| Cash and cash equivalents | 1,878,320 | 2,947,335 | (36) | 1,329,891 | 2,650,272 | (50) |
| Loss per share (kobo) - Basic | (10) | (4) | (153) | (46) | (8) | (498) |
| NSE quotation as at December 31 (kobo) | 119 | 79 | | 119 | 79 | |
| Number of shares in issue ('000) | 18,559,970 | 18,559,970 | | 18,559,970 | 18,559,970 | |
| Market capitalisation as at December 31 (N'000) | 22,086,364 | 14,662,376 | | 22,086,364 | 14,662,376 | |

# Vision

To become the leading
lifestyle real estate company of choice in Nigeria by
delivering world-class properties and services tailored to
the needs of the Nigerian market

# Mission

**To build and manage:**

- Distinctive lifestyle developments
- To time, cost and quality
- Customers for life: from development stage to sales to asset and facility management
- Shareholder value

# DIRECTORS' PROFILES

## Mr. Wole Oshin

Chairman

Mr. Oshin is an industry leader with over 30 years' experience and has at various times been a member of the Presidential Committee on Pension Reforms, Chairman of the Nigerian Insurers Association, Council Member of the African Insurance Organization [Cameroun], Companies Association [Ghana] and External Lecturer – West African Insurance Institute, Banjul, The Gambia.

Mr. Oshin sits on several Boards including the International Insurance Society [IIS], New York and Nigerian Insurers Association. He is also an Advisory Board Member of the Common Wealth Enterprise and Investment Council (United Kingdom). He has received numerous awards including nomination as "African CEO of the Year" by African Reinsurance Corporation, and the Harvard Business School Association of Nigeria (HBSAN) Leadership Award for General Management. He joined the Board of the Company on 5th January 2021 and was appointed the Chairman of the Board on 13th January 2021.

## Mr. Odunayo Ojo

Chief Executive Officer (CEO)

A consummate real estate professional, Mr Ojo has been involved in property development, asset management, private equity and advisory services for various asset classes including master planned communities, mixed-use schemes, shopping centres, commercial buildings and hotels.

Prior to his appointment as the CEO of UPDC Plc, Mr Ojo held several roles such as CEO of Alaro City, Director of Development and Projects at Eagle Hills, Abu Dhabi, Development Director at Laurus Development Partners, Vice President at Ocean and Oil Holdings and Business Manager at UPDC Plc.

Mr. Ojo is a member of the Royal Institution of Chartered Surveyors (RICS), The Nigerian Institution of Estate Surveyors and Valuers (NIESV) and a Registered Surveyor and Valuer (RSV). He holds a Master's in Business Administration (MBA) and a Bachelor's Degree (BSc) in Estate Management. He was appointed the CEO and director with effect from 3rd May 2022. He is a member of the Board Finance, Investment and Operations Committee and the Board Risk, Audit and Compliance Committee.

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## Mr. Folasope Aiyesimoju

Non- Executive Director

Mr Aiyesimoju is a finance professional with experience spanning corporate finance, principal investing and private equity. He holds a B.Sc (Hons) degree in Estate Management from the University of Lagos, where he was awarded a Certificate of Excellence in Real estate development and finance, and earned the right to use the CFA designation in 2006.

Mr Aiyesimoju is the founder of Themis Capital Management, an investment firm focused on concentrating capital and talent on high-potential opportunities in Sub-Saharan Africa. Prior to founding Themis, he worked with Kohlberg Kravis Roberts, a leading global investment firm; Standard Bank Group, where he led mergers and acquisitions in Nigeria; Ocean and Oil Holdings Limited and ARM Investment Managers. He is a co-founder and Non-Executive Director of Foodpro Limited and the Group Managing Director of UAC of Nigeria PLC. He is a Non-Executive Director of UPDC PLC. He chairs the Board Risk, Audit and Compliance Committee and is a member of the Board Finance, Investment and Operations Committee as well as the Board Remuneration & Governance Committee.

## Mr. Oyekunle Osilaja

Non- Executive Director

Mr Osilaja is an experienced Board and Investment Committee member with nearly 31 years of experience in real estate and financial services.

Until recently, before taking early retirement, Mr Osilaja was Group Head of Real Estate for Ecobank Transnational Inc (ETI) and head of Ecobank Capital, Nigeria.

Prior to joining ETI in 2012, he spent most of his career in the UK at Jones Lang LaSalle. He spent part of this time as Chair of Lead Directors JLL Corporate Finance and Head of Debt & Structured Finance (EMEA) specializing in real estate finance - advisory, debt and equity capital markets for companies and projects in the UK and Western Europe.

He has advised on various transactions including funding structure for King's Cross redevelopment, Four Seasons Hotel Milan, The Adelphi London, and the Super-Regional Meadowhall Shopping Centre UK (British Land) and various CMBS transactions. He was also involved in advising various Non-Performing loans in the real estate sector.

He has sat on various boards including Old Mutual Gen Insurance Company, Nigeria and Investment Committee of CAPIC Fund (part of Africa Capital Alliance). He was appointed a Director of the Company on 10th January 2021. He chairs the Board Remuneration & Governance Committee and is a member of the Board Finance, Investment and Operations Committee, the Board Risk, Audit and Compliance Committee and the Statutory Audit Committee.

## Mr. Adeniyi Falade

Non- Executive Director

Mr. Falade is a Chartered Accountant, Chartered Stockbroker and an Investment Banker. He had his professional accountancy training at PricewaterhouseCoopers, and Coopers & Lybrand Limited, Lagos. He holds a Master of Business Administration (MBA) from the University of Warwick, United Kingdom and a Bachelor of Science degree (BSc), from the University of Ibadan.

Before his appointment as Group Executive Director of Custodian Investment PLC, he had served as the Managing Director of CrusaderSterling Pensions Limited, the Managing Director of Lead Capital, Head of Investment Banking Group of Ecobank Nigeria Plc and Lead Bank Plc. He had also at various times served as Head of Internal Control/ Chief Inspector and Head of Risk Management Department of Lead Bank Plc. He is also a member of the Board of Directors of Custodian Life Assurance Limited, Custodian Trustees Limited and Interstate Securities Limited. He was appointed a Director of the Company on 5th January 2021. He chairs the Board Finance, Investment and Operations Committee and is a member of the Board Risk, Audit and Compliance Committee, Board Remuneration & Governance Committee and the Statutory Audit Committee.

**Mr Wole Oshin**
Chairman

# Chairman's Statement

Dear esteemed shareholders and colleagues on the Board, members of the press, distinguished ladies and gentlemen, welcome to the 24th Annual General Meeting of our Company, UPDC Plc. I hope you and your loved ones are well and safe as the world adjusts to a new normal in a post-COVID environment.

Today we will present to you a review of the global and local operating environment, your company's Annual Report and Financial Statements for the year ended 31 December 2021, and we will also discuss the outlook for 2022.

### Review of Global Operating Environment

The pandemic remains a recurring theme in our world today. So far, half of the global population has received at least a dose of the COVID-19 vaccine. The narrative has evolved from the pandemic itself to its offshoots; supply chain disruptions, rising commodity prices, and surging inflation rates. Replete in the news are reports of chip shortages, resulting from the inability of supply to keep up with the increased demand for consumer electronics post-lockdown. The global economy currently faces an imminent threat of inflation in the aftermath of fiscal and monetary stimulus employed to reduce the effect of business disruptions caused by the pandemic.

Vaccine inequity has resulted in diverging economic outcomes. As expected, the vaccine rollout in Sub-Saharan Africa (SSA) has been the slowest globally, leaving the region vulnerable to repeated waves of COVID-19. Only c.9% of the African population was fully vaccinated as of 31-Dec-2021, compared to the c.49% global figure. Additionally, the discovery of the Omicron variant in South Africa, and the reaction of developed countries in banning travel from some African countries, highlight the perennial threat of the pandemic. Prolonged foreign travel restrictions still pose downside risks to investment and the business continuity.

The IMF expects regional growth at 3.8% in 2022. However, the recovery remains modest by global standards, expanding the income disparity with developed economies.

### Global Real Estate

2021 has been a year unlike any other, the pandemic continued to impact the property market, with real estate having to react and adapt once again. The race for space continued and flexible working conditions have increasingly influenced the choices made by buyers with the Industrial and logistics sectors thriving in an e-commerce environment with heavy demands.

The capital markets continue to recover globally from their pandemic troughs, with several markets posting record investment activity at the close of the year.

Capital markets activity in the Americas and the largest economies in EMEA drove quarterly growth, as several of the markets that exhibited resilience in the early stages of the pandemic, such as Japan and South Korea, have experienced moderated capital markets activity in recent months. Robust competition for high-quality core and core-plus assets has resulted in the elevated prevalence of frustrated capital, and investors continue to move further out on the risk spectrum. Investor focus on portfolio diversification remains pronounced in the markets, and the residential real estate sector is now the most active globally, ahead of offices, and is driving 29% of transactional activity in 2021.

### The Nigerian Economy

The Nigerian economic recovery gained momentum in the third quarter of 2021, as the low base in the non-oil sector supported output and secured a growth level of 4.0%. Positive momentum was particularly seen in heavyweight sectors like trade and real estate (21.0% of the economy), both of which are on the path to their first yearly growth in 6 years. The latter may have fed off prolonged periods of low-interest rates, while the former likely benefited from improved cross-country business activities upon border re-opening and less stringent COVID restrictions. However, Nigeria still lagged behind its SSA peers from a growth perspective with the oil sector shaving off c.1.0% of real GDP growth due to low crude oil production linked to terminal shut-ins and weaker investment.

Overall, a couple of factors are expected to shape the Nigerian economy's direction in 2022. To mention a few, we expect the potential removal of fuel subsidy (as mandated by the Petroleum Industry Act) and electioneering activities to be key drivers of implementing economic policies, coupled with economic fortunes regarding inflation and monetary policy. With due consideration to the waning impact of the high base effect and international inflationary pressures, we expect a cautionary stance from the CBN and Monetary Policy Committee (MPC) in dictating its policy stance.

The IMF projects that Nigeria's economy will grow by 2.7% in 2022 and remain at this level over the medium term, allowing GDP per capita to stabilize at current levels, notwithstanding long-standing structural problems and elevated uncertainties.

### The Nigerian Real Estate Industry

The real estate sector contributed 5.7% in Q4 of 2021, compared with 6.4% in Q4 of 2020. The key challenges of the real estate sector have remained the same, such as limited liquidity, insufficient supply of mortgages and pressure on purchasing power.

Security continues to be a priority in the residential real estate market. This has fuelled demand for gated communities. Major cities such as Abuja and Lagos have seen increased demand for residential assets in gated communities with a few going for over a 50% to 2020 prices and beyond driven by concerns around future lockdowns and the added protection from vandalizations. Analysts report a 25 - 30% YoY price growth in gated communities with a few going as high as 70 - 80% driven by concerns around future lockdowns and security concerns. This may worsen the current challenges in the high-end markets where landlords struggle to fill up space, retrofitting assets to better accommodate short stay occupiers.

Growth in the value of real estate stock in both absolute and relative terms is an important consideration for global real estate investors. Analysts estimate that at the end of 2021, the global value of real estate investable stock was over $34 trillion and expect this to grow to $85.1trillion over the next 20 years. Core cities are set to grow and will remain dominant features of the investment landscape – most notably, Lagos where growth is expected in most submarkets except for the Grade A market.

### Review of 2021 Corporate actions

Bond Redemption: UPDC exercised the call option on its bond in April 2021. This was financed with the aid of an intercompany loan from its majority shareholders: Custodian Investment Plc (CIP) and UAC of Nigeria Plc (UAC). This enabled UPDC to significantly reduce finance cost on its long-term debt obligation.

Launch of UPDC's flagship real estate project: UPDC launched the development of Pinnock Prime Estate. Pinnock Prime Estate is a site and service scheme located in Ojomu Area, Lekki right beside our existing Pinnock Beach Estate. This marked our first development in many years and marked the resurgence of UPDC on the real estate development scene. The project is expected to be completed by Q3 2022.

### Review of Operations

The Company's borrowing costs reduced from N1.51 billion in 2020 to N764 million in 2021.

The hospitality sub-sector was still recovering from the impact of the pandemic, most events and conferences in 2021 were still held virtually. The hotel business remains challenged as evidenced by the weak performance of the business.

The Facility Management business - UPDC Facility Management Limited, maintained a steadied improved performance for the most part of 2021.

### Financial Performance

UPDC posted total revenue of N825 million in 2021 as against 2020 revenue of N1.66 billion (for company: N541 million in 2021 as against 2020 revenue of N1.60 billion). Loss before taxation (LBT) for the Group was N1.6 million as against N263 million in 2020. The Total Comprehensive Loss for the year was N2.02 billion, compared with N439 million loss recorded in 2020.

The Company's interest-bearing debt was N5.51 billion as at December 2021 compared to N5.42 billion as at December 2020.

### UPDC's Strategy for Success

UPDC Plc has entered 2022 stronger for the following reasons:

**Strategic Partnerships:** The Board of Directors and Management of UPDC have highlighted the following key strategic partnerships as key to improving its operations in 2022:

**Partnerships with Independent Power Producers (IPPs):** UPDC will be entering into partnerships with IPPs. This is expected to provide an additional boost to the competitiveness of our real estate offerings.

**JV Partnerships:** UPDC intends to leverage its extensive relationship network within the real estate industry to enter into development partnerships with land owners. This is expected to provide support to the Company's performance in 2022.

**Going Concern Status:** The Board of Directors and Management of UPDC have achieved significant progress in ensuring that the business continues as a going concern. Our focus for 2022 is on growth and revenue generation. The Company's strategy for 2022 includes the following key items among others:

**New Developments:** UPDC will be riding on the successful launch of Pinnock Prime Estate to bring up a few additional developments, targeted at the middle-income class in 2022.

**Grow Operating Income:** The management team will continue to drive sales to generate more revenue and grow the Company. Growth in Development and Asset Management revenue lines will also be pursued by the management.

**Cost Optimization:** This will continue to be a key part of our strategy as revenue starts to grow.

### Leadership & Board Changes

I would like to inform you that since the last Annual General Meeting, there have been changes to the Board of Directors of the Company. Mrs Deborah Nicol-Omeruah (Deputy Chief Executive Officer) and Mrs Folakemi Fadahunsi (Chief Financial Officer) resigned as directors of the Company. Please join me in thanking them for their invaluable contributions and services to the Company. I wish them well in their endeavors.

### Conclusion

I wish to thank all our esteemed Shareholders for your continued interest in our Company. The past few years have been difficult for the Company and this was further compounded by the COVID 19 pandemic, but you have continued to support your Company, and this has set the stage for huge success. I also thank our customers, consultants, contractors, all our staff and other stakeholders for their continuing support.

We believe that the Company's Strategic Outlook for 2022 will further strengthen our efforts in the previous year as we chart the course towards growth and profitability. The Board and Management of the Company are committed to realizing these goals.

Thank you all for your attention.

**Mr Wole Oshin**
Chairman
FRC/2013/CIIN/00000003054.

# Directors' Report

The Directors have the pleasure of submitting their annual report, together with the audited financial Statements for the year ended 31st December 2021.

### Principal Activities

Founded in 1997, UPDC PLC is a seasoned development company in Nigeria with an established record in developing, selling, and managing real estate assets across Nigeria.

Known for the quality of its products, UPDC is the first real estate company to have been listed on the Nigerian stock exchange, and offers the most diversified portfolio of residential, commercial, retail, and hospitality assets.

### Our Vision

To become the leading lifestyle real estate company of choice in Nigeria by delivering world-class properties and services tailored to the needs of the Nigerian market.

### Our Mission

To build and manage:

- Distinctive lifestyle developments
- To time, cost and quality
- Customers for life: from development stage to sales to asset and facility management
- Shareholder value

### Operating Results

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| **Continuing operations** | | | | |
| Revenue | 825,404 | 1,662,487 | 540,563 | 1,597,218 |
| Gross profit/(loss) | 140,278 | (79,541) | (64,355) | (123,482) |
| Profit/(Loss) on disposal on investment properties | 284,734 | (47,173) | 284,734 | (47,173) |
| Operating expenses | (908,523) | (942,640) | (813,195) | (920,006) |
| Operating loss | (897,748) | (712,960) | (7,783,416) | (422,795) |
| Net finance cost | (718,053) | (1,477,774) | (718,778) | (1,477,774) |
| Fair value gain on disposal group held for sale | - | 2,867,237 | - | 1,894,377 |
| Loss before taxation from continuing operations | (1,615,801) | (262,693) | (8,502,194) | (946,192) |
| Taxation | (142,969) | (115,023) | (75,717) | (113,120) |
| Loss after tax from continuing operations | (1,758,770) | (377,716) | (8,577,911) | (1,059,312) |
| **Discontinued operations** | | | | |
| Loss after tax from discontinued operations | (116,286) | (228,201) | - | - |
| Loss for the period | (1,875,056) | (605,917) | (8,577,911) | (1,059,312) |
| Net changes in fair value of financial assets | (140,084) | 166,767 | (140,084) | 166,767 |
| **Total comprehensive loss for the period** | **(2,015,140)** | **(439,150)** | **(8,717,995)** | **(892,545)** |

### Dividend

The Directors do not recommend the declaration of any dividend to the shareholders in view of the performance of the Company.

### Directors' Interests in Shares

Directors' interests in the issued share capital of the Company as recorded in the Register of Members and/or as notified by the Directors in compliance with Sections 301 and 302 of the Companies and Allied Matters Act 2020 and the Listing Requirements of the Nigerian Stock Exchange were as follows:

| | 31 December 2021 | | 31 December 2020 | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| Mr Wole Oshin | - | 9,466,708,960 | | 9,465,584,668 |
| Mr Odunayo Ojo | - | - | - | - |
| Mrs Deborah Nicol-Omeruah | - | - | - | - |
| Mrs Folakemi Fadahunsi | - | - | - | - |
| Mr Folasope Aiyesimoju | - | 7,953,143,897 | - | 7,953,143,897 |
| Mr Oyekunle Osilaja | - | - | - | - |
| Mr Adeniyi Falade | - | - | - | - |

### Directors' Interests in Contracts

In line with Section 303 of the Companies & Allied Matters Act 2020, no director had interest in any contract with the Company during the year.

### Shareholders with Substantial Interest of 5% and above

The issued and fully paid-up share capital of the Company is N9,279,984,968 divided into 18,559,969,936 ordinary shares of 50 kobo each. The following table shows the shareholders with substantial interest above 5%:

| S/N | FULL NAME | ADDRESS | HOLDINGS | % |
|---|---|---|---|---|
| 1 | Custodian Investment Plc | Custodian House, 16A, Commercial Avenue, Sabo, Yaba | 9,466,708,960 | 51 |
| 2 | UAC of Nigeria Plc | UAC House, 1 – 5, Odunlami Street, Marina, Lagos. | 7,953,143,897 | 43 |

### Share Capital History

| YEAR | BONUS ISSUE | UNITS | VALUE (N) |
|---|---|---|---|
| 1999 | Starting Capital | 1,000,000,000 | 500,000,000 |
| 2004 | 1 for 10 bonus issue | 11,000,000,000 | 550,000,000 |
| 2005 to 2009 | None | 11,000,000,000 | 550,000,000 |
| 2010 | 1 for 4 bonus issue | 1,375,000,000 | 687,500,000 |
| 2011 to 2012 | None | 1,375,000,000 | 687,500,000 |
| 2013 | 1 for 4 bonus issue | 1,718,749,995 | 859,374,997.50 |
| 2014 to 2016 | None | 1,718,749,995 | 859,374,997.50 |
| 2017 | 1 for 1 Rights Issue | 2,598,395,794 | 1,299,197,897 |
| 2018 | None | 2,598,395,794 | 1,299,197,897 |
| 2019 | None | 2,598,395,794 | 1,299,197,897 |
| 2020 | 43 for 7 Rights Issue | 18,559,969,936 | 9,279,984,968 |
| 2021 | None | 18,559,969,936 | 9,279,984,968 |

## Analysis of Shareholding

| Directors and Connected Persons | NIL | NIL | NIL |
|---|---|---|---|
| Custodian Investment Plc | 1 | 9,466,708,960 | 51 |
| UAC of Nig Plc | 1 | 7,953,143,897 | 43 |
| Individuals | 26,775 | 473,962,661 | 3 |
| Other Corporate bodies | 1,106 | 666,154,418 | 4 |
| **Total** | **27,883** | **18,559,969,936** | **100** |

### Our People

At UPDC we are committed to ensuring that our employees reflect our core values of integrity, responsibility, service, excellence, customer focus and shareholder value creation. Our corporate culture fosters open communication, collaboration, diversity, and forward thinking among all employees to encourage the exchange of views, ideas and knowledge which leads to innovation.

### Diversity and inclusion Strategies

Here at UPDC Plc, there is no form of discriminations and as such, recruitment, training, and career development are strictly based on character, competence, and merit. To achieve hiring the best individuals, our recruitment processes are tailored to harness fair competition, while identifying the most suitable candidates in each required field, who will contribute immensely to the growth of our company.

### Health, Safety and Employee Welfare

Health and safety is highly fundamental and to this end, UPDC has provided a conducive and safe working environment at locations where the employees are located, including; the corporate head office, estates, and project sites. There is access to first aid amenities at these locations to be used in line with safety regulations.

Employees are duly covered under Health Insurance schemes. Each employee's HMO cover includes a spouse and up to four children. Through this arrangement, employees and their families can access healthcare from a range of well-equipped healthcare providers.

As we continue to make adjustments to the COVID 19 Pandemic, the office has adopted a 70% capacity practice to ensure improved safety of all stakeholders. Also, frequent communication on the pandemic is circulated to all employees and they are continuously encouraged to get vaccinated or take booster shots as needed.

### HIV/AIDS

UPDC promotes occupational health by providing HIV/AIDS awareness training.  We do not discriminate against any employee based on his/her HIV status.  The HIV status and medical records of individuals are kept strictly confidential.

### Employee recognition and incentive scheme

Management openly acknowledges and recognizes employees who have performed exceptionally well in the course of each year. Gift vouchers are also often awarded for individual performances. There are also incentive initiatives that are tailored to foster engagement and encourage team performance. All these are aimed at boosting employee morale which in turn impacts productivity and sales for the company.

### Employee Engagement and Team Communication

UPDC recognizes that the employees are an integral part of the business and to this end, certain events occur which fosters morale boost. Employees are fully involved in strategy formulations and executions for their respective business units. This aims at encouraging business plan ownership and commitment at all levels. Team Retreats, Business Review Meetings, Strategy Review Sessions, Project Integration Meetings and Town Hall Meetings are held for cross-exchange of ideas and crucial business information dissemination. In recent times, we have embraced the use of technology to have more hybrid forms of meetings.

### Learning and Development

Employees are encouraged in their quest for personal and professional development. We adopt a training methodology that fosters free exchange of knowledge internally. Self-development is also encouraged and monitored, while the company organises training programs in conjunction with external facilitators for career advancement.

### Performance Management

Performance Management strategies are structured to achieve the maximum productivity levels from all employees while maintaining a healthy and motivated workforce. UPDC's business objectives are set, cascaded, and monitored periodically to ensure alignment with overall business goals. Training on performance management standards are held periodically and compliance is also monitored.

### Corporate Social Responsibility (CSR)

There was no CSR activity during the year under review.

### Donations

There was no donation during the year under review.

**BY ORDER OF THE BOARD**

**Folake Kalaro (Mrs.)**
Company Secretary
FRC/2018/NBA/00000017754

# CORPORATE GOVERNANCE REPORT

### Introduction

The Board of UPDC Plc ("UPDC" or "the Company") is committed to high standards of corporate governance, which it considers critical to business integrity and to maintaining investors' trust in the Company. The Company expects all its directors and employees to act with honesty, integrity and fairness. The Company strives to act in accordance with the laws and regulations in Nigeria; adopt proper standards of business practice and procedure and operate with integrity.

### The Board

By the Articles of Association of the Company ("the Articles"), the Board is responsible for controlling and managing the business of the Company. It may exercise such powers of the Company as are not by statute or the Articles to be exercised by the Company in General Meeting. We conduct our business in full compliance with the laws and regulations of Nigeria and the Group's Code of Business Conduct.

Under the Company's Board Charter "the primary objective of the Board of Directors ('Board') is to build long-term shareholder value with due regard to other stakeholder interests. It does this by setting strategic direction and context, such as the Company's mission, vision and core values, policies and objectives and focusing on issues critical for its successful execution such as staffing, executive training, succession planning, performance and risk management.

### Composition of the Board of Directors

The Board of the Company was made up of four Non-Executive Directors and three Executive Directors during the 2021 financial year. All the Directors had access to the advice and services of the Company Secretary. With the approval of the Chairman of the Board, they may take advice from external professionals in areas where such advice will improve the quality of their contributions to Board deliberation and decision-making process.

### Separation of the positions of Chairman and Managing Director

In the year under review, the position of the Chairman was distinct from that of the Chief Executive Officer. The two positions were occupied by Mr Wole Oshin and Mr Odunayo Ojo respectively. The other Executive Directors were Mrs Deborah Nicol-Omeruah, the Deputy Chief Executive Officer and Mrs Folakemi Fadahunsi, the Chief Financial Officer. Other Non-Executive Directors that served during the year were Mr Folasope Aiyesimoju, Mr Adeniyi Falade and Mr Oyekunle Osilaja.

### The Roles and Responsibilities of the Board

The following are the matters reserved for the Board of Directors of the Company:

1. Formulation of policies, strategy and overseeing the management and conduct of the business.
2. Formulation and management of risk management framework.
3. Succession planning and the appointment, training, remuneration and replacement of Board members and senior management.
4. Overseeing the effectiveness and adequacy of internal control systems.
5. Overseeing the maintenance of the Company's communication and information dissemination policy.
6. Performance appraisal and compensation of board members and senior executives.
7. Ensuring effective communication with shareholders, stakeholders, the investing public.
8. Ensuring the integrity of financial controls and reports.
9. Ensuring that ethical standards are maintained.
10. Ensuring compliance with the Company's Memorandum and Articles of Association, applicable laws, regulations, standards and Code of Corporate Governance by the Company and its Business Units.
11. Definition of the scope of delegated authority to Board Committees and management and their accountabilities.
12. Definition of the scope of corporate social responsibility through the approval of relevant policies; and
13. Approval and enforcement of a Code of ethics and business practices for the Company and Code of conduct for Directors.

### Board Appointment

The process of appointing Directors is as follows:

1. Declaration of a vacancy at a Board meeting.
2. Assessment of the requirement at that point in time such as gender, age, technical and soft skills, geographical spread, experience and international exposure.
3. Sourcing of the curriculum vitae of suitable candidates. The Board may go as far as using the services of search firms; and
4. Reference of the curriculum vitae to the Board Remuneration & Governance Committee for necessary background checks, informal interviews & interaction, and a recommendation for the approval of the Board of Directors.

The Board recommends new Directors for appointment by the shareholders at the Annual General Meetings.

### Directors' Induction and Training

Every newly appointed Director receives a comprehensive letter of appointment detailing the terms of reference of the Board and its Committees, the Board structure, schedule of Board meetings, him/her entitlements and demand on him/her time because of the appointment. The letter of appointment is accompanied with the Memorandum and Articles of Association of the Company, the previous Annual Report & Accounts, the Code of Corporate Governance For Public Companies In Nigeria, Code of Business Conduct, and other documents, policies, processes and procedures that help the Director to gain an understanding of the Company, its history, culture, core values, governance framework, business principles, people, operations, brands, projects, processes and plans. A new Director undergoes an induction/orientation process whereby he is introduced to the leadership team and get acquainted with business operations.

### Board Meetings

The Board met nine (9) times during the 2021 financial year. The following table shows the attendance of Directors at the Board meetings:

| DIRECTORS | 4/1 | 13/1 | 2/2 | 15/4 | 23/4 | 6/5 | 23/7 | 25/8 | 14/10 |
|---|---|---|---|---|---|---|---|---|---|
| Mr Wole Oshin | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Odunayo Ojo | ⊖ | ⊖ | ⊖ | ⊖ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mrs Deborah Nicol-Omeruah | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ⊖ | ⊖ | ⊖ |
| Mrs Folakemi Fadahunsi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Folasope Aiyesimoju | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Oyekunle Osilaja | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr Adeniyi Falade | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

**Key:**

✓ : Present

⊖ : No yet a member/No longer a member

### Board Committees

The Board exercises oversight responsibility through its standing Committees, each of which has a Charter that clearly defines its purpose, composition, structure, frequency of meetings, duties, tenure, and reporting line to the Board. In line with best practice, the Chairman of the Board is not a member of any Committee. The Board has four Committee, namely: the Board Finance, Investment and Operations Committee, the Board Risk, Audit and Compliance Committee, the Board Renumeration and Governance Committee and the Statutory Audit Committee.

While the various Board Committees have the authority to examine issues within the terms of reference and report back to the Board with their decisions and/or recommendations, the ultimate responsibility for all matters lies with the Board.

### Finance, Investment and Operations Committee

The Committee supports the Board's responsibilities relating to the financial affairs of the Company and to make recommendations to the Board in connection with the Company's investment, financing and operational activities.

**Members**

Mr Adeniyi Falade – Chairman
Mr Folasope Aiyesimoju
Mr Oyekunle Osilaja
Mr Odunayo Ojo
Mrs Deborah Nicol-Omeruah
Mrs Folakemi Fadahunsi

The Committee is responsible for ensuring investment guidelines comply with legal and regulatory requirements and that investment activities reflect the goals/strategy of the Company. The Committee also:

- Provides strategic assistance to Management and the Board on finance, administration and general matters concerning the Company.
- Periodically review changes in the economic and business environment, including emerging trends and other factors relevant to the Company's business.
- Reviews the Company's Accounts and oversight of Management's compliance with budget.
- Reviews the Company's real property holdings and approve all development and execution strategy of the Company

### The Committee's Meetings

The Committee met 4 times during the year. The following table shows the attendance of the members of the Committee at the meetings:

| Directors | 1/2 | 21/4 | 21/7 | 12/10 |
|---|---|---|---|---|
| Mr Adeniyi Falade | ✓ | ✓ | ✓ | ✓ |
| Mr Folasope Aiyesimoju | ✓ | ✓ | ✓ | ✓ |
| Mr Oyekunle Osilaja | ✓ | ✓ | ✓ | ✓ |
| Mr Odunayo Ojo | – | – | ✓ | ✓ |
| Mrs Deborah Nicol Omeruah | ✓ | ✓ | – | – |
| Mrs Folakemi Fadahunsi | ✓ | ✓ | ✓ | ✓ |

**Key:**

✓ : Present
– : No yet a member/No longer a member

### The Risk, Audit and Compliance Committee

The Committee supports the Board's responsibilities relating to the Risk management and effectiveness of internal controls of the Company and to make recommendations to the Board in connection with the Company's risk management and internal control policies and framework.

**Members**

Mr Folasope Aiyesimoju – Chairman
Mr Adeniyi Falade
Mr Kunle Osilaja
Mr Odunayo Ojo
Mrs Deborah Nicol- Omeruah
Mrs Folakemi Fadahunsi

The Committee reviews and recommends for approval of the Board, the risk management policies and framework, as well as assisting the Board in its oversight of risk management strategy.

The Committee also:

- Exercises oversight over the process for the identification and assessment of risks across the Company and the adequacy of prevention, detection and reporting mechanisms;
- Exercises oversight over management's processes to ascertain the integrity of the Company's financial statements, compliance with all applicable legal and other regulatory requirements; and assess qualifications and independence of the external auditors, and the performance of the Company's internal audit function as well as that of the external auditors.
- Ensures the establishment of an exercise oversight on the internal audit function which provides assurance on the effectiveness of the internal controls.
- Ensures the development of a comprehensive internal control framework for the Company, obtain appropriate (internal and/or external) assurance and report annually in the Company's audited financial report, on the design and operating effectiveness of the Company's internal controls over the financial reporting systems; and
- Oversee the process for the identification of fraud risks across the Company and ensure that adequate prevention, detection and reporting mechanisms are in place.

### Committee's Meetings

The Committee met four (4) times during the year.  The following table shows the attendance of the members of the Committee at the meetings:

| DIRECTORS | 1/2 | 20/4 | 23/07 | 12/10 |
|---|---|---|---|---|
| Mr Adeniyi Falade | ✔ | ✔ | ✔ | ✔ |
| Mr Folasope Aiyesimoju | ✔ | ✔ | ✔ | ✔ |
| Mr Oyekunle Osilaja | ✔ | ✔ | ✔ | ✔ |
| Mr Odunayo Ojo | ⊖ | ⊖ | ✔ | ✔ |
| Mrs Deborah Nicol Omeruah | ✔ | ✔ | ⊖ | ⊖ |
| Mrs Folakemi Fadahunsi | ✔ | ✔ | ✔ | ✔ |

**Key:**

✔ : Present
⊖ : No yet a member/No longer a member

### The Remuneration & Governance Committee

The Committee supports the Board's responsibilities relating to board appointments, governance matters and remuneration and to make recommendations to the Board in connection with appointment of directors, remuneration, succession, performance evaluation and governance matters.

**Members**

Mr Oyekunle Osilaja - Chairman
Mr Folasope Aiyesimoju
Mr Adeniyi Falade

### Committee's Meetings

The Committee met twice (2) times during the year. The following table shows the attendance of the members of the Committee at the meetings:

| DIRECTORS | 17/3 | 13/10 |
|---|---|---|
| Mr Oyekunle Osilaja | ✓ | ✓ |
| Mr Fola Aiyesimoju | ✓ | ✓ |
| Mr Adeniyi Falade | ✓ | ✓ |

### The Statutory Audit Committee

The statutory Audit Committee consists of five members made up of three representatives of the shareholders elected at the previous Annual General Meeting for tenure of one year and two representatives of the Board of Directors. The meetings of the Committee which are held quarterly were attended by our Internal Audit Manager and when necessary, by representatives of Ernst & Young, our External Auditors.

### Members

Mr Joe Anosikeh - Chairman
Alhaji Gbadebo Olatokunbo
Eng Taiwo G. Fawole
Mr Oyekunle Osilaja
Mr Adeniyi Falade

### Committee's Meetings

The following table shows members' attendance at the four (4) meetings of the Committee in 2021:

| DIRECTORS | 2/2 | 22/4 | 16/7 | 13/10 |
|---|---|---|---|---|
| Mr Joe Anosikeh | ✓ | ✓ | ✓ | ✓ |
| Alhaji Gbadebo Olatokunbo | ✓ | ✓ | ✓ | ✓ |
| Engr Taiwo Fawole | ✓ | ✓ | ✓ | ✓ |
| Mr Oyekunle Osilaja | ✓ | ✓ | ✓ | ✓ |
| Mr Adeniyi Falade | ✓ | ✓ | ✓ | ✓ |

The Committee is authorized by CAMA 2020 to:

- Ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
- Review the scope and planning of audit requirements.
- Review the findings on management matters in conjunction with the external auditor and departmental responses thereon.
- Keep under review the effectiveness of the company's system of accounting and internal control.
- Make recommendations to the Board with regard to the appointment, removal and remuneration of the External Auditors of the Company.
- Authorize the Internal Auditor to carry out investigations into any activities of the Company, which may be of interest or concern to the Committee; and
- Receive quarterly/periodic reports from the internal audit unit.

In addition, the SEC Code of Corporate Governance also assigns specific responsibilities to the Committee.

### Company Secretary

The Company Secretary plays an important role in supporting the effectiveness of the Board by assisting the Board and management to develop good corporate governance practices and culture within the Company. The Company Secretary ensures adequate dissemination of information among Board members and between the Board and the Management of the Company. In furtherance of Board and Committee meetings, the Company Secretary undertakes the preparation of the necessary papers and other documents requisite for the success in deliberations.

The Company Secretary is responsible for providing the Board and Directors individually, with detailed guidance on how their responsibilities should be properly discharged in the best interest of the Company.

The Office of the Company Secretary ensures that the Company complies with the relevant regulatory laws including the Investment and Securities Act, the Securities and Exchange Commission (SEC) Rules and Regulations, the Securities and Exchange Commission (SEC) Code of Corporate Governance, the Nigerian Code of Corporate Governance, the Companies and Allied Matters Act, the Nigeria Exchange Limited's Rules and Regulations, amongst others.

The procedure for the appointment and removal of the Company Secretary is a matter for the Board.

### Board Compensation

Consistent with the Company's policy, remuneration of Executive Directors is fixed by the Remuneration and Governance Committee of the Board, which also has the responsibility of making recommendations to the Board on all payments made to Executive Directors.

Non-Executive Directors are renumerated in line with the Company's policy of providing them with fixed annual fees and sitting allowances for their services on the Board and Committees.

### Diversity

The Company acknowledges that a diverse workforce is of significant social and commercial value and important to being an inclusive Employer. The Company accepts the value that diversity can bring, which includes:

- Providing greater alignment
- Improving creativity and innovation
- Broadening the skills and experience of the labour pool from which Custodian can draw and attract top talent to our business

The Company strives to create a work environment which is inclusive to all people regardless of gender, age, race, disability, cultural background, religion, family responsibilities or any other area of potential difference. All areas of diversity are important and the Company pays particular attention to gender diversity.

### Succession Planning

The Board Remuneration and Governance Committee is tasked with the responsibility for the Group's succession planning process. The Committee identifies critical positions on the Board and the Executive Management Level that are deemed important to the achievement of the Company's business objectives and strategies and have a significant impact of the Company.

The Company has a robust policy which is aligned to the Company's performance management process. The Policy seeks to identify the competency requirements of critical and key positions, assess potential candidates, and develop required competency through planned development and learning initiatives.

### Whistle-blowing Procedure

In line with the Board's commitment to instil the best corporate governance practices, a Whistle-blowing ("Policy" ) was adopted by the Company. The Policy provides a channel for the Company's Employees and other relevant Stakeholders to raise concerns about workplace malpractices confidentially to enable the relevant authorities investigate and deal with such manner consistent with the Company's policies and regulations. The policy also provides for protection against harassment or victimization of employees who report genuine concerns, malpractice or illegal acts or omissions by Directors and Employees.

UPDC's Whistle-blowing policy ensures that whistle-blowing assists in uncovering significant risks in line with best practices. Under the Policy, a whistle-blower who in good faith, reports suspected violations or attempted violation of the policy or who reports a request or offer of a corrupt payment is protected. A form for this purpose is available on the Company's website.

### Control Environment

The Board reviews the Control environment of the Company at its quarterly meeting and ensures that audit recommendations are fully implemented by all concerned. A Fraud Policy is in place to promote consistent organizational behaviour by providing guidelines and assigning responsibilities for the deployment of controls and conduct of investigation. The Fraud Policy is complemented by the Sanctions Grid whereby the Board sends a strong message to the employees on the Company's zero tolerance level for persistent audit exceptions and unimplemented audit recommendations. The Internal Audit Unit is in place to strengthen the control environment.

### Trading in Security Policy

In compliance with the Rules of the Nigerian Exchange Limited (NGX), we have put in place a Securities Trading Policy to guide employees and Directors of the Company, persons closely connected to them, and all insiders of the Company on trading in the securities of the Company. Under the policy, the closed period shall be effective from the end of a relevant quarter up to twenty (24) hours after the price sensitive information is submitted to the NSE. The trading window shall thereafter be opened. We hereby confirm that no Director traded in the securities of the Company within the closed period.

### Shareholders Complaints Management Policy

We have put in place a Complaints Management policy to handle and resolve complaints from our Shareholders and investors. The policy was defined and endorsed by the Company's senior management that is also responsible for its implementation and for monitoring compliance. The Policy is on the Company's website and shall be made available to shareholders of the Company at the Annual General Meeting.

### Compliance with the Code of Corporate Governance

The Company has complied with the provisions of the 2011 Code of Corporate Governance for Public Companies in Nigeria and 2018 National Code of Corporate Governance.

### Communication with Third Parties

The Company's Directors are of the opinion that it is Management's responsibility to speak for the Company regarding communications with third parties, such as Investors, the Press and Public in general. Directors only engage in such communication at the request of or after consultation with Management.

### Performance Monitoring and Evaluation

The Board has established a system of independent annual evaluation of its performance, that of its Committees and individual Directors. In this regard, the Society for Corporate Governance Nigeria was engaged to conduct the Board performance evaluation for the Financial Year Ended December 31, 2021. The Board believes that the use of an independent consultant promotes the objectivity and the transparency of the evaluation process.

The annual appraisal covered all aspects of the Board's composition, structure, responsibilities, relationships, processes, individual members competencies and respective roles in the overall performance of the Board, as well as the Company's compliance status with the provisions of the Code of Corporate Governance. The result also confirmed that the individual Directors and the Board continue to operate at a high level of effectiveness and efficiency.

**BY ORDER OF THE BOARD**

**Folake Kalaro (Mrs.)**
Company Secretary
FRC/2018/NBA/00000017754

# BOARD EVALUATION REPORT

## EXECUTIVE SUMMARY

The Society for Corporate Governance Nigeria was engaged to conduct an independent evaluation/assessment of the performance of the Board of UPDC Plc for 2021 as part of stipulated regulatory requirement.

## SCOPE

The scope of the evaluation covered the following areas:

- Composition, commitment, and alignment of the skills/qualifications of directors to business requirement and performance
- Composition/effectiveness of the committees
- Compliance with existing regulatory requirement
- Effectiveness of directors in delivery of their fiduciary responsibilities
- Effective transparency and disclosure channels

Below is a summary of our findings:

**Leadership:** The Board Chairman exhibits a leadership style that promotes an environment that encourages and supports the active participation and contribution of Board members at meetings. The position of the Chairman and Managing Director are held by separate individuals which shows clear separation of powers between both offices. The Chairman is a Non-Executive Director and not a member of any board committee in line with regulatory requirements.

**Board Meetings:** The Board met nine (9) times in the period under review. Meetings held were constructive, aligned to the agenda and directors gave meaningful contributions. Board packs were circulated to directors to better prepare for meetings. The Board adequately performed its oversight and other functions on the company.

**Board Composition & Capacity:** The Board comprises of six (6) directors: one (1) female and five (5) males. The board composition is as follows- two (2) Executive Directors and four (4) Non-Executive Directors. The board should consider appointing an independent director in line with regulatory requirement.

**Board Committees:** The Board has three (3) committees namely: Risk, Audit & Compliance Committee; Renumeration & Governance Committee and Finance, Investment & Operations Committee. These committees met regularly as required by regulators, with members in attendance. All committees have a Charter / articulate Terms of Reference.

**Board Oversight Functions:** All policy documents were sighted and assessed for content and relevance and were found to be detailed, comprehensive, and articulate in efficiently guiding business processes and mitigating risk exposures. The Board should ensure effective use of the board committees.

**Strategy & Planning:** The Board takes its strategic oversight seriously, setting strategic initiatives and direction for the Company.

**Transparency and Accountability:** Board ensures timely disclosures are made to provide internal and external stakeholders with relevant and reliable information about the quality of the company's governance practices. The Company communications are in plain language, readable, and understandable. Dealings of the company and Board are transparent and in the best interest of the company. Stakeholders have a true picture of the Company's financial position.

**Director Appointment & Development:** Directors have shown commitment to regular trainings to update their knowledge and skill. Board members participated in relevant trainings beneficial to the quality of contributions during board meeting discussions.

**Risk Management & Compliance:** The Board has established an adequate Risk Management framework for managing risk exposures and ensuring effective internal control systems. The Board has established processes and systems for assessing, monitoring, managing, and reporting regulatory compliance. The Board ensures an annual risk assessment duly evaluating all risk exposures of the Company's business.

Based on the analysis of the result, the Board of Directors have demonstrated its dedication and commitment to the growth and success of the Company. This is demonstrated by their contributions, individual performance, attendance at Board and Committee meetings and the depth of discussions and resolutions arrived at during these meetings. There is also an alignment between the competencies of directors and the requirements / needs of the Company.

In line with Nigerian Code of Corporate Governance (NCCG), Securities and Exchange Commissions (SEC) Code of Corporate Governance and Companies and Allied Matters Act, we have found UPDC Plc to be compliant in regulatory requirements and recommended best practices for the period under review (2021).

In all, we are happy to state that the Board of UPDC Plc conducted its affairs in an acceptable and satisfactory manner in 2021.

**SOCIETY FOR CORPORATE GOVERNANCE NIGERIA**

**Chioma Mordi (Mrs.)**
Chief Executive Officer
FRC/2014/NIM/00000007899

# ENTERPRISE RISK MANAGEMENT REPORT

## 1.0 Introduction and Overview

UPDC Plc Group's Enterprise Risk Management (ERM) framework adopts a systematic and consistent approach to provide clear responsibility and accountability structures around risk and compliance. Effective Risk Management is fundamental and essential to the achievement of the Group's strategic objectives. Our commitment to strengthening business resilience and fostering a risk aware culture creates the foundation for sustainable performance and agility to respond to dynamic market conditions.

The Board of UPDC (the Board) has overall responsibility for overseeing the Group's risk management framework, reviewing the Group's key existing and potential risks and their respective mitigation strategies, and ensuring risk management effectiveness. Oversight is maintained through the Board's Risk, Audit and Compliance Committee (the RACC). The RACC holds regular meetings to review the management of these risks and to review the effectiveness of mitigation strategies and controls.

Our risk management framework design is based on the "Three Lines of Defence" model. The model ensures that risk is managed in line with the risk appetite as defined by the Board and is cascaded throughout the Group. In this model, the process owners are 'The First Line of Defence'. Process owners are responsible for risk identification, prevention and implementation of internal controls as set by the second and third lines of defence. The Internal Control Department functions as the 'Second Line of Defence', which monitors risks and reports to the relevant stakeholders. The department ensures compliance with established risk management processes and its reporting. The primary objective of the internal control function is to ensure that existing controls are effective and adequate for risk management. The Third Line of Defence is the Internal Audit function, reporting to the Board by providing objective and independent assurance to the Board and Senior Management on the effectiveness of existing risk management, control and governance processes.

## 2.0 Enterprise Risk Management Process

At UPDC Plc (UPDC), it is our overriding policy and philosophy that the management of risk is the responsibility of everyone, therefore, ERM is part of our culture. We integrate the capabilities and practices required for effective ERM with strategy setting and performance management.

## 2.1 Philosophy and Principles

The following are our ERM principles:

- **Tone at the Top:** The Board and Senior Management shall set the tone by establishing and promoting a strong culture of risk awareness and adherence to risk limits.
- **Risk Ownership:** Every employee shall proactively manage risks in their day-to-day activities i.e., risk management is a shared responsibility.
- **Strategy Setting:** Every business unit shall integrate risk management and accountability into its business strategy and decision-making process.
- **Culture:** A culture of proactive identification of future uncertainties and adequately planning for them without inhibiting growth and innovation.
- **Training & Empowerment:** Every member of staff shall be trained to integrate risk management in their respective day to day operations. Internal Control Officers will be empowered to perform their duties professionally and independently.
- **Transparency:** We encourage clear and consistent communication on risks.
- **Compliance:** We have zero-tolerance for non-compliant behaviours such as the breach of laws, regulations, and Group policies.

## 2.2 Strategy and Objectives

Our ERM Framework is designed to achieve the following objectives:

- Develop a risk culture that encourages our staff to identify risks and associated opportunities and to respond to them with cost effective actions.
- Integrate risk management into our strategy-setting and decision-making process.
- Improve our ability to identify risks that exist within business opportunities and proactively develop mitigation plans to maximize such opportunities.
- Enhance business performance and improve stakeholders' confidence and trust by minimizing operational surprises and losses; and
- Establish and sustain top-down awareness of risk management within the Group.

## 3.0 Governance

The Board through the Risk, Audit & Compliance Committee (RACC) oversees the Group's risk management framework, reviews the Group's key existing and potential risks and their respective mitigation strategies, and ensures risk management effectiveness. However, the overall responsibility for risk management resides with the Board. The RACC holds quarterly meetings to review the management of these risks and effectiveness of mitigation strategies and controls and actively identify the positive business opportunities in relation to these risks.

Our stakeholders need to have a consistent and comprehensive understanding of the ERM goals for the Group. Stakeholders' alignment and engagement are critical to the success of our risk management efforts. To ensure the effectiveness of our risk management process, the responsibilities have been assigned as follows:

## 3.1 The Board of Directors

The Board of Directors has the primary responsibility for risk oversight. The Board sets our overall risk appetite, approves the risk management strategy and is ultimately responsible for the effectiveness of the risk management process and system of internal control within UPDC. The Board oversees risk management through the RACC.

## 3.2 The RACC

The RACC is responsible for the following:

- Assisting the Board in its oversight of risk management and monitoring the Group's performance with regards to risk management.
- Reviewing the framework for the identification, measurement and management of risks and recommend to the Board for approval.
- Ensuring that risk management policies are integrated into the Group's culture.
- Reviewing the quarterly risk management reports and direct appropriate actions to be taken by senior management.
- Periodically evaluating the Group's risk profile and action plans to manage high risks.
- Monitoring progress on the implementation of risk management plans; and
- Ensuring that the Group's risk exposures are within the approved risk capacity

## 3.3 Group Senior Management Team

The Group Senior Management Team, comprising key functional heads at the Group and business units, in addition to their operational roles and responsibilities, have direct responsibility for providing risk oversight, coordinating, facilitating, and monitoring the effectiveness and integrity of our risk management processes.

The role of the Management Team includes the following:

- Identify the key strategic and operational risks of individual business units and the Group.
- Define risk management priorities.

- Recommend the appropriate policies and standards for the management of risks in the Group.
- Review risk exposure reports and recommend appropriate actions to mitigate the impact
- Ensure the adequacy of controls with respect to the identified risks
- Implement an effective internal control system in the Group

### 3.4 The Group Internal Control and Audit Department

This department is headed by the Head, Internal Control and Audit who monitors the risk management activities within the Group. The Head, Internal Control and Audit has a reporting line to the RACC.

A system of internal controls promotes effective operations and reliable financial and regulatory reporting, safeguards assets, and helps to ensure compliance with relevant laws, regulations, and institutional policies.

The Group Internal Control & Audit Function provides central coordination and oversight for all risk management activities across the Group to ensure that the full spectrum of risks is identified, measured, monitored, and controlled. The responsibilities of the Internal Control and Audit Function include:

- Articulating, developing, and implementing risk management policies, procedures and standards to assist in the effective management of risks within the Group.
- Developing and distributing tools, techniques, methodologies, common risk language and risk reporting template across the Group.
- Coordinating and facilitating risk identification and assessment workshops.
- Monitoring and ensuring that processes and controls are properly designed, in place and operating effectively and that identified risks are mitigated. Monitoring the overall risk profile including risk trends from internal and external market changes.
- Working with the business units within the Group in redesigning controls to mitigate control deficiencies noted in the internal and external audit reports.
- Escalating high priority issues to senior management and RACC.
- Collating risk incidents and reporting on aggregate risk profile, control effectiveness and actions taken

### 4.0 Risk Management Process

Our risk management process is thorough and methodical to ensure value creation for all key stakeholders. The process ensures the appropriate ownership of risk and responsibility of all stakeholders in the risk management value chain whilst ensuring collaboration between Risk Management and Process Owners across the business. Our risk management considers our risk appetite and tolerance limits to avoid misalignment with our risk profile. The risk management process is simple and aligned with leading practices. First, we have adopted a 4-step approach in the risk management process as outlined below:

### 4.1 Risk Identification

The aim of risk identification is to generate a comprehensive list of all the relevant risks that could impact on the achievement of our business and strategic objectives. Regular risk identification is imperative to the success of the risk management process as it ensures the inclusion of emerging risks in the risk management process for consideration. There are several methods for identifying potential risks as listed below:

- One-on-One interview sessions with process owners
- Focus group discussions /Workshops
- Use of external consultants
- Process Analysis
- Administering questionnaires and surveys; and
- Research

### 4.2 Risk Assessment

Our risk assessment activity aims at measuring the severity of identified risks in relation to our strategy and business objectives. This involves a careful examination of risks, their root causes, mitigating controls, likelihood of occurrence and significance of impact if they crystallise. The Internal Control Function in collaboration with business and risk owners, has defined the criteria for assessing risks across the business units, functions, and processes. These are reviewed annually for continued relevance.

A rating criterion in line with the risk appetite is used in ranking the identified risks. This is achieved through facilitated workshops and joint sessions with the leadership team.

Risks are ranked as high, medium, or low risks based on the overall ranking score and where they fall within the Risk Heat Map as follows:

- High risks are risks that may significantly impact on the achievement of our business and strategic objectives. These risks require the active attention and involvement of the Board and senior management to ensure that we properly mitigate or exploit them. The source of these risks must be identified and understood, and an action plan must be formulated to mitigate or eliminate them.
- Medium risks are risks that may influence the achievement of our short-term business and strategic objectives. Depending on the objective they affect, these risks may require the attention of the Board or senior management; generally, middle management staff can mitigate or exploit them.
- Low risks, occur in the normal course of business. They usually have negligible impact on the achievement of our business and strategic objectives. Middle level management can generally mitigate or exploit these risks.

Finally, for prioritization and a focused approach by the Senior Management, the ten risks with the highest overall ranking score are selected as the 'Top 10 Business Risks' which are actively monitored and remediated throughout the year in line with our risk profile.

### 4.3 Risk Mitigation and Control

When risks have been identified and assessed, the next step is to carefully decide on the best approach to mitigate the risks. Risk mitigation is a process of putting controls in place to reduce the likelihood of occurrence or magnitude of impact of risks. We adopt any of the following risk mitigation approaches:

**i. Risk Termination (Avoidance)**

These risks include risks outside our risk appetite or risks whose rewards are not commensurate with the risks undertaken. We typically discontinue any activities that generate this type of risks.

**ii. Risk Tolerance (Acceptance)**

In using this approach, we accept the risks inherent in certain transactions; the impact of the risk is absorbed by the business. This approach is adopted only in instances where the severity of the risk to strategy and business objectives is low/minimal or where the cost of managing the risk far outweighs the loss should the risk occur.

**iii. Risk Treatment (Reduction)**

Under this approach, we accept the risk and adopt measures to reduce the probability of its occurrence and the severity should it crystallise. Processes and procedures standardisation, policy formulation, training program, defining authority limits, obtaining expert advice are some of the risk reduction measures we deploy.

**iv. Risk Transfer (Sharing)**

This involves transferring a portion of the consequences of our risks to other parties. This is done by utilising contracts, insurance arrangements, outsourcing arrangements, and hedging instruments.

v. **Risk Pursuit (Pursuit)**

This involves accepting increased risk to achieve improved performance. When choosing to pursue a risk, we take due care to understand the nature and extent of any changes required to achieve desired performance. The benefit of pursuing the risk must be higher than the cost while operating within our risk appetite. Pursuing a risk may be in form of expanding operations or developing new products and services.

### 4.4 Risk Monitoring and Reporting:

Process owners are notified about the selected mitigation actions and progress on implementation of the action plan is reviewed and reported periodically as outlined in the framework.

i. **Risk Register Review**

The risk register is a comprehensive record of all risks identified within the group as well as the risk mitigation plan. The register is maintained by the Internal Control & Audit Function. The risks are classified into four broad categories as follows:

- Strategic Risks
- Financial Risks
- Operational Risks
- External Risks

ii **Risk Management Assurance**

Internal Audit function performs regular reviews of the risk management process and provide independent and objective assurance on the following:

- Adequacy and effectiveness of the risk identification and assessment process
- Adequacy and effectiveness of risk mitigation and control process
- Adequacy and effectiveness of implemented controls; and
- Quality and appropriateness of all risk treatment action plans

iii. The External Audit function also evaluates the control environment as part of its annual external audit exercise and notifies the board and management of any control gaps or weakness noted in the course of their work.

iv. **Risk Reporting**

We rely on risk reports to assess the adequacy and completeness of the risk management process. For the risk management process to be successful, regular progress reports and comparisons to previous risk reports and industry practices are generated so that changes can be made as appropriate. Changes in the risk environment, based on new information, may result in changing strategies employed to manage and exploit the risk.

# Statement of Director's Responsibility for Annual Consolidated and Separate Financial Statements

The Directors of UPDC Plc are responsible for the integrity of the annual financial statements of the company, consolidated subsidiary, associates and the objectivity of their information presented in the annual report. The fulfilment of this responsibility is discharged through the establishment and maintenance of sound management and accounting systems, the maintenance of an organisational structure which provides delegation of authority and establishes clear responsibility, together with constant communication and review of operational performance measured against approved plans and budgets.

Management and employees operate in terms of code of ethics approved by the Board of the Company. The code requires compliance with all applicable laws and maintenance of the highest integrity in the conduct of all aspects of the business.

The annual financial statements, prepared in line with International Financial Reporting Standards (IFRS), are examined by our auditors in conformity with International Standards on Auditing.

An audit committee which comprises three (3) representatives of the shareholders and two (2) board members meets periodically with our internal and external auditors as well as management to discuss internal accounting controls, auditing and financial reporting matters. The auditors have unrestricted access to the audit committee.

The Directors have no reason to believe that the company's operations will not continue as going concern in the year ahead other than where disclosures of discontinuations are anticipated, in which case provision is made to reduce the carrying cost of the relevant assets to net realisable value.

Signed on behalf of the Directors

**Wole Oshin**
Chairman
FRC/2013/CIIN/0000003054

**Odunayo Ojo**
Chief Executive officer
FRC/2016/NIESV/00000014322

**Ernst & Young**
10th Floor, UBA House
57, Marina
Lagos, Nigeria

Tel: +234 (01) 63 14500
Fax: +234 (01) 463 0481
Email: services@ng.ey.com
ey.com

# Independent Auditor's Report
# To the Shareholders of UPDC PLC

## Report on the Audit of the Consolidated and Separate Financial Statements

### Opinion

We have audited the consolidated and separate financial statements of UPDC PLC ("the Company') and its subsidiaries (together "the Group") which comprise the consolidated and separate statement of financial position as at 31 December 2021, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity, consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended 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 Act No. 6, 2011.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the Group and the Company. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Group and the Company. 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 judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the 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 consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements.

The Key Audit Matters applies equally to the audit of the consolidated and separate financial statements

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| 1. **Significant write down and impairment of intercompany receivables**<br>The Company has significant receivables from its subsidiary which was impaired. N6.5 billion receivable from UPDC Hotels Limited - a subsidiary now held for sale was impaired. This amount represents 41% of the total assets of the Company.<br>Management has considered that the potential buyer of this asset held for sale may not absorb the intercompany payables in the books of the subsidiary and thus the amount may not be recoverable. Management has, undertaken an impairment assessment and estimated the recoverability of the receivable from UPDC Hotel Limited as zero. Management assumptions have resulted in the impairment charge of N6.5 billion in the Company's income statement during the year.<br>The impairment of financial assets is guided by the requirements of the International Financial Reporting Standards (IFRS 9). The ECL involves the application of judgement and estimation in determining inputs for ECL calculation.<br>We consider this as a key audit matter due to the significance of the amount and management judgement on the recoverable amount.<br>The disclosure of the impairment of intercompany receivables is set out in Note 3.1 of the consolidated and separate financial statements. | **Our audit procedures on the impairment of intercompany receivables included amongst others:**<br>1. Obtaining and assessing the computation of impairment prepared by Management<br>2. Evaluating the key assumptions by assessing the reasonableness of management's forecasts and comparing them against external data such as the economy's growth forecast.<br>3. We have reviewed other information such as the bidding offer from prospective buyers.<br>4. Further, we considered the adequacy of the disclosures in respect of impairment assessment of receivables due from intercompany companies in Note 3.1 to the financial statements. |

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the " UPDC PLC Annual Report for the year ended 31 December 2021", which includes the Chairman's Statement 2021, Directors' Report, Report of the Audit Committee and Other National Disclosures (Value Added Statement and Five-Year Financial Summary) as required by the Companies and Allied Matters Act, 2020 and Corporate Governance Report as required by Securities and Exchange Commission, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

**Responsibilities of the Directors for the Consolidated and Separate Financial Statements**

The Directors are responsible for the preparation and fair presentation of the consolidated and separate 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 Act No. 6, 2011, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group and 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 Group and 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 consolidated and separate 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 Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the Company to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group and Company's audit. We remain solely responsible for our audit opinion.

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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current year 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.

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

- 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;
- In our opinion, proper books of account have been kept by the group and company, in so far as it appears from our examination of those books;
- The consolidated and separate statements of financial position and the consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account; and
- in our opinion, the consolidated and separate financial statements have been prepared in accordance with the provisions of the Companies and Allied Matters Act, 2020 so as to give a true and fair view of the state of affairs and financial performance of the Company and its subsidiaries.


**Adewuyi Adeyemo, FCA**
FRC/2012/ICAN/00000000148
For: Ernst & Young
Lagos, Nigeria

23 March 2022

# REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF UPDC PLC

In compliance with Section 404(4) of the Companies· and Allied Matters Act 2020, we have reviewed the audited Financial Statements of UPDC PLC ("the Company") for the year ended 31st December 2021 and report as follows:

(a) The accounting and reporting policies of the Group and the Company are consistent with legal requirements and agreed ethical practices.

(b) The scope and planning of the external audit for the year ended 31st December 2021 were, in our opinion adequate.

(c) We reviewed the findings and recommendations in the Internal Auditor's Report and External Auditor's Management Letter and were satisfied with the management responses thereto.

(d) The Company maintained effective accounting and internal control system.

Dated 4th day of March 2022

**Surv. Joe O. Anosikeh**
Chairman - Audit Committee
FRC/2014/NIS/00000008836

**Members of the Committee**

| | | |
|---|---|---|
| Surv. Joe O. Anosikeh | - | Chairman |
| Alhaji Gbadebo Olatokunbo | - | Member |
| Engr. Taiwo G. Fawole | - | Member |
| Mr Kunle Osilaja | - | Member |
| Mr Adeniyi Falade | - | Member |

**Secretary**

Folake Kalaro (Mrs)

# Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Notes | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| **Continuing operations** | | | | | |
| Revenue | 5.1 | 825,404 | 1,662,487 | 540,563 | 1,597,218 |
| Cost of sales | 7 | (685,126) | (1,742,028) | (604,918) | (1,720,700) |
| **Gross profit/(loss)** | | **140,278** | **(79,541)** | **(64,355)** | **(123,482)** |
| Fair value loss on investment properties | 15 | - | (159,977) | - | (159,977) |
| Gain/(loss) on disposal of investment properties | 15 | 284,734 | (47,173) | 284,734 | (47,173) |
| Selling and distribution expenses | 7 | (46,420) | (61,195) | (39,705) | (61,195) |
| Administrative expenses | 7 | (862,103) | (881,445) | (773,490) | (858,811) |
| Other operating income | 6 | 310,762 | 146,561 | 98,608 | 1,091,086 |
| Credit loss (expense)/reversal | 9 (iv) | (724,999) | 369,810 | (7,289,208) | (263,243) |
| **Operating loss** | | **(897,748)** | **(712,960)** | **(7,783,416)** | **(422,795)** |
| Finance income | 8 | 45,654 | 35,172 | 44,929 | 35,172 |
| Finance cost | 8 | (763,707) | (1,512,946) | (763,707) | (1,512,946) |
| **Net finance cost** | | **(718,053)** | **(1,477,774)** | **(718,778)** | **(1,477,774)** |
| Share of profit in joint venture | 9 (iii) | - | 804 | - | - |
| Guarantee on First Festival Mall loan | 7a | - | (940,000) | - | (940,000) |
| **Operating loss before impairment** | | **(1,615,801)** | **(3,129,930)** | **(8,502,194)** | **(2,840,569)** |
| Fair value gain of disposal group held for sale | 9 (ii) | - | 2,867,237 | - | 1,894,377 |
| **Loss before taxation** | | **(1,615,801)** | **(262,693)** | **(8,502,194)** | **(946,192)** |
| Taxation | 10 | (142,969) | (115,023) | (75,717) | (113,120) |
| **Loss from continuing operations** | | **(1,758,770)** | **(377,716)** | **(8,577,911)** | **(1,059,312)** |
| **Discontinued operations** | | | | | |
| Loss from discontinued operations | 34 | (116,286) | (228,201) | - | - |
| **Loss for the year** | | **(1,875,056)** | **(605,917)** | **(8,577,911)** | **(1,059,312)** |
| **Other comprehensive income:** | | | | | |
| Items not to be subsequently recycled to profit or loss | | | | | |
| Net changes in fair value of financial assets | 17 | (140,084) | 166,767 | (140,084) | 166,767 |
| Tax on other comprehensive income | | - | - | - | - |
| **Total comprehensive loss for the year** | | **(2,015,140)** | **(439,150)** | **(8,717,995)** | **(892,545)** |
| **Loss attributable to:** | | | | | |
| Equity holders of the parent | | (1,926,111) | (617,693) | (8,577,911) | (1,059,312) |
| Non controlling interest | | 51,055 | 11,776 | - | - |
| **Total Loss** | | **(1,875,056)** | **(605,917)** | **(8,577,911)** | **(1,059,312)** |
| **Total comprehensive loss attributable to:** | | | | | |
| Equity holders of the parent | | (2,066,195) | (450,926) | (8,717,995) | (892,545) |
| Non controlling interests | | 51,055 | 11,776 | - | - |
| **Total comprehensive loss** | | **(2,015,140)** | **(439,150)** | **(8,717,995)** | **(892,545)** |
| **Loss per share for loss attributable to the equity holders of the Group:** | | | | | |
| **Basic loss per share (Kobo)** | | | | | |
| From continuing operations | 12 | (9) | (2) | (46) | (8) |
| From discontinued operations | 12 | (1) | (2) | - | - |
| From loss for the year | | (10) | (4) | (46) | (8) |
| **Diluted loss per share (Kobo)** | | | | | |
| From continuing operations | 12 | (9) | (2) | (46) | (8) |
| From discontinued operations | 12 | (1) | (2) | - | - |
| **From loss for the year** | | **(10)** | **(4)** | **(46)** | **(8)** |

The notes in pages 47 and 113 are integral part of the consolidated and separate financial statements.

# Consolidated and Separate Statement of Financial Position

At 31 December 2021

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Notes | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 13 | 49,928 | 31,474 | 31,402 | 7,142 |
| Intangible assets | 14 | 16,389 | 6,598 | 14,315 | 3,942 |
| Investment properties | 15 | - | 1,786,573 | - | 1,786,573 |
| Investments in joint ventures | 16 (ii) | 130,393 | 130,393 | 129,589 | 129,589 |
| Equity instrument at fair value through other comprehensive income | 17 | 593,690 | 733,774 | 593,690 | 733,774 |
| Investments in subsidiaries | 18 | - | - | 1,719,716 | 108,019 |
| | | **790,400** | **2,688,812** | **2,488,712** | **2,769,039** |
| **Current assets** | | | | | |
| Inventories | 19 | 6,084,508 | 4,270,906 | 4,468,168 | 4,270,906 |
| Trade and other receivables | 20 | 2,659,414 | 4,148,025 | 2,582,801 | 10,499,895 |
| Current tax assets | 10 (i) | 96,908 | 96,908 | 96,908 | 96,908 |
| Cash at bank and in hand | 21 | 1,878,320 | 2,947,335 | 1,329,891 | 2,650,272 |
| | | **10,719,150** | **11,463,174** | **8,477,768** | **17,517,981** |
| Assets of disposal group classified as held for sale | 34 (iii) | 8,086,682 | 8,140,686 | | - |
| **Total assets** | | **19,596,232** | **22,292,672** | **10,966,480** | **20,287,020** |
| **Equity** | | | | | |
| Share capital | 28 | 9,279,985 | 9,279,985 | 9,279,985 | 9,279,985 |
| Share premium | 28 (i) | 8,971,551 | 8,971,551 | 8,971,551 | 8,971,551 |
| Fair value reserve of financial assets at FVOCI | | 26,683 | 166,767 | 26,683 | 166,767 |
| Other reserves | | 391,420 | - | 391,420 | - |
| Revenue Reserve | | (10,654,133) | (8,728,022) | (17,815,137) | (9,237,226) |
| **Equity attributable to equity holders of the Company** | | 8,015,506 | 9,690,281 | 854,502 | 9,181,077 |
| Non controlling interest | | 2,562 | (48,493) | - | - |
| **Total equity** | | **8,018,068** | **9,641,788** | **854,502** | **9,181,077** |
| **Liabilities** | | | | | |
| **Non-current liabilities** | | | | | |
| Interest bearing Loans and Borrowings | 22 | 5,511,653 | 4,270,880 | 5,511,653 | 4,270,880 |
| Deferred taxation | 26 | 72,537 | 72,537 | 72,537 | 72,537 |
| Deferred revenue | 25 | - | 2,145 | - | 2,145 |
| | | **5,584,190** | **4,345,562** | **5,584,190** | **4,345,562** |
| **Current liabilities** | | | | | |
| Trade and other payables | 23 | 4,309,272 | 5,726,427 | 4,098,235 | 5,130,008 |
| Current income tax | 10 | 145,784 | 119,688 | 78,532 | 117,785 |
| Interest bearing Loans and Borrowings | 22 | - | 1,151,620 | - | 1,151,620 |
| Dividend payable | 27 | 252,411 | 253,680 | 252,411 | 253,680 |
| Deferred revenue | 25 | 98,610 | 107,288 | 98,610 | 107,288 |
| | | **4,806,077** | **7,358,703** | **4,527,788** | **6,760,381** |
| Liabilities of disposal group classified as held for sale | 34 (iii) | 1,187,897 | 946,620 | - | - |
| **Total liabilities** | | **11,578,164** | **12,650,884** | **10,111,978** | **11,105,943** |
| **Total equity and liabilities** | | **19,596,232** | **22,292,672** | **10,966,480** | **20,287,020** |

The financial statements were approved by the board of directors on 7 March 2022 and signed on its behalf by:

**Wole Oshin**
Chairman
FRC/2013/CIIN/00000003054

**Odunayo Ojo**
Chief Executive Officer
FRC/2016/NIESV/00000014322

**Folakemi Fadahunsi**
Chief Financial Officer
FRC/2018/ICAN/00000018017

# Consolidated and Separate Statement of Changes in Equity

For the year ended 31 December 2021

| | | The Group | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | | | |
| | Notes | Share Capital N'000 | Share Premium N'000 | Revenue Reserve N'000 | Other Reserves N'000 | Fair value reserve of financial assets at FVOCI N'000 | Total N'000 | Non Controlling interest N'000 |
| **At 1 January 2021** | | **9,279,985** | **8,971,551** | **(8,728,022)** | **-** | **166,767** | **9,690,281** | **(48,493)** |
| (Loss)/proft for the year | | - | - | (1,926,111) | - | - | (1,926,111) | 51,055 |
| Net changes in fair value of financial assets through other comprehensive income | 17 (i) | - | - | - | - | (140,084) | (140,084) | - |
| Total comprehensive (loss)/income | | - | - | (1,926,111) | - | (140,084) | (2,066,195) | 51,055 |
| Loan from equity holder* | | - | - | - | 391,420 | - | 391,420 | - |
| **At 31 December 2021** | | **9,279,985** | **8,971,551** | **(10,654,133)** | **391,420** | **26,683** | **8,015,506** | **2,562** |
| **At 1 January 2020** | | **1,299,198** | **6,065,397** | **(5,014,475)** | **-** | **-** | **2,350,120** | **(178,288)** |
| (Loss)/profit for the year | | - | - | (617,693) | - | - | (617,693) | 11,776 |
| Net changes in fair value of financial assets through other comprehensive income | | - | - | - | - | 166,767 | 166,767 | - |
| Total comprehensive (loss)/income | | - | - | (617,693) | - | 166,767 | (450,926) | 11,776 |
| Gain on disposal of investment in subsidary* | | - | - | 469,481 | - | - | 469,481 | - |
| Statute barred dividend | 27 | - | - | 71,869 | - | - | 71,869 | - |
| Acquisition of subsidiary | | - | - | - | - | - | - | 118,019 |
| Right Issue | 28 | 7,980,787 | 7,604,210 | - | - | - | 15,584,997 | - |
| Unbundling of UPDC REIT units | 34 | | (4,698,056) | (3,637,204) | - | - | (8,335,260) | - |
| **At 31 December 2020** | | 9,279,985 | 8,971,551 | (8,728,022) | - | 166,767 | 9,690,281 | (48,493) |

# Consolidated and Separate Statement of Changes in Equity

For the year ended 31 December 2021

| | | The Company | | | | |
|---|---|---|---|---|---|---|
| | | Attributable to owners of the Company | | | | |
| | Notes | Share Capital N'000 | Share Premium N'000 | Revenue Reserve N'000 | Other Reserves N'000 | Fair value reserve of financial assets at FVOCI N'000 |
| At 1 January 2021 | | 9,279,985 | 8,971,551 | (9,237,226) | - | 166,767 |
| Loss for the year | | - | - | (8,577,911) | - | - |
| Net changes in fair value of financial assets through other comprehensive income | | - | - | - | - | (140,084) |
| **Total comprehensive loss** | | **-** | **-** | **(8,577,911)** | **-** | **(140,084)** |
| Loan from equity holder* | | - | - | - | 391,420 | - |
| **At 31 December 2021** | | **9,279,985** | **8,971,551** | **(17,815,137)** | **391,420** | **26,683** |
| **At 1 January 2020** | | **1,299,198** | **6,065,397** | **(5,082,059)** | **-** | **-** |
| Loss for the year | | - | - | (1,059,312) | - | - |
| Net changes in fair value of financial assets through other comprehensive income | | - | - | - | - | 166,767 |
| **Total comprehensive (loss)/income** | | **-** | **-** | **(1,059,312)** | **-** | **166,767** |
| Gain on disposal of investment in subsidary* | | - | - | 469,481 | - | - |
| Statute barred dividend | 27 | - | - | 71,869 | - | - |
| Right Issue | 28 | 7,980,787 | 7,604,210 | - | - | - |
| Unbundling of UPDC REIT units | 34 | - | (4,698,056) | (3,637,205) | - | - |
| **At 31 December 2020** | | **9,279,985** | **8,971,551** | **(9,237,226)** | **-** | **166,767** |

* Loan from equity holder represents the difference between the loan amount and present value of the principal recognised as additional equity contribution in other reserves

* This represents gain from shares of subsidary sold to Non Controlling Interest because the parent still retains control over the entity.

The notes in pages 47 and 113 are integral part of the consolidated and separate financial statements

# Consolidated and Separate Statement of Cash Flows

For the year ended 31 December 2021

| | Notes | The Group 2021 December N'000 | The Group 2020 December N'000 | The Company 2021 December N'000 | The Company 2020 December N'000 |
|---|---|---|---|---|---|
| **Loss before tax** | | **(1,615,801)** | **(262,692)** | **(8,502,194)** | **(946,192)** |
| **Adjustment for non cash items:** | | | | | |
| Depreciation | 13 | 15,300 | 8,414 | 8,971 | 6,749 |
| Deferred rental income | 25 | (12,753) | (41,844) | (12,753) | (41,844) |
| Credit loss expense/(reversal) | 9 (iv) | 724,999 | (369,810) | 7,289,208 | 263,243 |
| Amortization of intangible asset | 14 | 3,622 | 10,158 | 3,038 | 10,013 |
| Gain on assets of disposal group held for sale | 9 (ii) | - | (2,867,237) | - | (1,894,377) |
| Fair value loss on investment properties | 15 | - | 159,977 | - | 159,977 |
| Other income | 6 | (143,394) | - | - | - |
| (Gain)/loss on disposal of investment properties (net of expense) | 15 | (284,734) | 47,173 | (284,734) | 47,173 |
| Impairment of Inventories (AUC) | 19 | 18,783 | 397,703 | 18,783 | 397,703 |
| Profit on disposal of property, plant and equipment | 6 | (12,595) | (4,417) | (12,595) | (4,417) |
| Finance cost | 8 | 763,707 | 1,512,946 | 763,707 | 1,512,946 |
| Finance income | 8 | (45,654) | (35,172) | (44,929) | (35,172) |
| Exchange loss | 7 | 56,844 | 4,609 | 56,844 | 4,609 |
| Dividend received from UPDC REIT | 6 | - | - | - | (972,860) |
| Share of profit of investment in joint venture | 9 (iii) | - | (804) | - | - |
| | | **(531,677)** | **(1,440,997)** | **(716,654)** | **(1,492,449)** |
| **Changes in working capital:** | | | | | |
| Changes in inventories | | (1,163,370) | 1,052,517 | 452,970 | 1,052,517 |
| Changes in receivables | | 763,612 | 1,330,647 | 627,887 | 322,925 |
| Changes in payables | | (1,065,014) | 1,215,519 | (1,028,777) | 1,005,165 |
| Changes in deferred revenue | | 1,930 | 35,774 | 1,930 | 35,774 |
| **Cash flow (used in)/from operating activities** | | **(1,994,518)** | **2,193,460** | **(662,645)** | **923,932** |
| Tax paid | 10 | (116,873) | (89,395) | (114,970) | (89,395) |
| Value added tax paid | | (142,710) | (76,252) | (116,320) | (76,252) |
| **Net Cash flow (used in)/from operating activities** | | **(2,254,101)** | **2,027,813** | **(893,935)** | **758,285** |
| **Cash flow from investing activities** | | | | | |
| Proceeds from sale of investment property | 15 | 1,427,433 | 392,685 | 1,427,433 | 392,685 |
| Purchase of property, plant & equipment | 13 | (34,734) | (32,550) | (33,844) | (32,550) |
| Purchase of intangible asset | 14 | (13,412) | (3,239) | (13,412) | (3,239) |
| Proceeds from sale of property, plant and equipment | | 13,207 | 19,931 | 13,207 | 19,931 |
| Investment in subsidiary | 18 | - | - | (1,611,697) | - |
| Proceed from sales of investment | | - | 577,500 | - | 577,500 |
| Cash distribution from UPDC REIT | 6 | - | - | - | 972,860 |

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Notes | 2021 December N'000 | 2020 December N'000 | 2021 December N'000 | 2020 December N'000 |
| Interest received | 8 | 45,654 | 35,172 | 44,929 | 35,172 |
| **Net cash flow from/(used in) investing activities** | | **1,438,148** | **989,499** | **(173,385)** | **1,962,359** |
| **Cash flow from financing activities** | | | | | |
| Proceeds from borrowings | 22 | 5,903,073 | - | 5,903,073 | - |
| Repayment of borrowings | 22 | (5,422,500) | - | (5,422,500) | - |
| Unclaimed dividend fund paid | 27 | (1,269) | (14,371) | (1,269) | (14,371) |
| Proceed from right issue | 22 | - | 210,053 | - | 210,053 |
| Transaction costs on right issue | 22 | - | (376,598) | - | (376,598) |
| Interest paid | 22 | (675,522) | (1,146,076) | (675,522) | (1,146,076) |
| **Net cash flow used in financing activities** | | **(196,218)** | **(1,326,991)** | **(196,218)** | **(1,326,991)** |
| Net (decrease)/increase in cash and cash equivalents | | (1,012,171) | 1,690,322 | (1,263,537) | 1,393,653 |
| Net foreign exchange difference | | (56,844) | (4,609) | (56,844) | (4,609) |
| Cash and cash equivalents at the beginning of the period | | 2,947,335 | 1,261,622 | 2,650,272 | 1,261,228 |
| **Cash and cash equivalents at the end of the period** | **21** | **1,878,320** | **2,947,335** | **1,329,891** | **2,650,272** |

The notes in pages 47 and 113 are integral part of the consolidated and separate financial statements.

# Notes to the Consolidated and Separate Financial Statements

For the year ended 31 December 2021

## 1. General information

UPDC Plc ('the Company') and its subsidiaries (together 'the Group') is a company incorporated in Nigeria. The Group and the Company have businesses with activities in the following principal sectors: real estate and hotel management. The address of the registered office is 1-5 Odunlami Street, Lagos. The Company changed its name from UACN Property Development Company Plc to UPDC Plc in 2021.

The Company is a public limited company and is listed on the Nigerian Stock Exchange.

## 1.2 Securities Trading Policy

In compliance with Rule 17.15 Disclosure of Dealings in Issuers' Shares, Rulebook of the Exchange 2015 (Issuers Rule) UPDC Plc maintains effective Security Trading Policy which guides Directors, Audit Committee members, employees and all individuals categorized as insiders as to their dealing in the Company's shares. The Policy is regularly reviewed and updated by the Board. The Company has made specific inquiries of all the directors and other insiders and is not aware of any infringement.

## 1.3 Management's Assessment of Internal Controls

The management of UPDC Plc is responsible for establishing and maintaining adequate internal control over financial reporting. UPDC's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair representation of published financial statements.

UPDC Plc's management assessed the effectiveness of the Company's internal controls within the reporting period. Based on our assessment, we believe that as of 31 December 2021, the Group and the Company's internal control is effective. We will continue to work on further strengthening this position.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## 2.1 Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRSIC) interpretations applicable to companies reporting under IFRS as issued by International Accounting Standards Board (IASB), Financial Reporting Council of Nigeria Act No 6, 2011 and the provisions of Companies and Allied Matters Act, 2020. The consolidated and separate financial statements have been prepared under the historical cost convention except for investment properties and equity instruments at fair value through other comprehensive income, which are measured at fair value.

The preparation of consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in note 4.

(All amounts are in Naira thousands unless otherwise stated)

### 2.1.2 Changes in accounting policy and disclosures

**New and amended standards and interpretations**

The Group and the Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Group and Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable. "

**COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

However, the Group has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application. "

### 2.1.3 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group and Company's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts"

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group and Company.

**Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements. Effective for annual periods beginning on or after 1 January 2022.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments to IFRS 3 is not expected to have a significant impact on the consolidated and separate financial statements of UPDC Plc.

**Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides 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 to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

The amendments to IAS 12 are applicable for annual periods beginning on or after 1 January 2023. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group.

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

Effective for annual periods beginning on or after 1 January 2022.

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments to IFRS 16 is not expected to have a significant impact on the consolidated and separate financial statements.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Effective for annual periods beginning on or after 1 January 2022.

The amendments are intended to provide clarity and help ensure consistent application of the standard. Entities that previously applied the incremental cost approach will see provisions increase to reflect the inclusion of costs related directly to contract activities, whilst entities that previously recognised contract loss provisions using the guidance from the former standard, IAS 11 Construction Contracts, will be required to exclude the allocation of indirect overheads from their provisions. Judgement will be required in determining which costs are "directly related to contract activities", but we believe that guidance in IFRS 15 Revenue from Contracts with Customers will be relevant.

The amendments to IAS 37 is not expected to have a significant impact on the consolidated and separate financial statements.

**IFRS 1 First-time Adoption of International Financial Reporting Standards: Subsidiary as a first-time adopter**

The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments had no impact on the financial statements of the Group and of the Company.

**IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted. These amendments had no impact on the financial statements of the Group and Company.

**IAS 41 Agriculture: Taxation in fair value measurements**

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted. This amendment had no impact on the financial statements of the Group and Company.

**Classification of Liabilities as Current or Non-current - Amendments to IAS 1**

In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. Effective for annual periods beginning on or after 1 January 2022.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

The amendments to IAS 1 is not expected to have a significant impact on the consolidated and separate financial statements.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The amendments address the conflict between IFRS 10 Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments to IFRS 10 and IAS 28 is not expected to have a significant impact on the consolidated and separate financial statements.

## 2.2 Consolidation

**(a) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to,variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group and the Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group and the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group and the Company is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Profit or Loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated when necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

**(b) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**(c) Disposal of subsidiaries**

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified as profit or loss.

**(d) Associates and joint ventures**

Associates are all entities over which the Group and the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group and the Company's investment in associates include goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Joint ventures are investments where the Group exerts joint control. Investments in joint ventures are accounted for using the equity method of accounting.

The Group and the Company's share of post-acquisition profit or loss are recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group and the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group and the Company do not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group and the Company calculate the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to the 'share of profit/(loss) of an associate' in the Profit or Loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group and the Company.

Dilution gains and losses arising from investments in associates are recognised in the Profit or Loss.

**(e) Joint arrangements**

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be both joint operations and joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group and the Company account for joint operation by treating the operation as its own operations by recognising its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities held jointly, its revenue from the sale of the output by the joint operation, its share of revenue from the sale of the output by the joint operation, its expenses, including its share of any expenses incurred jointly.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group and the Company.

## 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

## 2.4 Foreign currency translation

**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Naira (N), which is the parent and separate's functional currency.

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'Administrative expenses''.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other income, are included in other comprehensive income.

### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each item of Statement of Financial Position presented are translated at the closing rate at the reporting date;
b. income and expenses for each Profit or Loss item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
c. all resulting exchange differences are recognised in other comprehensive income.

## 2.5 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment.

Land and buildings comprise mainly of retail outlets and offices as well as hotel rooms.

Assets are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the assets. The estimated useful lives of the assets are:

| Leasehold buildings | Lease terms vary from 5 to 99 years |
|---|---|
| Plant and Machinery: | |
| - Heavy | 5 to 7 years |
| - Light | 3 to 5 years |
| Motor Vehicles: | |
| - Commercial | 7 to 10 years |
| - Passenger | 4 to 5 years |
| Furniture and Fittings | 3 to 5 years |
| Computer equipment | 3 to 5 years |

The useful lives, residual values and methods of depreciation are reassessed at the end of each reporting period and adjusted if necessary.

The depreciation on property, plant and equipment is recognised in profit or loss in the year in which it occurred.

The gain or loss on property, plant and equipment is determined by subtracting the carrying value from the net disposal proceeds on date of sale. The gain or loss on sale of property, plant and equipment is recognised in the statement of profit or loss when the asset is derecognised.

Subsequent expenditure relating to an item of equipment is capitalised when it is probable that future economic benefits will flow to the entity and the cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

## 2.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Unless internally generated costs meet the criteria for development costs eligible for capitalisation in terms of IAS 38 (refer to accounting policy on Computer Software). All internally generated intangible assets are expensed as incurred.

The useful lives of intangible assets are either finite or indefinite. Intangible assets with finite lives are amortised over their useful lives and assessed for impairment when there is an indication that the asset may be impaired. The amortisation period and the method are reviewed at each financial year end. Changes in the expected useful life or pattern of consumption of future benefits are accounted for prospectively. Intangible assets with indefinite useful lives are not amortised but are tested annually for impairment either individually or at the cash-generating level. The useful lives are also reviewed each period to determine whether the indefinite life assessment continues to be supportable. If not, the change in useful life assessment to a finite life is accounted for prospectively.

### Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recogniesd as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;

- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, that is, 5 years or 20%.

**2.7 Investment properties**

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the consolidated group, are classified as investment properties. Investment properties comprise mainly of commercial projects constructed and acquired with the aim of leasing out to tenants.

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. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position 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 Group makes use of internal and external valuation experts. Each property is valued by an external valuer annually.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

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 Group and 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.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised when they have been disposed.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increase directly to equity in revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in profit or loss against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

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

Leasehold investment properties represent properties acquired under government consent for 99 years.

## 2.8 Impairment of non-financial assets

The carrying value of assets is reviewed for impairment at each reporting date. Assets are impaired when events or changes in circumstances indicate that their carrying value may not be recoverable. If such indication exists and where carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Recoverable amounts are determined as the higher fair value less costs to sell or value in use. Impairment losses and the reversal of impairment losses are recognised in profit or loss. 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 has been recognised.

## 2.9 Financial Instruments-intial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial Assets

### Classification

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group and Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and Company has applied the practical expedient, the Group and Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in  Revenue from contracts with customers below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Fair value through OCI financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.  These include investments in shares.

### Recognition and measurement

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and Company commit to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified into:

**Financial assets at amortised cost (debt instruments)**

This category is the most relevant to the Group and Company. The Group and Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group and Company's financial assets at amortised cost include trade receivables, cash and cash equivalents and related parties receivables.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and Company continue to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group and Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and Company could be required to repay.

Impairment of financial assets

Further disclosures relating to the impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions Note 4
- Trade receivables and other financial assets Note 20

The Group and Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group and Company apply a simplified approach in calculating ECLs. Therefore, the Group and Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment using the loss rate model.

For receivables from related parties (non-trade), and short-term deposits, the Group and Company apply a general approach in calculating ECLs. It is the Group and Company's policy to measure ECLs on such asset on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group and Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and Company may also consider a financial asset to be in default when internal or external information indicates that the Group and Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## 2.10 Financial Liabilities

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group and Company's financial liabilities include trade and other payables.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables

Trade payables classified as financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Other payables that are within the scope of IFRS 9 are subsequently measured at amortized cost.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Financial guarantee contracts**

Financial guarantees contracts are contracts that require the Group and Company to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of the debt instrument. Such financial guarantees are given on behalf of debtors to secure loans.

### 2.11 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 2.12.1 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group and Company will not be able to collect all amounts due according to the original terms of the receivables. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

### 2.12.2 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

### 2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Profit or Loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

### 2.14 Inventories

Inventories are stated at the lower cost and estimated net realisable value. Cost is based on standard costing that comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### 2.15 Cash, cash equivalents and bank overdrafts

Cash, cash equivalents and bank overdrafts includes cash at bank and in hand plus short-term deposits less overdrafts. Short-term deposits have a maturity of less than three months from the date of acquisition. Bank overdrafts are repayable on demand and form an integral part of the Group and Company's cash management.

### 2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group and Company will be required to settle that obligation and the amount has been reliably estimated.

Provisions for restructuring costs are recognised when the Group and Company has a detailed formal plan for the restructuring that has been communicated to affected parties. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

### 2.18 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group or Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

### 2.19 Current and deferred income tax

The tax for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Profit or Loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the reporting liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Profit or Loss, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and Company intend to settle its current tax liabilities on a net basis.

## 2.20 Employee benefits

### (a) Defined contribution schemes

The defined contribution plan the Group and Company has for its employees is statutory pension scheme.

**Pension Scheme**

The Pension Reform Act of 2014 requires all companies to pay a minimum of 10% of basic salary (including housing and transport allowances) to a pension fund on behalf of all full time employees to pension fund administrator. The contributions are recognised as employee benefit expenses when they are due. The Group and Company has no further payment obligation once the contributions have been paid.

**Short-term benefits**

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

A provision 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.

### (b) Profit-sharing and bonus plans

The Group and Company recognise a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group and Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## 2.21 Revenue from contracts with customers

The Group and Company is in the business of acquiring, developing, selling and managing high quality, serviced commercial and residential accommodation and retail space. These contracts are divided into two revenue streams namely:

- Sales of Goods - Sale of property stock
- Facilities management services provided to the customer: Rendering of services - Management fees and service charge surcharge

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 Group and Company expects to be entitled in exchange for those goods or services. The Group and Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

The Group and Company has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Group and Company reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The Group and Company has been able to take a reasonable approach to determine the portfolios that would be representative of its types of customers and business lines. This has been used to categorise the different revenue stream detailed below.

**Sale of goods - Sale of Property Stock**

Revenue from Sale of Property Stock is recognised at the point in time when control of the asset is transferred to the customer, generally on transfer of the property. The normal credit term is 30 to 90 days upon transfer.

The Group and Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of property, the Group and Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

**Significant financing component**

Using the practical expedient in IFRS 15, the Group and Company does not adjust the promised amount of consideration for the effects of a significant financing component since it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. As a consequence, the Group and Company does not adjust any of the transaction prices for the time value of money.

**Contract Balances:**

**Trade Receivables**

A receivable represents the Group and Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

**Contract Liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group and Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group and Company performs under the contract.

## 2.22 Leases

The Group and Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group and Company as a lessee

The Group and Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets (ROU)

The Group and Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group and Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (s) Impairment of non-financial assets. The Group and Company has no right of use asset at the end of the year.

Short-term leases

The Group and Company applies the short-term lease recognition (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases (office rent) are recognised as expense on a straight-line basis over the lease term.

**Group and Company as a lessor**

Leases in which the Group and Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**2.23 Dividend distribution**

Dividend distribution to the Group and Company's shareholders is recognised as a liability in the Group and Company's financial statements in the period in which the dividends are approved by the Group and Company's shareholders. In respect of interim dividends these are recognised once paid.

**3. Financial risk management**

**3.1 Financial risk factors**

Specific risk management functions are carried out by the specific business units.

**(a) Market risk**

i. Foreign exchange risk

The Group and Company had loan guarantee in foreign currency as at the end of the year. There are no exposures to recognised assets and liabilities as the Group and Company has no investments in foreign operations. The foreign exchange risk exposure relates to the Company.

The Group and Company do not make use of derivatives to hedge its exposures. The Group and Company is not involved in direct importation of finishing materials for its projects and uses third party suppliers and logistics agents, who bear the full foreign exchange risk which are priced into contracts upfront.

The Group and Company's concentration of foreign exchange risk is as follows:

| The Group | 2021 | | |
|---|---|---|---|
| | USD 000 | GBP 000 | Euro 000 |
| **Financial assets** | | | |
| Cash at bank and in hand | 21 | - | 5 |
| | **21** | | **5** |

| | 2020 | | |
|---|---|---|---|
| | USD 000 | GBP 000 | Euro 000 |
| **Financial assets** | | | |
| Available for sale investments | - | - | - |
| Financial instruments at fair value through profit or loss | - | - | - |
| Cash at bank and in hand | 88 | - | 5 |
| | 88 | - | 5 |
| **Financial liabilities** | | | |
| Loan guarantee | 2,000 | | |
| | **2,000** | **-** | **-** |

| The Company | 2021 | | |
|---|---|---|---|
| | USD 000 | GBP 000 | Euro 000 |
| Financial assets | | | |
| Cash at bank and in hand | 21 | - | 5 |
| | **21** | **5** | **5** |

| | 2020 | | |
|---|---|---|---|
| | USD 000 | GBP 000 | Euro 000 |
| Financial assets | | | |
| Available for sale investments | - | - | - |
| Financial instruments at fair value through profit or loss | - | - | - |
| Cash at bank and in hand | 88 | - | 5 |
| | 88 | - | 5 |
| Financial liabilities | | | |
| Loan guarantee | 2,000 | | |
| | **2,000** | **-** | **-** |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021<br>N000 | 2020<br>N000 | 2021<br>N000 | 2020<br>N000 |
| The total impact on profit and equity if Naira were to increase/decrease by 2% across currencies would be as follows | 230 | 18,077 | 230 | 18,077 |

In 2021 and 2020, Management considered a 2% shift in foreign currency exchange rate appropriate to determine the sensitivity of foreign currency denominated financial assets and liabilities vis a vis the Naira.

ii. Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of equity (other than those arising from interest rate risk or currency risk). The equity instrument are classified as fair value through other comprehensive income and are susceptible to market price risk arising from uncertainties about future values of the investment securities.

| | The Group | | The Company | |
|---|---|---|---|---|
| | | | Effect on equity | |
| | | Change in price | N000 | N000 |
| UPDC REIT | 2021 | 5%<br>-5% | 29,684 | (29,684) |

iii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group and Company is not expose to the risk of changes in market interest rates because the Group and Company's long-term debt obligations are fixed interest rates.

**(b) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company.

The Group and Company is exposed to credit risk from its operating activities primarily trade receivables and deposits with banks and other financial institutions. The Group and Company have a credit control function that weekly monitors trade receivables and resolves credit related matters.

**Trade receivables**

Customer credit risk is managed by each business unit subject to the Group and Company's established policy, procedures and control relating to customer credit risk management. The Group and Company have adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. A sales representative is attached to each customer and outstanding customer receivables are regularly monitored by the representative. The requirement for impairment is analysed at each reporting date on an individual basis for all customers. The Group and Company evaluate the concentration of risk with respect to trade receivables as customers consist of large and reputable financial institutions that are subjected to financial scrutiny by various regulatory bodies. The Group and Company's maximum exposure to credit risk for the components of the statement of financial position is its carrying amount.

**Deposits with banks and other financial institutions**

Credit risk from balances with banks and financial institutions is managed by the Group and Company's treasury department in accordance with the Group and Company's policy. Surplus funds are spread amongst reputable commercial banks and funds must be within treasury limits assigned to each of the counterparty. Counterparty treasury limits are reviewed by the Group and Company's Chief Financial Officer periodically and may be updated throughout the year subject to approval of the Chief Financial Officer. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Group and Company's maximum exposure to credit risk for the components of the statement of financial position is its carrying amount.

### Impairment losses

### Trade receivables

For trade receivables, the Group and Company applied the simplified approach in computing ECL. Therefore, the Group and Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 20. The Group and Company do not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group and Company's trade receivables as at 31 December 2021 and 2020 using a provision matrix:

| | The Group | | | | |
|---|---|---|---|---|---|
| | Trade Receivables | | | | |
| | Date Past Due | | | | |
| 31 December 2021 | 1-3 months N'000 | 4-6 months N'000 | 7-12 months N'000 | Above 12 months N'000 | Total N'000 |
| Expected credit loss rate | | | 14% | 100% | |
| Estimated total gross carrying amount at default | - | - | 53,425 | 736,581 | 790,006 |
| **Expected credit loss** | **-** | **-** | **7,683** | **736,581** | **744,264** |

| | Trade Receivables | | | | |
|---|---|---|---|---|---|
| | Date Past Due | | | | |
| 31 December 2020 | 1-3 months N'000 | 4-6 months N'000 | 7-12 months N'000 | Above 12 months N'000 | Total N'000 |
| Expected credit loss rate | 32% | 92% | 100% | 100% | |
| Estimated total gross carrying amount at default | 402,107 | - | 87,092 | 530,394 | 1,019,593 |
| **Expected credit loss** | **129,338** | **-** | **87,092** | **530,394** | **746,824** |

| | The Company | | | | |
|---|---|---|---|---|---|
| | Trade Receivables | | | | |
| | Date Past Due | | | | |
| 31 December 2021 | 1-3 months N'000 | 4-6 months N'000 | 7-12 months N'000 | Above 12 months N'000 | Total N'000 |
| Expected credit loss rate | | | 58% | 100% | |
| Estimated total gross carrying amount at default | | | 9,529 | 736,581 | 746,110 |
| **Expected credit loss** | **-** | **-** | **5,542** | **736,581** | **742,123** |

| | Trade Receivables | | | | |
|---|---|---|---|---|---|
| | | | | | Date Past Due |
| 31 December 2020 | 1-3 months N'000 | 4-6 months N'000 | 7-12 months N'000 | Above 12 months N'000 | Total N'000 |
| Expected credit loss rate | 90% | 92% | 100% | 100% | |
| Estimated total gross carrying amount at default | 144,148 | - | 87,092 | 530,394 | 761,634 |
| **Expected credit loss** | **129,338** | **-** | **87,092** | **530,394** | **746,824** |

Set out below is the movement in the allowance for expected credit losses of trade receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Balance as at 1 January | 746,824 | 536,144 | 746,824 | 536,144 |
| Write off during the year | (33,400) | - | (33,400) | - |
| Provision for expected credit losses | 30,840 | 210,680 | 28,699 | 210,680 |
| **Balance at 31 December** | **744,264** | **746,824** | **742,123** | **746,824** |

Loss rates are calculated using a 'roll rate' method based on the probablity of a receivable progressing through successive stage delinquency to write-off. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group and Company's view of economic conditions over the expected lives of the receivables.

**Expected credit loss measurement - other financial assets**

The Group and Company applied the general approach in computing expected credit losses (ECL) for intercompany receivables and short-term deposits. The Group and Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and Company expect to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The ECL is determined by projecting the Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The 12-month and Lifetime PDs are derived by mapping the internal rating grade of the obligors to the PD term structure of an external rating agency for all asset classes. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs, etc. – are monitored and reviewed on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period. The significant changes in the balances of the other financial assets including information about their impairment allowance are disclosed below respectively.

The Group and Company consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and Company may also consider a financial asset to be in default when internal or external information indicates that the Group and Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### Analysis of inputs to the ECL model under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 3 Summary of significant accounting policies and in Note 4 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Group and Company obtain the data used from third party sources (Central Bank of Nigeria, Standards and Poor's etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the Group and Company's ECL models including determining the weights attributable to the multiple scenarios.

The following tables outline the impact of multiple scenarios on the allowance showing contribution of each scenario to the expected credit loss:

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| 31 December 2021 | Short-term deposit N'000 | Intercompany receivables N'000 | Total N'000 | Short-term deposit N'000 | Intercompany receivables N'000 | Total N'000 |
| Upside (10%) | 3 | 374,302 | 374,305 | 3 | 1,779,949 | 1,779,952 |
| Base (81%) | 26 | 3,031,843 | 3,031,869 | 26 | 14,417,588 | 14,417,614 |
| Downside (9%) | 3 | 336,871 | 336,874 | 3 | 1,601,954 | 1,601,957 |
| **Total** | **32** | **3,743,016** | **3,743,048** | **32** | **17,799,491** | **17,799,523** |

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| 31 December 2020 | Short-term deposit N'000 | Intercompany receivables N'000 | Total N'000 | Short-term deposit N'000 | Intercompany receivables N'000 | Total N'000 |
| Upside (11%) | 241 | 338,921 | 339,161 | 241 | 1,087,933 | 1,088,174 |
| Base (79%) | 1,924 | 2,711,365 | 2,713,289 | 1,924 | 8,703,464 | 8,705,388 |
| Downside (10%) | 241 | 338,921 | 339,161 | 241 | 1,087,933 | 1,088,174 |
| **Total** | **2,405** | **3,389,206** | **3,391,611** | **2,405** | **10,879,330** | **10,881,735** |

### Short-term deposits

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 |
| Gross carrying amount as at 1 January 2021 | 2,087,814 | - | - | 2,087,814 | 2,087,815 | - | - | 2,087,815 |
| New asset purchased | 834,181 | - | - | 834,181 | 664,777 | - | - | 664,777 |
| Asset derecognised or repaid (excluding write offs) | (2,087,814) | - | - | (2,087,814) | (2,087,815) | | | (2,087,815) |
| **At 31 December 2021** | **834,181** | **-** | **-** | **834,181** | **664,777** | **-** | **-** | **664,777** |

| | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 |
|---|---|---|---|---|---|---|---|---|
| ECL allowance as at 1 January 2021 | 2,405 | - | - | 2,405 | 2,405 | - | - | 2,405 |
| New asset purchased | 32 | - | - | 32 | 32 | - | - | 32 |
| Asset derecognised or repaid (excluding write offs) | (2,405) | - | - | (2,405) | (2,405) | - | - | (2,405) |
| **At 31 December 2021** | **32** | **-** | **-** | **32** | **32** | **-** | **-** | **32** |

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 |
| Gross carrying amount as at 1 January 2020 | 140,847 | - | - | 140,847 | 140,847 | - | - | 140,847 |
| New asset purchased | 1,946,967 | - | - | 1,946,967 | 1,946,968 | - | - | 1,946,968 |
| Asset derecognised or repaid (excluding write offs) | - | - | - | - | - | - | - | - |
| **At 31 December 2020** | **2,087,814** | **-** | **-** | **2,087,814** | **2,087,815** | **-** | **-** | **2,087,815** |

| | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 |
|---|---|---|---|---|---|---|---|---|
| ECL allowance as at 1 January 2020 | 378 | - | - | 378 | 378 | - | - | 378 |
| New asset purchased | 2,027 | - | - | 2,027 | 2,027 | - | - | 2,027 |
| Asset derecognised or repaid (excluding write offs) | - | - | - | - | - | - | - | - |
| **At 31 December 2020** | **2,405** | **-** | **-** | **2,405** | **2,405** | **-** | **-** | **2,405** |

### Intercompany receivables

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 |
| Gross carrying amount as at 1 January 2021 | 6,037,667 | - | - | 6,037,667 | 20,162,724 | - | - | 20,162,724 |
| Changes in receivables | (202,532) | - | - | (202,532) | (239,643) | - | - | (239,643) |
| **At 31 December 2021** | **5,835,135** | **-** | **-** | **5,835,135** | **19,923,081** | **-** | **-** | **19,923,081** |

| | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 |
|---|---|---|---|---|---|---|---|---|
| ECL allowance as at 1 January 2021 | 3,389,206 | - | - | 3,389,206 | 10,879,330 | - | - | 10,879,330 |
| Charge for the year | 353,810 | - | - | 353,810 | 6,920,161 | - | - | 6,920,161 |
| **At 31 December 2021** | **3,743,016** | **-** | **-** | **3,743,016** | **17,799,491** | **-** | **-** | **17,799,491** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Net Intercompany receivables as at 31 December 2021 - Note 29 (c)** | | | | **2,092,119** | | | | **2,123,590** |

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 |
| Gross carrying amount as at 1 January 2020 | 6,515,681 | - | - | 6,515,681 | 20,553,279 | - | - | 20,553,279 |
| Changes in receivables | (478,014) | - | - | (478,014) | (390,555) | - | - | -390,555 |
| **At 31 December 2020** | **6,037,667** | **-** | **-** | **6,037,667** | **20,162,724** | **-** | **-** | **20,162,724** |

| | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 | Stage 1 N'000 | Stage 2 N'000 | Stage 3 N'000 | Total N'000 |
|---|---|---|---|---|---|---|---|---|
| ECL allowance as at 1 January 2020 | 3,971,724 | - | - | 3,971,724 | 10,828,795 | - | - | 10,828,795 |
| (Unused amount reversed)/Charge for the year | (582,518) | - | - | (582,518) | 50,535 | - | - | 50,535 |
| **At 31 December 2020** | **3,389,206** | **-** | **-** | **3,389,206** | **10,879,330** | **-** | **-** | **10,879,330** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Net Intercompany receivables as at 31 December 2020 - Note 29 (c)** | | | | **2,648,461** | | | | **9,283,394** |

**Impairment allowance for financial assets under general approach**

In assessing the Group and Company's internal rating process, the Group and Company's customers and counter parties are assessed based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Any publicly available information on the Group and Company's customers and counter parties from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the Group and Company's performance.

**(c) Liquidity risk**

The Group and Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Group and Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures,and preference shares. The Group and Company's policy is that not more than 25% of borrowings should mature in the next 12-month period. The Group and Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group and Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Liquidity risk arises from mis-match in expected inflows from sales, rentals and other revenue sources and outflows to fund projects, debt service and repayment obligations. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group and Company finance. Group and Company finance monitors rolling forecasts of the Group and Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. The Group and Company also ensures that at all times it does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

The table below analyses the Group's/Group and Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| At 31 December 2021 | Less than 3 months N'000 | Between 3 months and 1 year N'000 | Between 1 and 5 years N'000 | Over 5 years N'000 | Contractual amount N'000 | Carrying value N'000 |
| Interest bearing loans and borrowings | 159,364 | 366,733 | 7,058,803 | | 7,584,900 | 5,511,653 |
| Trade and other payables | - | 1,344,187 | - | - | 1,344,187 | 1,344,187 |
| | **159,364** | **1,710,919** | **7,058,803** | **-** | **8,929,086** | **6,855,840** |

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| At 31 December 2020 | Less than 3 months N'000 | Between 3 months and 1 year N'000 | Between 1 and 5 years N'000 | Over 5 years N'000 | Contractual amount N'000 | Carrying value N'000 |
| Interest bearing loans and borrowings | 1,121,404 | 3,357,016 | 1,169,666 | - | 5,648,086 | 5,422,500 |
| Finance lease liabilities | - | - | - | - | - | - |
| Trade and other payables | - | 3,248,375 | - | - | 3,248,375 | 3,248,375 |
| | **1,121,404** | **6,605,391** | **1,169,666** | **-** | **8,896,461** | **8,670,875** |

| | GROUP | | | |
|---|---|---|---|---|
| | Less than 3 months | Between 3 months and 1 year | Between 1 and 5 years | Over 5 years |
| Interest bearing loans and borrowings | - | 5,764,910 | | |
| Trade and other payables | 653,969 | | | |
| | **653,969** | **5,764,910** | **-** | **-** |

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| At 31 December 2021 | Less than 3 months N'000 | Between 3 months and 1 year N'000 | Between 1 and 5 years N'000 | Over 5 years N'000 | Contractual amount N'000 | Carrying value N'000 |
| Interest bearing loans and borrowings | 159,364 | 366,733 | 7,058,803 | | 7,584,900 | 5,511,653 |
| Trade and other payables | - | 1,521,154 | - | - | 1,521,154 | 1,521,154 |
| | **159,364** | **1,887,886** | **7,058,803** | **-** | **9,106,053** | **7,032,807** |

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| At 31 December 2020 | Less than 3 months N'000 | Between 3 months and 1 year N'000 | Between 1 and 5 years N'000 | Over 5 years N'000 | Contractual amount N'000 | Carrying value N'000 |
| Interest bearing loans and borrowings | 1,121,404 | 3,357,016 | 1,169,666 | - | 5,648,086 | 5,422,500 |
| Finance lease liabilities | - | - | - | - | - | - |
| Trade and other payables | - | 2,701,532 | - | - | 2,701,532 | 2,701,532 |
| Bank overdrafts | - | - | - | - | - | - |
| | **1,121,404** | **6,058,548** | **1,169,666** | **-** | **8,349,618** | **8,124,032** |

Trade and other payables is made up of trade payables and amount owed to related parties. Non-financial liabilities excluded from the trade and other payables are contract liabilities, value added tax/withholding tax payables and accruals.

## 3.2 Capital risk management

Capital includes share capital, share premium and other reserves attributable to equity holders.

The Group and Company's objectives when managing capital are to safeguard the Group and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and Company monitor capital on the basis of the gearing ratio. This ratio is calculated as interest bearing debt divided by total equity. Interest bearing debt is calculated as total borrowings (including 'current and non-current borrowings and trade and other payables' as shown in the consolidated statement of financial position). Total equity is calculated as 'equity' as shown in the consolidated and separate statement of financial posistion including non controlling interest.

No formal debt equity target has been established.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Interest bearing debt | 5,511,653 | 5,422,500 | 5,511,653 | 5,422,500 |
| Trade and other payables | 4,309,272 | 5,726,427 | 4,098,235 | 5,130,008 |
| Total debt | **9,820,925** | **11,148,927** | **9,609,888** | **10,552,508** |
| Total capital | 8,015,506 | 9,690,281 | 854,502 | 9,181,077 |
| **Capital and net debt** | **17,836,431** | **20,839,208** | **10,464,390** | **19,733,585** |
| **Gearing ratio** | **55%** | **53%** | **92%** | **53%** |

## 3.3 Fair value estimation

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities for the period ended 31 December.

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| **31 December 2021** | **Total N'000** | **Quoted price in active market (Level 1) N'000** | **Significant observable input (Level 2) N'000** | **Significant unobserv-able input (Level 3) N'000** | **Total N'000** | **Quoted price in active market (Level 1) N'000** | **Significant observable input (Level 2) N'000** | **Significant unobserv-able input (Level 3) N'000** |
| **Liabilities for which fair values are disclosed:** | | | | | | | | |
| Interest-bearing loans and borrowings | 5,079,540 | - | - | 5,079,540 | 5,079,540 | - | - | 5,079,540 |

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| **31 December 2020** | **Total N'000** | **Quoted price in active market (Level 1) N'000** | **Significant observable input (Level 2) N'000** | **Significant unobserv-able input (Level 3) N'000** | **Total N'000** | **Quoted price in active market (Level 1) N'000** | **Significant observable input (Level 2) N'000** | **Significant unobserv-able input (Level 3) N'000** |
| **Assets measured at fair value (Note 15):** | | | | | | | | |
| Investment properties | 1,786,573 | - | - | 1,786,573 | 1,786,573 | - | - | 1,786,573 |

**Liabilities for which fair values are disclosed:**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Interest-bearing loans and borrowings | 4,667,501 | - | 4,667,501 | - | 4,667,501 | - | - | 4,667,501 |

There have been no transfers between Level 1 and Level 2 during the year.

**i) Assets measured at fair values**

Investment properties: The valuation techniques used and key inputs to valuation of investment properties have been disclosed in Note 15.

**ii) Liabilities for which fair values are disclosed**

The fair value of unquoted loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

## 3.3 Fair value estimation

The following table represents the Groups' financial assets and liabilities that fair value is disclosed.

| | The Group | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Carrying Value N'000 | Fair Value N'000 | Carrying Value N'000 | Fair Value N'000 |
| **Assets** | | | | |
| Trade receivables | 45,742 | 45,742 | 272,769 | 272,769 |
| Receivables from group companies | 2,092,119 | 2,092,119 | 2,648,461 | 2,648,461 |
| Cash at bank and in hand | 1,878,320 | 1,878,320 | 2,947,335 | 2,947,335 |
| **Liabilities** | | | | |
| Interest bearing loans and borrowings | 5,511,653 | 5,079,540 | 5,422,500 | 4,667,501 |
| Trade Payables and other payables | 726,358 | 726,358 | 3,248,375 | 3,248,375 |

| | The Company | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Carrying Value N'000 | Fair Value N'000 | Carrying Value N'000 | Fair Value N'000 |
| **Assets** | | | | |
| Trade receivables | 3,987 | 3,987 | 14,810 | 14,810 |
| Receivables from group companies | 2,123,590 | 2,123,590 | 9,283,394 | 9,283,394 |
| Cash at bank and in hand | 1,329,891 | 1,329,891 | 2,650,272 | 2,650,272 |
| **Liabilities** | | | | |
| Interest bearing loans and borrowings | 5,511,653 | 5,079,540 | 5,422,500 | 4,667,501 |
| Trade and other payables | 911,548 | 911,548 | 2,701,532 | 2,701,532 |

Trade receivables is fair valued at net of impairment. Other receivables is made up of receivables to related parties which fairly approximates their stated carrying values. Trade and other payables is made up of trade payables and amount owed to related parties.

The fair values of loans from banks is estimated by discounting future cash flows using rates currently available for debts on similar terms, credit risk and remaining maturities.

The Company does not expect to default on its various obligations represented in its liabilities as at year end.

## 3.4 Financial instruments by category

| | The Group | |
|---|---|---|
| **At amortised cost** | **2021 N'000** | **2021 N'000** |
| **Financial assets** | | |
| Available for sale investments | | |
| Trade and other receivables | 2,137,861 | 2,921,230 |
| Cash at bank and in hand | 1,878,320 | 2,947,335 |
| | | |
| **Financial liabilities** | | |
| Interest bearing Loans and Borrowings | 5,511,653 | 5,422,500 |
| Trade and other payables | 726,358 | 5,726,427 |

| | The Company | |
|---|---|---|
| **At amortised cost** | **2021 N'000** | **2021 N'000** |
| **Financial assets** | | |
| Available for sale investments | | |
| Trade and other receivables | 2,127,577 | 9,298,204 |
| Cash at bank and in hand | 1,329,891 | 2,650,272 |
| | | |
| **Financial liabilities** | | |
| Interest bearing Loans and Borrowings | 5,511,653 | 5,422,500 |
| Trade and other payables | 911,548 | 5,130,008 |

## 4. Significant accounting judgements, estimates and assumptions

### 4.1 Significant estimates

The preparation of the Group and the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

### 4.2 Significant judgements

In the process of applying the Group and the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements

**a) Revenue from Contracts with Customers**

The Group and the Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

**Identifying performance obligations in a bundled sale of property and maintenance services**

The Group and the Company provides  planned preventive maintenance and property life cycle maintenance that are sold separately or bundled together with the sale of property to a customer. The maintenance services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the Company and the customer.

The Group and the Company determined that the property, and the maintenance services are capable of being distinct. The fact that the Group and the Company regularly sells both property, and maintenance on a stand-alone basis indicates that the customer can benefit from each of the products on their own. The Group and the Company also determined that the promises to transfer the property and to provide maintenance are distinct within the context of the contract. The property and the maintenance are not inputs to a combined item in the contract.

In addition, the property and the maintenance are not highly interdependent or highly interrelated, because the Group and the Company would be able to transfer the property even if the customer declined maintenance and would be able to provide maintenance in relation to products sold by other distributors. Consequently, the Group and the Company allocated a portion of the transaction price to the property and the maintenance service based on relative stand-alone selling prices.

**Determining the timing of satisfaction of sales of property stock**

The Group and the Company concluded that revenue for sales of property stock is to be recognised at a point in time; when the customer obtains control of the property. The Group and the Company assess when control is transferred using the indicators below:

- The Group and the Company has a present right to payment for the product;
- The customer has legal title to the product;
- The Group and the Company has transferred physical possession of the asset and delivery note received;
- The customer has the significant risks and rewards of ownership of the product; and
- The customer has accepted the asset

**Estimates and assumptions**

**b) Financial Instruments**

**Provision for expected credit losses of trade receivables**

The Group and the Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, and customer type).

The provision matrix is initially based on the Group and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the real estate sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group and the Company's trade receivables is disclosed in Note 9(v) and Note 20.

**Impairment losses on intercompany receivables and short term deposits**

The measurement of impairment losses under IFRS 9 requires estimates are driven by a number of factors, changes in which can result in different levels of allowances.

- The Group and the Company's ECL calculations are outputs of general approach used by considering a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels, Gross Domestic Products and inflation rate, and the effect on PDs, EADs and LGDs

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

**c) Investment properties**

The Group uses external experts in valuing its investment properties.

For an analysis of the properties valued using each of these refer to Note 15.

For external valuations, professional valuers' make use of the following key assumptions:

1. That the interests held by the Company as evidenced by title deeds are good and marketable;
2. That the properties are free from onerous restrictions and charges;
3. That the properties are not adversely affected by or subject to compulsory acquisition, road widening, planning restrictions or urban renewal schemes
4. That the properties are free from structural, infestation or concealed defect conditions and show no sign of impairment.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021<br>N'000 | 2020<br>N'000 | 2021<br>N'000 | 2020<br>N'000 |
| Freehold building | - | 80,144 | - | 80,144 |
| Leasehold building | - | 1,706,429 | - | 1,706,429 |
| **Total investment properties** | **-** | **1,786,573** | **-** | **1,786,573** |

**d) Useful lives for property, plant & equipment**

The estimation of the useful lives of assets is based on management's judgment. Any material adjustment to the estimated useful lives of property, plant and equipment will have an impact on the carrying value. See Note 13 for further details.

**e) Impairment of investments in Joint Venture**

Investment in Joint Ventures are stated at cost in the books of the Group and Company. However, where there is an objective evidence of impairment of this investment, the investment is written down to the recoverable amount. Evidence of impairment occurs where the Joint Venture incurs a loss and the Group/Company's share of loss exceeds its total investment in the Joint venture. See note 16 (ii). for details of write down in current year.

## 5. Segment Analysis

The chief operating decision-maker has been identified as the Executive Committee (Exco). Exco reviews the Group and the Company's internal reporting in order to assess performance and allocate resources.

Nigeria is the Group and the Company's primary geographical segment as the operations of the Group and the Company are entirely carried out in Nigeria. As at December 31, 2021, UPDC Plc's operations comprised two main business segments which is Property Development, Sales and Management and Hospitality Services. However, the latter has been classified as discontinued operation/ held for sale.

Property development, sales & management - (UPDC main business is the acquisition, development, sales and management of high quality serviced commercial and residential properties in the luxury, premium and classic segments of the real estate market in Nigeria. The Company approaches property planning from the customers' perspective to create comfortable living/working environments.

Discontinued Operation/ Held for sale: Hospitality services - UPDC Hotels Limited, the Company's subsidiary, is in the hospitality industry and leverages significantly on the success of its principal promoter UPDC Plc. The hotel provides services such as sale of rooms, conference halls as well as food & beverages.

The following measures are reviewed by Exco:

- Revenue from third parties
- Earnings before interest and tax
- Profit before tax
- Net current assets
- Property, plant and equipment

| | The Group | | | |
|---|---|---|---|---|
| **31 December 2021** | **Property development sales & management N'000** | **Hospitality services N'000** | **Classified as Discontinued Operation/ Held for Sale N'000** | **Total N'000** |
| Total revenue | 825,404 | 235,844 | (235,844) | 825,404 |
| Intergroup revenue | - | - | - | - |
| **Revenue from third parties** | **825,404** | **235,844** | **(235,844)** | **825,404** |
| Loss before interest and tax | (852,094) | (116,286) | 116,286 | (852,094) |
| Loss before tax | (1,615,801) | (116,286) | 116,286 | (1,615,801) |
| Net current assets | 5,913,073 | (1,020,592) | 1,020,592 | 5,913,073 |
| Property, plant and equipment | 49,928 | (11,943,485) | 11,943,485 | 49,928 |

| **31 December 2020** | **Property development sales & management N'000** | **Hospitality services N'000** | **Classified as Discontinued Operation/ Held for Sale N'000** | **Total N'000** |
|---|---|---|---|---|
| Total revenue | 1,662,487 | 329,735 | (329,735) | 1,662,487 |
| Intergroup revenue | - | - | - | - |
| **Revenue from third parties** | **1,662,487** | **329,735** | **(329,735)** | **1,662,487** |
| Loss before interest and tax | (712,959) | (228,201) | 228,201 | (712,959) |
| Loss before tax | (262,692) | (228,201) | 228,201 | (262,692) |
| Net current assets | 4,104,471 | (725,312) | 725,312 | 4,104,471 |
| Property, plant and equipment | 31,474 | 11,943,485 | (11,943,485) | 31,474 |

| | The Company | |
|---|---|---|
| **31 December 2021** | **Property development sales & management N'000** | **Total N'000** |
| Total revenue | 825,404 | 825,404 |
| Intergroup revenue | - | - |
| **Revenue from third parties** | **825,404** | **825,404** |
| Loss before interest and tax | (7,738,487) | (7,738,487) |
| Loss before tax | (8,577,911) | (8,577,911) |
| Net current assets | 3,949,980 | 3,949,980 |
| Property, plant and equipment | 31,402 | 31,402 |

| 31 December 2020 | The Company<br>Property development sales & management<br>N'000 | Total<br>N'000 |
|---|---|---|
| Total revenue | 1,597,218 | 1,597,218 |
| Intergroup revenue | - | - |
| **Revenue from third parties** | **1,597,218** | **1,597,218** |
| Earnings before interest and tax | (422,794) | (422,794) |
| Loss before tax | (946,191) | (946,191) |
| Net current liabilities | 10,757,600 | 10,757,600 |
| Property, plant and equipment | 7,142 | 7,142 |

| Entity wide information | Group | | Company | |
|---|---|---|---|---|
| Analysis of revenue by category: | 2021<br>N'000 | 2020<br>N'000 | 2021<br>N'000 | 2020<br>N'000 |
| Sale of Property Stock | 404,382 | 1,253,790 | 404,382 | 1,253,790 |
| Share of James Pinnock Sale of Property Stock | 58,140 | 45,390 | 58,140 | 45,390 |
| Rental income & Management Fee on Rent | 49,215 | 96,406 | 49,215 | 96,406 |
| Project and Management Surcharge Income | 28,826 | 266,901 | 28,826 | 201,632 |
| UPDC Facility Management Revenue | 284,841 | - | - | - |
| | **825,404** | **1,662,487** | **540,563** | **1,597,218** |

| Analysis of revenue by geographical location: | 2021<br>N'000 | 2020<br>N'000 | 2021<br>N'000 | 2020<br>N'000 |
|---|---|---|---|---|
| Nigeria | 825,404 | 1,662,487 | 540,563 | 1,597,218 |

## 5.1 Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group and Company's revenue from contracts with customers:

| Group | For the year ended 31 December 2021 | | | |
|---|---|---|---|---|
| Type of goods or service | Property development sales & management<br>N'000 | Hospitality services<br>N'000 | Classified as Discontinued Operation/ Held for Sale<br>N'000 | Total<br>N'000 |
| Sale of Property Stock | 404,382 | - | - | 404,382 |
| Share of James Pinnock Sale of Property Stock | 58,140 | - | - | 58,140 |
| Management Fee on Rent | 36,462 | - | - | 36,462 |
| Project and Management Surcharge Income | 28,826 | - | - | 28,826 |
| Festival Hotels | - | 235,844 | (235,844) | - |
| UPDC Facility Management Revenue | 284,841 | - | - | 284,841 |
| **Revenue from contracts with customers** | **812,651** | **235,844** | **(235,844)** | **812,651** |
| Rental income | 12,753 | - | - | 12,753 |
| **Total revenue** | **825,404** | **235,844** | **(235,844)** | **825,404** |

### Geographical markets

| | | | | |
|---|---|---|---|---|
| Within Nigeria | 812,651 | 235,844 | (235,844) | 812,651 |
| Outside Nigeria | - | - | - | - |
| Total revenue from contracts with customers | 812,651 | 235,844 | (235,844) | 812,651 |
| Rental income | 12,753 | | | 12,753 |
| **Total revenue** | **825,404** | **235,844** | **(235,844)** | **825,404** |

### Timing of revenue recognition

| | | | | |
|---|---|---|---|---|
| Goods transferred at a point in time | 462,522 | - | - | 462,522 |
| Services transferred over time | 350,129 | 235,844 | (235,844) | 350,129 |
| Total revenue from contracts with customers | 812,651 | 235,844 | (235,844) | 812,651 |
| Rental income | 12,753 | | | 12,753 |
| **Total revenue** | **825,404** | **235,844** | **(235,844)** | **825,404** |

| | For the year ended 31 December 2020 | | | |
|---|---|---|---|---|
| **Group** | **Property development sales & management N'000** | **Hospitality services N'000** | **Classified as Discontinued Operation/ Held for Sale N'000** | **Total N'000** |
| Type of goods or service | | | | |
| Sale of Property Stock | 1,253,790 | - | - | 1,253,790 |
| Share of James Pinnock Sale of Property Stock | 45,390 | - | - | 45,390 |
| Management Fee on Rent | 54,562 | - | - | 54,562 |
| Project and Management Surcharge Income | 266,901 | - | - | 266,901 |
| Festival Hotels | - | 329,735 | (329,735) | - |
| **Revenue from contracts with customers** | **1,620,643** | **329,735** | **(329,735)** | **1,620,643** |
| Rental income | 41,844 | - | - | 41,844 |
| **Total revenue** | **1,662,487** | **329,735** | **(329,735)** | **1,662,487** |

### Geographical markets

| | | | | |
|---|---|---|---|---|
| Within Nigeria | 1,620,643 | 329,735 | (329,735) | 1,620,643 |
| Outside Nigeria | - | - | - | - |
| **Total revenue from contracts with customers** | **1,620,643** | **329,735** | **(329,735)** | **1,620,643** |
| Rental income | 41,844 | - | - | 41,844 |
| **Total revenue** | 1,662,487 | 329,735 | (329,735) | 1,662,487 |

### Timing of revenue recognition

| | | | | |
|---|---|---|---|---|
| Goods transferred at a point in time | 1,299,180 | 329,735 | (329,735) | 1,299,180 |
| Services transferred over time | 321,463 | - | - | 321,463 |
| Total revenue from contracts with customers | 1,620,643 | 329,735 | (329,735) | 1,620,643 |
| Rental income | 41,844 | - | - | 41,844 |
| **Total revenue** | 1,662,487 | 329,735 | (329,735) | 1,662,487 |

| | For the year ended 31 December 2021 | | | |
|---|---|---|---|---|
| **Company** | **Property development sales & management N'000** | **Hospitality services N'000** | **Classified as Discontinued Operation/ Held for Sale N'000** | **Total N'000** |
| Type of goods or service | | | | |
| Sale of Property Stock | 404,382 | - | - | 404,382 |
| Share of James Pinnock Sale of Property Stock | 58,140 | - | - | 58,140 |
| Management Fee on Rent | 36,462 | - | - | 36,462 |
| Project and Management Surcharge Income | 28,826 | - | - | 28,826 |
| **Revenue from contracts with customers** | **527,810** | **-** | **-** | **527,810** |
| Rental income | 12,753 | - | - | 12,753 |
| **Total revenue** | **540,563** | **-** | **-** | **540,563** |

### Geographical markets

| | | | | |
|---|---|---|---|---|
| Within Nigeria | 527,810 | - | - | 527,810 |
| Outside Nigeria | - | - | - | - |
| **Total revenue from contracts with customers** | **527,810** | **-** | **-** | **527,810** |
| Rental income | 12,753 | | | 12,753 |
| **Total revenue** | **540,563** | **-** | **-** | **540,563** |

### Timing of revenue recognition

| | | | | |
|---|---|---|---|---|
| Goods transferred at a point in time | 462,522 | | | 462,522 |
| Services transferred over time | 65,288 | | | 65,288 |
| **Total revenue from contracts with customers** | **527,810** | **-** | **-** | **527,810** |
| Rental income | 12,753 | | | 12,753 |
| **Total revenue** | **540,563** | **-** | **-** | **540,563** |

| | For the year ended 31 December 2020 | | | |
|---|---|---|---|---|
| | **Property development sales & management N'000** | **Hospitality services N'000** | **Classified as Discontinued Operation/ Held for Sale N'000** | **Total N'000** |
| Type of goods or service | | | | |
| Sale of Property Stock | 1,253,790 | - | - | 1,253,790 |
| Share of James Pinnock Sale of Property Stock | 45,390 | - | - | 45,390 |
| Management Fee on Rent | 54,562 | - | - | 54,562 |
| Project and Management Surcharge Income | 201,632 | - | - | 201,632 |
| Festival Hotel | - | 329,735 | (329,735) | - |
| Total revenue from contracts with customers | 1,555,374 | 329,735 | (329,735) | 1,555,374 |
| Rental income | 41,844 | - | - | 41,844 |
| Total revenue | 1,597,218 | 329,735 | (329,735) | 1,597,218 |

### Geographical markets

| | | | | |
|---|---|---|---|---|
| Within Nigeria | 1,555,374 | 329,735 | (329,735) | 1,555,374 |
| Outside Nigeria | - | - | - | - |
| Total revenue from contracts with customers | 1,555,374 | 329,735 | (329,735) | 1,555,374 |
| Rental income (Within Nigeria) | 41,844 | - | - | 41,844 |
| **Total revenue** | **1,597,218** | **329,735** | **(329,735)** | **1,597,218** |

| | The Group | | The Company | |
|---|---|---|---|---|
| **Timing of revenue recognition** | 2021<br>N'000 | 2020<br>N'000 | 2021<br>N'000 | 2020<br>N'000 |
| Goods transferred at a point in time | 1,299,180 | 329,735 | (329,735) | 1,299,180 |
| Services transferred over time | 256,194 | - | - | 256,194 |
| Total revenue from contracts with customers | 1,555,374 | 329,735 | (329,735) | 1,555,374 |
| Rental income (Within Nigeria) | 41,844 | - | - | 41,844 |
| **Total revenue** | **1,597,218** | **329,735** | **(329,735)** | **1,597,218** |

### Performance obligations

Information about the Company's performance obligations are summarised below:

### Sale of property stock

The performance obligation is satisfied upon transfer of the property which is generally due within 30 to 90 days from transfer.

The Company has applied the practical expedient in paragraph 121 of IFRS 15 and did not disclose information about remaining performance obligations that have original expected durations of one year or less.

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| **Contract balances** | | 2021<br>N'000 | 2020<br>N'000 | 2021<br>N'000 | 2020<br>N'000 |
| Trade receivables | Note 20 | 45,742 | 272,769 | 3,987 | 14,810 |
| Contract liabilities | Note 24 | 2,168,341 | 1,818,650 | 1,798,340 | 1,818,650 |

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

In 2021, N744million (Company: N742million) was recognised as provision for expected credit losses on trade receivables (2020:N 746 million). “

Contract liabilities include advances received from customers in respect of sale of property stocks and facility management fees.

### Disclosure requirements IFRS 15 - Performance Obligations

#### Quantitative

Information about performance obligations in contracts with customer, including a description of the following:

| | |
|---|---|
| • When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service) including when performance obligations are satisfied in a bill-and-hold arrangement<br><br>• Significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained)<br><br>• The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e., if the entity is acting as an agent)<br><br>• Obligations for returns, refunds and other similar obligations<br><br>• Types of warranties and related obligations | IFRS 15.119(a)<br><br>IFRS 15.119(b)<br><br>IFRS 15.119(c)<br><br>IFRS 15.119(d) |

#### Performance obligations - Tabular form

The Company's typical performance obligations include the following:

| Performance Obligation | When Performance Obligation is Typically Satisfied | When Payment is Typically Due | How Standalone Selling Price is Typically Estimated |
|---|---|---|---|
| Sale of property stocks | Control of the asset is transferred to the customer, generally on delivery of the property at a point in time. | Payment is due on delivery date | Observable in contract document |
| Facilities management services provided to the customer | The services are satisfied over time as customers simultaneously receives and consumes the benefits provided by the Company. The Company recognizes revenue for these service contracts over time . | At the beginning of the contract period | Observable in renewal transactions |
| Project Development and Business Management | Allocation of the consideration and timing of the amount of revenue recognized in relation to the sales. | Within 90 days of services being performed | Observable in transactions without multiple performance obligations |

## 6. Other Operating Income

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Investment income* | 50,430 | 6,840 | 50,430 | 6,840 |
| Income distribution from UPDC REIT | - | - | - | 972,860 |
| Service charge received from Festival Hotel | - | - | - | 2,346 |
| Sales commission | - | 20,300 | - | 20,300 |
| Gain on disposal of PPE | 12,595 | 4,417 | 12,595 | 4,417 |
| Recovery on facility management | 68,761 | 48,604 | - | 36,414 |
| Others** | 178,976 | 66,400 | 35,583 | 47,909 |
| **Total other income** | **310,762** | **146,561** | **98,608** | **1,091,086** |

* Investment income in 2021 represents dividend received on investment in UPDC REIT while that of 2020 represents dividend from UNICO CPFA Ltd. Dividend of N973m received from UPDC REIT in 2020 before the unbundling of the units was included in the fair valuation of the REIT investment in the 2020 Income Statement.

**Others include legal fees earned on transfer of property title documents, search fees, sale of scrap items and N143.4million net liabilities of Manor Gardens assets and liabilities was written off.

## 7. Expenses by nature

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Change in inventories of finished goods and other direct costs of inventories | 475,270 | 1,055,866 | 475,270 | 1,055,866 |
| Write-down of inventories | 18,783 | 397,703 | 18,783 | 397,703 |
| Direct operating expenses for Investment Properties | | | | |
| and Vacant Apartments | 122,632 | 153,056 | 122,632 | 153,056 |
| Personnel expenses (Note 7b) | 378,566 | 399,019 | 240,114 | 360,346 |
| Depreciation of Property, Plant & Equipment (Note 13) | 15,300 | 8,414 | 8,971 | 6,749 |
| Amortization of intangible asset (Note 14) | 3,622 | 10,158 | 3,038 | 10,013 |
| Unrealised exchange loss | 56,844 | 4,609 | 56,844 | 4,609 |
| Rent and rates* | 10,200 | 8,076 | 10,200 | 8,076 |
| Vehicles repairs, maintenance & fueling | 1,243 | 896 | 891 | 896 |
| Other repairs & maintenance | 28 | 35,201 | 28 | 35,201 |
| Legal expenses | 33,089 | 138,212 | 33,089 | 138,212 |
| Auditors' remuneration | 24,929 | 19,950 | 20,425 | 19,950 |
| Directors' emoluments (Note 7b) | 94,485 | 64,104 | 94,485 | 64,104 |
| Information Technology | 42,921 | 36,473 | 38,790 | 36,473 |
| Insurance | 14,528 | 11,070 | 12,385 | 10,461 |
| Marketing, advertising & communication | 21,678 | 13,006 | 14,963 | 13,006 |
| Professional fees | 168,700 | 218,696 | 168,700 | 218,696 |
| Printing and stationery | 2,885 | 2,712 | 2,885 | 2,712 |
| UACN management fee (Note 31) | - | 16,676 | - | 16,676 |
| Other expenses** | 107,948 | 90,771 | 95,620 | 87,901 |
| | **1,593,649** | **2,684,668** | **1,418,113** | **2,640,706** |
| | | | | |
| Cost of sales | 685,126 | 1,742,028 | 604,918 | 1,720,700 |
| Selling and distribution expenses | 46,420 | 61,195 | 39,705 | 61,195 |
| Administrative expenses | 862,103 | 881,445 | 773,490 | 858,811 |
| | **1,593,649** | **2,684,668** | **1,418,113** | **2,640,706** |

* Rent and rates are short term leases of office building that are below one year.

**Other expenses include AGM expenses, Registrars expenses, training cost, office refurbishment, NSE listing fees.

## 7a. Guarantee on First Festival Mall loan

UPDC provided a Revenue Guarantee of $2million (Two Million Dollars only) for a loan taken by First Festival Mall Ltd, a Joint Venture. The loan has fallen due and First Festival Mall Ltd. was not able to repay. As a result of this, the lender called in the guarantee in May 2020. The Company made a provision for this guarantee of $2million (Two Million Dollars only) at the parallel market exchange rate as at 31 December 2020 ($1/N470) amounting to N940million naira (See Note 23). The Guarantee was settled in 2021.

## 7b. Personnel expenses

| | The Group | | The Company | |
|---|---|---|---|---|
| Personnel expenses include: | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Wages and salaries | 361,842 | 368,371 | 230,954 | 331,502 |
| Pension costs: | | | | |
| Pension benefits | 16,723 | 15,252 | 9,160 | 13,448 |
| Retirement benefit | - | 15,396 | - | 15,396 |
| | **378,566** | **399,019** | **240,114** | **360,346** |

### Particulars of directors and staff

(i) The Group has in its employment during the year the weekly average number of staff in each category below. The table below shows the number of employees (excluding directors), who earned over ₦300,000 as emoluments in the year and were within the bands stated.

| | | | The Group | | The Company | |
|---|---|---|---|---|---|---|
| N | | | 2021 | 2020 | 2021 | 2020 |
| 300,001 | - | 500,000 | 26 | 66 | 3 | 0 |
| 500,001 | - | 1,000,000 | 14 | 97 | 6 | 1 |
| 1,000,001 | - | 2,000,000 | 19 | 46 | 4 | 0 |
| 2,000,001 | - | 5,000,000 | 29 | 38 | 8 | 5 |
| 5,000,001 | - | 10,000,000 | 10 | 13 | 6 | 3 |
| 10,000,001 | - | 15,000,000 | 4 | 3 | 3 | 3 |
| Above 15,000,000 | | | 4 | 4 | 3 | 3 |
| | | | **106** | **267** | **33** | **15** |

(ii) Emoluments of Directors

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Fees | 800 | 263 | 800 | 263 |
| Other emoluments | 93,685 | 63,842 | 93,685 | 63,842 |
| | **94,485** | **64,104** | **94,485** | **64,104** |
| (iii) The Chairman's emolument. | 300 | 75 | 300 | 75 |
| (iv) Emolument of the highest paid director. | 47,177 | 29,360 | 47,177 | 29,360 |

(v) Key management personnel compensation

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Short term benefit | 142,725 | 173,888 | 128,495 | 148,116 |
| Post employment benefits | 9,555 | 9,179 | 8,132 | 7,756 |
| | **152,280** | **183,067** | **136,627** | **155,872** |

Key Management Personnel comprise the leadership team of the Company including Heads of Departments.

(vi) The table below shows the number of Directors of the Company, whose remuneration, excluding pension contributions, fell within the bands shown.

| ₦ | | | The Group 2021 Number | The Group 2020 Number | The Company 2021 Number | The Company 2020 Number |
|---|---|---|---|---|---|---|
| 1,000,001 | - | 9,000,000 | 4 | 4 | 4 | 4 |
| 9,000,001 | - | 14,000,000 | - | - | - | - |
| 14,000,001 and above | | | 3 | 3 | 3 | 3 |
| | | | 7 | 7 | 7 | 7 |

## 8. Net Finance Income/(Cost)

| | The Group 2021 N'000 | The Group 2020 N'000 | The Company 2021 N'000 | The Company 2020 N'000 |
|---|---|---|---|---|
| **Finance Income** | **45,654** | **35,172** | **44,929** | **35,172** |
| **Finance Costs** | **(763,707)** | **(1,512,946)** | **(763,707)** | **(1,512,946)** |
| **Net Finance Cost** | **(718,053)** | **(1,477,774)** | **(718,778)** | **(1,477,774)** |

Finance income relate to interest on short term deposits. Finance income and finance cost were calculated using the effective interest rate.

## 9 (i). Fair value gain on disposal group held for sale

| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
|---|---|---|---|---|
| Book value of total assets as at the end of the year | - | 12,169,923 | - | - |
| Impairment at 1 January | - | (4,029,237) | - | - |
| Less: Fair value of total asset | - | (8,140,686) | - | - |
| **Impairment** | **-** | **-** | **-** | **-** |

UPDC Hotel Ltd was measured at lower of the carrying amount and fair value less cost to sell.

## 9 (ii). Impairment of assets held for distribution

| | The Group 2021 N'000 | The Group 2020 N'000 | The Company 2021 N'000 | The Company 2020 N'000 |
|---|---|---|---|---|
| Investment in UPDC REIT | - | 7,007,890 | - | 7,007,890 |
| Reclassification as equity instrument | - | (567,007) | - | (567,007) |
| | - | 6,440,883 | - | 6,440,883 |
| Less: Fair value of total asset | - | (8,335,260) | - | (8,335,260) |
| Dividend received | - | (972,860) | - | - |
| **Fair vaue gain on asset held for disposal** | **-** | **(2,867,237)** | **-** | **(1,894,377)** |

The Board on 2 September, 2019 decided to unbundle UPDC's interest in UPDC REIT to UPDC shareholders via allocation of REIT units directly to shareholders of UPDC in proportion to their post-Rights Issue holding in UPDC. See Note 34 (i).

## 9 (iii). Share of Profit in Joint Venture

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Share of Loss in Festival Mall (Note 16) | | - | | - |
| Share of profit of First Restoration Dev. Co. Limited (Note 16) | - | 804 | - | - |
| | **-** | **804** | **-** | **-** |

## 9 (iv). Credit loss expense/(reversal)

The table below shows the ECL charges on financial instruments for the year recorded in the statement of profit or loss:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Receivable in UPDC Metro City Ltd | (4,892) | (340,126) | (4,892) | (340,126) |
| Receivable in Festival Hotel | - | - | 6,566,351 | 622,116 |
| Receivable in First Restoration Dev. Co. Limited | 3,927 | (3,081) | 3,927 | (3,081) |
| Receivable in Pinnacle Apartment Development Ltd. | (5,362) | 23,981 | (5,362) | 23,981 |
| Receivable in Golf Estate | 368,286 | (262,788) | 368,285 | (262,788) |
| Receivable in Galaxy Mall | - | 720 | - | 720 |
| Receivable in other related parties | (8,149) | (1,224) | (8,149) | 9,713 |
| Bad debt written off | 342,721 | - | 342,721 | - |
| Impairments of trade receivables and short term investment | 28,467 | 212,708 | 26,326 | 212,708 |
| | **724,999** | **(369,810)** | **7,289,208** | **263,243** |

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Stage 1 Individual N'000 | Simplified Model N'000 | Total N'000 | Stage 1 Individual N'000 | Simplified Model N'000 | Total N'000 |
| Short term deposits | (2,373) | - | (2,373) | 2,027 | - | 2,027 |
| Related party receivables | 353,811 | - | 353,811 | (582,518) | - | (582,518) |
| Bad debt written off | - | 342,721 | 342,721 | - | - | - |
| Trade receivables | - | 30,840 | 30,840 | - | 210,680 | 210,680 |
| | **351,438** | **373,561** | **724,999** | **(580,491)** | **210,680** | **(369,811)** |

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| | | | 2021 | | | 2020 |
| | Stage 1 Individual N'000 | Simplified Model N'000 | Total N'000 | Stage 1 Individual N'000 | Simplified Model N'000 | Total N'000 |
| Short term deposits | (2,373) | - | (2,373) | 2,027 | - | 2,027 |
| Related party receivables | 6,920,161 | - | 6,920,161 | 50,535 | - | 50,535 |
| Bad debt written off | - | 342,721 | 342,721 | - | - | |
| Trade receivables | - | 28,699 | 28,699 | - | 210,680 | 210,680 |
| | **6,917,788** | **371,420** | **7,289,208** | **52,562** | **210,680** | **263,242** |

## 10. Taxation

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Current tax | | | | |
| Minimum tax charge for the year | 3,219 | 5,896 | 3,219 | 3,993 |
| Current income tax | 67,252 | - | - | - |
| Capital Gain tax | 72,498 | 109,127 | 72,498 | 109,127 |
| **Total current tax charge** | **142,969** | **115,023** | **75,717** | **113,120** |
| Total deferred tax (note 26) | - | - | - | - |
| **Income tax charge** | **142,969** | **115,023** | **75,717** | **113,120** |

Nigeria corporation tax is calculated based on minimum tax computation because there was no assessable profit during the year.

The income tax charge for the year can be reconciled to the profit per the consolidated and separate statement of profit or loss as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Loss before taxation | (1,615,801) | (262,693) | (8,502,194) | (946,192) |
| Tax at the Nigeria corporation tax rate of 30% (2020: 30%) | (484,740) | (78,808) | (2,550,658) | (283,858) |
| Capital gains tax | 72,498 | 109,127 | 72,498 | 109,127 |
| Effect of income that is exempt from taxation | - | (742,415) | - | (537,365) |
| Effect of expenses that are not deductible in determining taxable profit | 551,992 | 821,223 | 2,550,658 | 821,223 |
| Minimum tax adjustments (Excluding PTF) | 3,219 | 5,896 | 3,219 | 3,993 |
| **Tax for the year** | **142,969** | **115,023** | **75,717** | **113,120** |

The tax (charge)/credit relating to components of other comprehensive income is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| **Per statement of financial position** | **2021 N'000** | **2020 N'000** | **2021 N'000** | **2020 N'000** |
| At 1 January | 119,688 | 115,522 | 117,785 | 115,522 |
| Charge for the year | 142,969 | 115,023 | 75,717 | 113,120 |
| Payments during the year | (116,873) | (89,395) | (114,970) | (89,395) |
| Withholding tax utilized | - | (21,462) | - | (21,462) |
| **At 31 December** | **145,784** | **119,688** | **78,532** | **117,785** |

## 10 (i). Current tax assets

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 N'000** | **2020 N'000** | **2021 N'000** | **2020 N'000** |
| Unutilised withholding tax credit notes | 96,908 | 96,908 | 96,908 | 96,908 |
| | **96,908** | **96,908** | **96,908** | **96,908** |

These relate to WHT credit notes yet to be utilized. The notes will be utilized against future income tax liabilities when filing tax returns to the FIRS.

## 11. Dividends

No dividend was declared or paid for the year ended 31 December 2021 (2020:Nil)

## 12. Loss Per Share

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 N'000** | **2020 N'000** | **2021 N'000** | **2020 N'000** |
| Loss after tax for the year from discontinued operations | (116,286) | (228,201) | - | - |
| Loss attributable to ordinary equity shareholders (NGN'000) | (1,758,770) | (377,716) | (8,577,911) | (1,059,312) |
| **Loss for the period** | **(1,875,056)** | **(605,917)** | **(8,577,911)** | **(1,059,312)** |
| **Basic loss per share (Kobo)** | **(10)** | **(4)** | **(46)** | **(8)** |
| From discontinued operations | (1) | (2) | - | - |
| From continuing operations | (9) | (2) | (46) | (8) |
| **Diluted loss per share (Kobo)** | **(10)** | **(4)** | **(46)** | **(8)** |
| From discontinued operations | (1) | (2) | - | - |
| From continuing operations | (9) | (2) | (46) | (8) |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 Number ('000) | 2020 Number ('000) | 2021 Number ('000) | 2020 Number ('000) |
| Basic weighted average and Diluted weighted average number of shares | 18,559,970 | 13,705,902 | 18,559,970 | 13,705,902 |
| Absolute number of shares (Note 28) | 18,559,970 | 18,559,970 | 18,559,970 | 18,559,970 |

In 2020, unit of shares in issue were 2,598,396,794 before the allotment of right issues of 15,961,574,145 ordinary shares of 50 kobo each at N1 per share on the basis of 43 new ordinary shares for every 7 ordinary shares. This was approved by Securities and Exchange Commission (SEC) on 20th of April 2020. The additional 15,961,574,145 ordinary shares were weighted using the number of days in issue during the year (from 21 April 2020 to 31 December 2020).

**(b) Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dillutive potential ordinary shares. The Group has no dilutive instruments.

## 13. Property, plant and equipment

| The Group | Motor Vehicles N'000 | Plant and Machinery N'000 | Furniture & Fittings N'000 | Computer Equipment N'000 | Total N'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2020 | 110,391 | 29,773 | 57,675 | 58,044 | 255,885 |
| Addition | 24,769 | - | 477 | 7,303 | 32,550 |
| Disposals | (42,940) | - | (11,037) | (1,990) | (55,968) |
| **At 31 December 2020** | **92,220** | **29,773** | **47,116** | **63,357** | **232,466** |
| At 1 January 2021 | 92,220 | 29,773 | 47,116 | 63,357 | 232,466 |
| Addition | 24,725 | - | 95 | 9,914 | 34,734 |
| Write off | (469) | (5,621) | (368) | - | (6,458) |
| Disposals | (53,964) | (11,416) | - | (1,172) | (66,551) |
| **At 31 December 2021** | **62,512** | **12,736** | **46,843** | **72,099** | **194,190** |
| | | | | | |
| **Accumulated depreciation and impairment** | | | | | |
| At 1 January 2020 | 92,933 | 29,773 | 55,571 | 54,755 | 233,032 |
| Charge for the year | 4,876 | - | 1,082 | 2,456 | 8,414 |
| Disposals | (27,628) | - | (10,919) | (1,908) | (40,454) |
| **At 31 December 2020** | **70,182** | **29,773** | **45,735** | **55,302** | **200,991** |
| At 1 January 2021 | 70,182 | 29,773 | 45,735 | 55,302 | 200,991 |
| Charge for the year | 11,007 | - | 685 | 3,608 | 15,300 |
| Write off | (469) | (5,621) | - | - | (6,090) |
| Disposals | (53,964) | (11,416) | - | (560) | (65,940) |
| **At 31 December 2021** | **26,756** | **12,736** | **46,419** | **58,351** | **144,262** |
| | | | | | |
| **Net book values** | | | | | |
| **At 31 December 2021** | **35,756** | **-** | **424** | **13,748** | **49,928** |
| **At 31 December 2020** | **22,038** | **-** | **1,381** | **8,055** | **31,474** |

During the year, one of the subsidiary wrote off all its property plant and equipments.

| The Company<br>Cost | Motor Vehicles<br>N'000 | Plant and Machinery<br>N'000 | Furniture & Fittings<br>N'000 | Computer Equipment<br>N'000 | Total<br>N'000 |
|---|---|---|---|---|---|
| At 1 January 2020 | 110,391 | 29,773 | 57,306 | 58,045 | 255,516 |
| Additions | 24,769 | - | 477 | 7,303 | 32,550 |
| Transfer to UPDC Facility Management Limited | (29,811) | | (607) | (3,225) | (33,644) |
| Disposals | (42,940) | - | (11,037) | (1,990) | (55,968) |
| **At 31 December 2020** | **62,409** | **29,773** | **46,139** | **60,133** | **198,454** |
| At 1 January 2021 | 62,409 | 29,773 | 46,139 | 60,133 | 198,454 |
| Additions | 24,725 | - | 95 | 9,024 | 33,844 |
| Write off | - | (5,621) | - | - | (5,621) |
| Disposals | (53,964) | (11,416) | - | (1,172) | (66,551) |
| **At 31 December 2021** | **33,170** | **12,736** | **46,234** | **67,986** | **160,126** |
| | | | | | |
| Accumulated depreciation | | | | | |
| At 1 January 2020 | 92,933 | 29,773 | 55,571 | 54,755 | 233,030 |
| Charge for the year | 3,415 | - | 1,051 | 2,283 | 6,749 |
| Transfer to UPDC Facility Management Limited | (6,564) | - | (480) | (968) | (8,013) |
| Disposals | (27,628) | - | (10,919) | (1,908) | (40,454) |
| **At 31 December 2020** | **62,155** | **29,773** | **45,223** | **54,162** | **191,312** |
| At 1 January 2021 | 62,155 | 29,773 | 45,223 | 54,162 | 191,312 |
| Charge for the year | 5,504 | - | 616 | 2,852 | 8,971 |
| Write off | - | (5,621) | - | - | (5,621) |
| Disposals | (53,964) | (11,416) | - | (560) | (65,940) |
| **At 31 December 2021** | **13,696** | **12,736** | **45,839** | **56,454** | **128,723** |
| | | | | | |
| **Net book values** | | | | | |
| **At 31 December 2021** | **19,474** | **-** | **396** | **11,532** | **31,402** |
| **At 31 December 2020** | **253** | **-** | **916** | **5,971** | **7,142** |

No Property, Plant and Equipment was pledged as security for any liability as at 31 December 2021 (2020: Nil).

## 14. Intangible assets

| Cost | The Group<br>Software<br>N'000 | The Company<br>Software<br>N'000 |
|---|---|---|
| At 1 January 2020 | 292,358 | 292,358 |
| Additions | 3,239 | 3,239 |
| Transfer to UPDC Facility Management Limited | - | (3,239) |
| **At 31 December 2020** | **295,597** | **292,358** |
| At 1 January 2021 | 295,597 | 292,358 |
| Additions | 13,412 | 13,412 |
| **At 31 December 2021** | **309,009** | **305,770** |

| **Amortisation** | | |
|---|---|---|
| At 1 January 2020 | 278,841 | 278,841 |
| Amortisation for the year | 10,158 | 10,013 |
| Transfer to UPDC Facility Management Limited | - | (437) |
| **At 31 December 2020** | **288,999** | **288,417** |
| At 1 January 2021 | 288,999 | 288,417 |
| Amortisation for the year | 3,622 | 3,038 |
| **At 31 December 2021** | **292,621** | **291,455** |

| **Net book values** | | |
|---|---|---|
| **At 31 December 2021** | **16,389** | **14,315** |
| **At 31 December 2020** | **6,598** | **3,942** |

No intangible asset was pledged as security for any liability as at 31 December 2021 (2020: Nil)

## 15. Investment properties

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| Fair value | Freehold building N'000 | Leasehold building N'000 | Total investment properties N'000 | Freehold building N'000 | Leasehold building N'000 | Total investment properties N'000 |
| At 1 January 2020 | 190,000 | 2,191,502 | **2,381,502** | 190,000 | 2,191,502 | **2,381,502** |
| Net loss from fair value adjustments on investment properties | (39,856) | (120,121) | **(159,977)** | (39,856) | (120,121) | **(159,977)** |
| Disposals | (70,000) | (364,952) | **(434,952)** | (70,000) | (364,952) | **(434,952)** |
| **At 31 December 2020** | **80,144** | **1,706,429** | **1,786,573** | **80,144** | **1,706,429** | **1,786,573** |
| At 1 January 2021 | 80,144 | 1,706,429 | **1,786,573** | 80,144 | 1,706,429 | **1,786,573** |
| Transfer to properties under construction - Inventory | (80,144) | (588,871) | **(669,015)** | (80,144) | (588,871) | **(669,015)** |
| Disposals | - | (1,117,558) | **(1,117,558)** | - | (1,117,558) | **(1,117,558)** |
| **At 31 December 2021** | - | - | - | - | - | - |

| | The Group | | The Company | |
|---|---|---|---|---|
| **Fair value loss/write down of investment properties** | **2021 N'000** | **2020 N'000** | **2021 N'000** | **2020 N'000** |
| Fair value gain on investment properties | - | 159,977 | - | 159,977 |
| | | **159,977** | **-** | **159,977** |

| | The Group | | The Company | |
|---|---|---|---|---|
| **Schedule of net gain/ (loss) on disposal** | **2021 N'000** | **2020 N'000** | **2021 N'000** | **2020 N'000** |
| Sales Proceed | 1,427,433 | 392,685 | 1,427,433 | 392,685 |
| Agency fees/incidental expenses | (25,141) | (4,906) | (25,141) | (4,906) |
| Net Sales Proceed | 1,402,292 | 387,780 | 1,402,292 | 387,780 |
| Carrying value of investment properties | (1,117,558) | (434,952) | (1,117,558) | (434,952) |
| | **284,734** | **(47,173)** | **284,734** | **(47,173)** |

Properties valued at N1.1billion were disposed during the period for a net sales proceed of N1.4billion. The amount recognised as rental income from the Group and the Company is N12.8million (2020: N41.8million). Direct operating expense arising from investment properties and other vacant apartments from the Group and Company is N122.6million (2020: N153.0million).

Fair value of investment properties is categorised as follows:

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | **Freehold building N'000** | **Leasehold building N'000** | **Total investment properties N'000** | **Freehold building N'000** | **Leasehold building N'000** | **Total investment properties N'000** |
| External Valuation | 80,144 | 1,706,429 | 1,786,573 | 80,144 | 1,706,429 | 1,786,573 |
| | **80,144** | **1,706,429** | **1,786,573** | **80,144** | **1,706,429** | **1,786,573** |

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| **At 31 December 2021** | **Freehold building N'000** | **Leasehold building N'000** | **Total investment properties N'000** | **Freehold building N'000** | **Leasehold building N'000** | **Total investment properties N'000** |
| External Valuation | - | - | - | - | - | - |
| | **-** | **-** | **-** | **-** | **-** | **-** |

The Group and Company's Investment Properties was reclassified to Inventory in 2021. This is because the Group and Company intend to sell existing Investment Properties, and as such these properties are no longer held for the purpose of generating cash flow or for value appreciation. As at the report date, the Group and Company have commenced the sales and marketing of these properties and plans are in place to ensure quick sales of these properties.

### Frequency of valuation

In previous years, fair valuation of Investment Properties was carried out annually.

### Retrictions on Realisability of Investment Property

The Group has no restrictions on the realisability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements. See note 3 for fair value hierarchy.

### Basis of valuation

The methods adopted for the valuation exercise are Investment and Depreciated Replacement Cost with recourse to Market Comparison.

The basis of valuation is a combination of methods: The Open Market, that is, the most probable price which an interest in a property might reasonably be expected to realise in a sale by Private Treaty, and or Forced Sale, that is, the price which an interest in a property might reasonably be expected to realise in a sale by Public Auction.

In valuing the properties, the following were assumed:

i. That the information supplied are correct;
ii. That the title to the properties are good and marketable;
iii. That the properties are not adversely affected by, or subjected to compulsory acquisition, road widening, new road proposal or planning scheme;
iv. That the properties are free from all onerous charges and restriction.

### 16. Investments in equity accounted joint ventures

The amounts recognised in the statement of financial position are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Joint ventures | 130,393 | 130,393 | 129,589 | 129,589 |
| | **130,393** | **130,393** | **129,589** | **129,589** |

### 16 (ii). Investments in Joint Ventures

| | The Group | | The Company | | | |
|---|---|---|---|---|---|---|
| Investment in Joint Ventures | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 | 2021 % holding | 2020 % holding |
| First Festival Mall Limited | 234,217 | 234,217 | 234,217 | 234,217 | 45.0% | 45.0% |
| First Restoration Dev. Co. Limited | 318,253 | 318,253 | 317,449 | 317,449 | 51.0% | 51.0% |
| Transit Village Dev. Co. Ltd | 73,606 | 73,606 | 73,606 | 73,606 | 40.0% | 40.0% |
| | 626,076 | 626,076 | 625,272 | 625,272 | | |
| Impairment allowance | (495,683) | (495,683) | (495,683) | (495,683) | | |
| | **130,393** | **130,393** | **129,589** | **129,589** | | |

The movement in the investment in joint ventures during the year is stated below:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| At 1 January | 130,393 | 129,589 | 129,859 | 129,859 |
| Share of profit of First Restoration Dev. Company Limited | - | 804 | - | - |
| | **130,393** | **130,393** | **129,859** | **129,859** |

**Nature of investment in Joint ventures:**

| Name | Project | Country of incorporation | Nature of relationship | Measurement method | % Interest held |
|---|---|---|---|---|---|
| First Festival Mall Limited | Festival Mall | Nigeria | Joint venture | Equity | 45% |
| First Restoration Dev. Coy Limited | Olive Court | Nigeria | Joint venture | Equity | 51% |
| Pinnacle Apartment Dev. Limited | Pinnacle Apartments | Nigeria | Joint venture | Equity | 51% |
| Calabar Golf Estate Limited | Golf Estate | Nigeria | Joint venture | Equity | 51% |
| UPDC Metro City Ltd | Metrocity | Nigeria | Joint venture | Equity | 60% |
| Transit Village Dev. Co. Ltd | Transit Village | Nigeria | Joint venture | Equity | 40% |

All joint ventures are primarily set up for projects as stated above. The investments in Joint Venture were measured at cost in the separate financial statements.

*Transit Village JV was not operational as at year end. The Company's investment represents the seed capital contributed towards acquiring the land for the project.

Set out below are the summarised financial information for the associate and joint ventures accounted for using the equity method.

| Name<br>31 December 2021 | Non Current Asset N'000 | Current Asset N'000 | Non-Current Liabilities N'000 | Current Liabilities N'000 | Cash & Cash Equivalent N'000 | Net Asset N'000 | Carrying value N'000 |
|---|---|---|---|---|---|---|---|
| First Festival Mall Limited | - | - | - | - | - | - | - |
| First Restoration Dev. Co. Limited | - | 528,895 | - | 185,706 | 25,964 | 369,153 | 130,393 |
| Pinnacle Apartment Dev. Limited | - | (244,691) | - | 489,024 | 11,594 | (391,058) | - |
| Calabar Golf Estate Limited | - | 1,096,082 | - | 1,516,762 | - | 420,680 | - |
| UPDC Metro City Ltd | - | 1,963,555 | - | 5,621,884 | 535 | (3,657,793) | - |
| Transit Village | - | - | - | - | - | | - |

| Name<br>31 December 2021 | Revenue N'000 | Depreciation N'000 | Interest Income N'000 | Interest Expense N'000 | Tax Expense N'000 | Profit/ (Loss) N'000 |
|---|---|---|---|---|---|---|
| First Festival Mall Limited | - | - | - | - | - | - |
| First Restoration Dev. Co. Limited | 161,704 | - | - | - | - | (2,876) |
| Pinnacle Apartments Dev. Limited | 361,813 | - | - | - | - | (163,116) |
| Calabar Golf Estate Limited | - | - | - | - | - | (335) |
| UPDC Metrocity Ltd | 140,722 | - | - | - | - | (37,265) |
| Transit Village | - | - | - | - | - | - |

| Name<br>31 December 2020 | Non Current Asset N'000 | Current Asset N'000 | Non-Current Liabilities N'000 | Current Liabilities N'000 | Cash & Cash Equivalent N'000 | Net Asset N'000 | Carrying value N'000 |
|---|---|---|---|---|---|---|---|
| First Festival Mall Limited | - | - | - | - | - | - | - |
| First Restoration Dev. Co. Limited | - | 438,454 | - | 75,935 | 25,964 | 362,519 | 130,393 |
| Pinnacle Apartment Dev. Limited | 106,267 | 11,671 | - | 508,996 | 11,594 | (391,058) | - |
| Calabar Golf Estate Limited | 1,095,824 | 140 | - | 742,310 | - | 353,654 | - |
| UPDC Metro City Ltd | 56,163 | 2,101,876 | 2,306,043 | 3,481,523 | 427 | (3,629,527) | - |
| Transit Village | - | - | - | - | - | | - |

| Name<br>31 December 2020 | Revenue N'000 | Depreciation N'000 | Interest Income N'000 | Interest Expense N'000 | Tax Expense N'000 | Profit/ (Loss) N'000 |
|---|---|---|---|---|---|---|
| First Festival Mall Limited | - | - | - | - | - | - |
| First Restoration Dev. Co. Limited | 111,292 | - | - | - | (742) | 1,577 |
| Pinnacle Apartments Dev. Limited | 327,517 | - | - | - | (2,085) | 4,431 |
| Calabar Golf Estate Limited | - | - | - | - | - | (4,624) |
| UPDC Metrocity Ltd | 456,541 | - | - | - | (2,283) | (61,061) |
| Transit Village | - | - | - | - | - | - |

## 17. Equity instrument at fair value through other comprehensive income

As at 31 December 2021, UPDC held 133,413,475 units, representing 5% of the total issued REIT units. This is in compliance with Section 532(z) of the SEC Rules and Regulations (as amended) that requires promoters of real estate investment schemes to subscribe to a minimum of 5% of the registered units of the scheme at inception and hold such units throughout the life of the real estate investment scheme. The fair value changes is as a result of the difference in share price from prior year of N4.45 (2020: N4.25) per unit.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| As at 1 January | 733,774 | - | 733,774 | - |
| Reclassification of Investment in UPDC REIT | - | 567,007 | - | 567,007 |
| Fair value changes | (140,084) | 166,767 | (140,084) | 166,767 |
| **As at 31 December** | **593,690** | **733,774** | **593,690** | **733,774** |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Fair value assets at UPDC REIT | 593,690 | 9,069,034 | 593,690 | 9,069,034 |
| Unbundled UPDC REIT through the Share Premium | - | (8,335,260) | - | (8,335,260) |
| **Investment in UPDC REIT** | **593,690** | **733,774** | **593,690** | **733,774** |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Opening balance of Investment | 733,774 | 567,007 | 733,774 | 567,007 |
| Fair valuation at reporting date | (593,690) | (733,774) | (593,690) | (733,774) |
| **Fair value loss/(gain)** | **140,084** | **(166,767)** | **140,084** | **(166,767)** |

## 18. Investments in subsidiaries

| Principal investments | The Company | | % Shareholding | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 % | 2020 % |
| UPDC Hotels Limited: 2,082,500,000 Shares of ₦1.00 each | 2,082,500 | 2,082,500 | 94.7 | 94.7 |
| Manor Gardens: 53,810,000 Ordinary Shares of ₦1.00 each | 53,810 | 53,810 | 67.5 | 67.5 |
| UPDC Facility Management Limited: 5,000,000 Ordinary Shares of ₦1.00 each | 108,019 | 108,019 | 50.0 | 50.0 |
| Deep Horizon Investment Limited : 1,000,000 Ordinary Shares of ₦1.00 each | 1,611,697 | - | 100.0 | 0.0 |
| | **3,856,026** | **2,244,329** | | |
| Impairment of investments | (2,136,310) | (2,136,310) | | |
| | **1,719,716** | **108,019** | | |

Investments in subsidiaries are measured at cost. During the year, Deep Horizon was acquired.

### 18.1 Material partly owned subsidiary

Financial information of subsidiary that have material non-controlling interest is provided below;

Proportion of equity interests held by non-controlling interests:

| | The Company | | % Shareholding | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 % | 2020 % |
| UPDC Facility Management Limited: 5,000,000 Ordinary Shares of =N=1.00 each | 108,019 | 108,019 | 50 | 50 |

### 18.2 Profit allocated to material non-controlling interest

The summarized financial information of the subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

**UPDC Facility Management Limited**

**Statement of profit or loss and other comprehensive income**

| | 2021 N'000 | 2020 N'000 |
|---|---|---|
| Revenue from contract with customer | 284,841 | 65,269 |
| Cost of sales | (82,041) | (20,772) |
| Operating expenses | (87,734) | (22,765) |
| Finance cost | - | (423) |
| Other income | 68,761 | 28,335 |
| Profit before tax | 183,828 | 49,644 |
| Income tax expense | (67,252) | (1,903) |
| Profit for the year | 116,576 | 47,741 |
| Other comprehensive income | - | - |
| **Total Comprehensive income** | **116,576** | **47,741** |
| Attributable to; | | |
| Equity holders of parent | 58,288 | 23,871 |
| Non-controlling interest | 58,288 | 23,871 |
| | **116,576** | **47,741** |

**Summarised statement of financial position**

| | 2021 N'000 | 2020 N'000 |
|---|---|---|
| Cash and bank balances (current) | 379,026 | 296,668 |
| Trade and other receivables (current) | 99,482 | 213,385 |
| Property, plant and equipment (non-current) | 18,525 | 23,962 |
| Intangible asset (non-current) | 2,073 | 2,656 |
| Trade and other payables (current) | (53,639) | (270,989) |
| Income tax payable (current) | (67,252) | (1,903) |
| **Total Equity** | **378,215** | **263,779** |
| Attributable to; | | |
| Equity holders of parent | 189,107 | 131,890 |
| Non-controlling interest | 189,107 | 131,890 |
| | **378,215** | **263,779** |

### Summarised cash flow information

| | 2021 N'000 | 2020 N'000 |
|---|---|---|
| Operating | 83,206 | 109,063 |
| Investing | (798) | (28,432) |
| Financing | - | 216,037 |
| Net increase in cash and cash equivalents | 82,408 | 296,668 |
| Cash and cash equivalents at 1 January | 296,668 | - |
| **Cash and cash equivalents at 31 December** | **379,076** | **296,668** |

## 19. Inventories

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Non trade stock | - | 162 | - | 162 |
| Properties under construction (Note 19.1) | 6,084,508 | 4,270,744 | 4,468,168 | 4,270,744 |
| | **6,084,508** | **4,270,906** | **4,468,168** | **4,270,906** |

All Inventory above are carried at lower of cost or net realisable value at all the periods reported.

## 19.1. Properties under construction

| | The Group | | The Company | |
|---|---|---|---|---|
| Cost | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| At 1 January | 4,270,744 | 5,715,859 | 4,270,744 | 5,715,859 |
| Additions | 1,638,801 | 8,454 | 22,462 | 8,454 |
| Transfer from invesment properties | 669,015 | - | 669,015 | - |
| Disposal | (475,270) | (1,055,866) | (475,270) | (1,055,866) |
| Write-down of inventories | (18,783) | (397,703) | (18,783) | (397,703) |
| **At 31 December** | **6,084,508** | **4,270,744** | **4,468,168** | **4,270,744** |

## 20. Trade and other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Trade receivables | 790,006 | 1,019,593 | 746,110 | 761,634 |
| Less: Impairment of trade receivables (Note 3.1b) | (744,264) | (746,824) | (742,123) | (746,824) |
| **Net trade receivables** | **45,742** | **272,769** | **3,987** | **14,810** |
| Receivables from group companies - Note 29 | 2,092,119 | 2,648,461 | 2,123,590 | 9,283,394 |
| Other receivables - Note 20.1 | 515,733 | 1,208,033 | 449,454 | 1,182,977 |
| Advances to staff | 5,820 | 18,762 | 5,770 | 18,714 |
| | **2,659,414** | **4,148,025** | **2,582,801** | **10,499,895** |
| **20.1. Analysis of other receivables** | | | | |
| Mobilization payments to contractors | 26,902 | 740,788 | 26,902 | 740,788 |
| Prepayments and accrued income | 33,159 | 16,684 | 21,458 | 15,943 |
| Withholding tax receivables | 24,591 | 20,756 | 24,491 | 20,752 |
| Value added tax receivables | - | 227 | - | 227 |
| Other debtors | 431,081 | 429,578 | 376,603 | 405,267 |
| | **515,733** | **1,208,033** | **449,454** | **1,182,977** |

Information about the credit exposures and impairment are disclosed in Note 3.

*Other debtors comprise mainly of facility management expenses incurred on empty plot of land at Pinnock Beach. These are reimbursable by individual customers upon commencement of development work on their respective plots.

## 21. Cash and cash equivalents

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Cash at bank and in hand | 1,044,171 | 861,926 | 665,146 | 564,862 |
| Short term investment | 834,181 | 2,087,814 | 664,777 | 2,087,815 |
| Less: Impairment of Short term investments | (32) | (2,405) | (32) | (2,405) |
| **Cash and cash equivalents** | **1,878,320** | **2,947,335** | **1,329,891** | **2,650,272** |

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

## 22. Borrowings

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| **Current borrowings** | | | | |
| UACN Bridge Finance | - | 1,143,421 | - | 1,143,421 |
| 5-year bond | - | 8,199 | - | 8,199 |
| | **-** | **1,151,620** | **-** | **1,151,620** |
| **Non-current borrowings** | | | | |
| UACN Plc Loan* | 2,516,621 | - | 2,516,621 | - |
| Custodian Investment Plc Loan* | 2,995,032 | - | 2,995,032 | - |
| 5-year bond | - | 4,270,880 | - | 4,270,880 |
| | **5,511,653** | **4,270,880** | **5,511,653** | **4,270,880** |
| **Total borrowings** | **5,511,653** | **5,422,500** | **5,511,653** | **5,422,500** |

### (i) Movement in total borrowing during the year is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| At 1 January | 5,422,500 | 20,807,171 | 5,422,500 | 20,807,171 |
| Proceeds from borrowings | 5,903,073 | - | 5,903,073 | - |
| Initial measurement of proceeds* | (391,420) | - | (391,420) | - |
| Interest accrued | 763,707 | 1,512,946 | 763,707 | 1,512,946 |
| Repayment of borrowings | (5,422,500) | - | (5,422,500) | - |
| Interest paid | (675,522) | (1,146,076) | (675,522) | (1,146,076) |
| Interest unpaid reclassified to payables | (88,185) | - | (88,185) | - |
| Repayment via rights issue | - | (15,751,541) | - | (15,751,541) |
| **At 31 December** | **5,511,653** | **5,422,500** | **5,511,653** | **5,422,500** |

*In April 2021, the majority shareholders of UPDC PLC (CIP & UACN Plc) granted UPDC Plc a loan for N5.9billion at the rate of 9%/annum with a 3year moratorium. It was also agreed that the loan would be provided by CIP and UACN Plc's pro rata their shareholding in the UPDC i.e. CIP contributed 54.34% of the Loan whilst UACN Plc contributed 45.66% of the Loan. The purpose of the loan was to pay down the 5-year bond and UACN Bridge Finance. This loan was measured at amortised cost and the difference N391 million at initial recognition was recognised in other reserves.

UPDC carried out a Rights Issues in Q1 2020. UACN of Nigeria Plc paid for its Rights by utilizing N15.7 billion of the N16 billion Bridge facility. The Rights Issue was approved on 20 April, 2020 and as at this date the N1.2 billion accrued Interest on the Bridge Facility was capitalized. The interest rate on the outstanding Bridge Facility balance was also negotiated to 9% in April 2020. The loan has been restructured and the maturity is within a year. The total interest on the Bridge Facility up to 31st December, 2020, amounting to N90.8 million was fully paid during the year 2020.

The cash flows proceed and transaction cost of N0.210 billion and N0.376 billion respectively on the rights issue represents the part that was paid for in cash by shareholders. This, together with the loan conversion of N15.75 billion makes up the total amount in share capital and share premium of N7.98 billion and N7.60 billion respectively.

## 23. Trade and other payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021<br>N'000 | 2020<br>N'000 | 2021<br>N'000 | 2020<br>N'000 |
| Trade payables | 515,898 | 1,368,393 | 517,378 | 821,551 |
| Contract liabilities - Note 24 | 2,168,341 | 1,818,650 | 1,798,340 | 1,818,650 |
| Amounts owed to other related parties (Note 29) | 210,460 | 191,939 | 394,170 | 191,939 |
| | **2,894,699** | **3,378,982** | **2,709,888** | **2,832,140** |
| VAT/WHT Payables | 14,840 | 135,530 | 6,931 | 124,676 |
| Other payables | 781,905 | 523,872 | 771,810 | 485,150 |
| Accruals | 617,829 | 1,688,043 | 609,606 | 1,688,042 |
| **Total** | **4,309,272** | **5,726,427** | **4,098,235** | **5,130,008** |

*Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The directors consider the carrying amount of trade and other payables to approximate its fair value due to their short term maturity period and no significant discounts is expected on payments of the obligations.

*Other payables comprise asset replacement deposits of N301million, and payroll related statutory payment due.

*Accruals is made up of agency fee, legal fee, audit fee, amongst others.

The following transactions were carried out with related parties:

## 24. Contract liabilities

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021<br>N'000 | 2020<br>N'000 | 2021<br>N'000 | 2020<br>N'000 |
| Deposit by customers | 2,168,341 | 1,818,650 | 1,798,340 | 1,818,650 |
| | **2,168,341** | **1,818,650** | **1,798,340** | **1,818,650** |

This represents advances received from customers in respect of sale of property stocks and facility management fees. This is a non-interest bearing liability.

## 25. Deferred revenue

Deferred revenue are rentals received in advance which are recognized in the statement of profit or loss when earned. It is a non-interest bearing liability.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021<br>N'000 | 2020<br>N'000 | 2021<br>N'000 | 2020<br>N'000 |
| Within one year | 98,610 | 107,288 | 98,610 | 107,288 |
| Greater than one year | - | 2,145 | - | 2,145 |
| | **98,610** | **109,433** | **98,610** | **109,433** |

The Group as lessor enters into operating leases for its investment properties under non-cancellable basis, as the lessee does not have the power to cancel the contract without the permission of the lessor. The tenure of the lease arrangements vary from 1 year to 2 years. The Group as lessor does not have any lease arrangements under finance lease basis. It does not typically transfer substantially all the risks and rewards incidental to ownership of leased assets to the lessee. All leased assets under operating leases are classified as Investment Properties and fair valued annually based on the Group's accounting policy and in line with the requirements of IAS 40.

Movement in the deferred revenue is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Opening balance | 109,433 | 160,015 | 109,433 | 115,503 |
| Deferred during the year | 1,930 | 35,774 | 1,930 | 35,774 |
| Recognised as revenue during the year | (12,753) | (41,844) | (12,753) | (41,844) |
| | **98,610** | **109,433** | **98,610** | **109,433** |

## 26. Deferred taxation

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Deferred tax liabilities: | | | | |
| – Deferred tax liability to be recovered after more than 12 months | 72,537 | 72,537 | 72,537 | 72,537 |
| – Deferred tax liability to be recovered within 12 months | - | - | - | - |
| **Deferred tax liabilities / (assets)** | **72,537** | **72,537** | **72,537** | **72,537** |

The gross movement on the deferred income tax account is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| At 1 January | 72,537 | 72,537 | 72,537 | 72,537 |
| Recognised in profit or loss | - | - | - | - |
| **At 31 December** | **72,537** | **72,537** | **72,537** | **72,537** |

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| The Group | Property, plant and equipment N'000 | Investment property N'000 | Provisions N'000 | Tax losses N'000 | Capital gains to be reinvested N'000 | Exchange difference N'000 | Financial assets N'000 | Total N'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2020 | (69,440) | 1,273,022 | (96,895) | (1,151,609) | 116,291 | 1,168 | - | 72,537 |
| Charged / (Credited) to profit or loss | - | - | - | - | - | - | - | - |
| At 31 December 2020 | (69,440) | 1,273,022 | (96,895) | (1,151,609) | 116,291 | 1,168 | - | 72,537 |
| Charged / (Credited) to profit or loss | - | - | - | - | - | - | - | - |
| **At 31 December 2021** | **(69,440)** | **1,273,022** | **(96,895)** | **(1,151,609)** | **116,291** | **1,168** | **-** | **72,537** |

| The Company | Property, plant and equipment N'000 | Investment property N'000 | Provisions N'000 | Tax losses N'000 | Capital gains to be reinvested N'000 | Exchange difference N'000 | Financial assets N'000 | Total N'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2020 | (69,440) | 1,273,022 | (96,895) | (1,151,609) | 116,291 | 1,168 | - | 72,537 |
| Charged / (Credited) to profit or loss | - | - | - | - | - | - | - | - |
| At 31 December 2020 | (69,440) | 1,273,022 | (96,895) | (1,151,609) | 116,291 | 1,168 | - | 72,537 |
| Charged / (Credited) to profit or loss | - | - | - | - | - | - | - | - |
| **At 31 December 2021** | **(69,440)** | **1,273,022** | **(96,895)** | **(1,151,609)** | **116,291** | **1,168** | **-** | **72,537** |

**The Group/ The Company**

*The deferred tax asset computation for the year amounted to N7.5 billion (2020: N5.5 billion), the management has however assessed and concluded that it is not probable that sufficient taxable profits will be available to offset this, hence the decision not to recognise the asset.

At the reporting date, the Group has N5,212,833,997 unrelieved tax losses (2020:N5,205,314,560) available for offset against future profits.

## 27. Dividend Payable

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| As at 1 January | 253,680 | 339,920 | 253,680 | 339,920 |
| Unclaimed dividend fund paid | (1,269) | (14,371) | (1,269) | (14,371) |
| Statute barred dividend* | - | (71,869) | - | (71,869) |
| **At 31 December** | **252,411** | **253,680** | **252,411** | **253,680** |

*Statute barred dividend relates to dividends that are unclaimed after 12 years.

## 28. Share capital

**Group and Company**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Units '000 | Amount N'000 | Units '000 | Amount N'000 |
| **Authorised:** | | | | |
| Ordinary shares of 50k each | 18,600,000 | 9,300,000 | 18,600,000 | 9,300,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of 50k each | 18,559,969 | 9,279,985 | 18,559,969 | 9,279,985 |
| **Authorised shares** | | | | |
| At 1 January | 18,600,000 | 9,300,000 | 3,500,000 | 1,750,000 |
| Right issue | - | - | 15,100,000 | 7,550,000 |
| At 31 December | 18,600,000 | 9,300,000 | 18,600,000 | 9,300,000 |
| **Issued and fully paid** | | | | |
| At 1 January | 18,559,969 | 9,279,985 | 2,598,396 | 1,299,198 |
| Right issue | - | - | 15,100,000 | 7,980,787 |
| At 31 December | 18,559,969 | 9,279,985 | 18,559,969 | 9,279,985 |

In 2020, the Company undertook a right issue of 15.96 billion at N1.00 per share on the basis of forty three (43) new ordinary shares for every seven (7) ordinary share. This was approved by Securities and Exchange Commission (SEC) on 20th of April 2020. Consequently, additional 15.96 million ordinary shares were issued and listed on the Nigerian Stock Exchange platform.

**28 (i). Share Premium**

Share Premium is the premium on actual price of share issue above the par value of 50 kobo and it is used to take care of bonus issues.

Section 145 of Companies and Allied Matters Act, 2020 requires that where a company issues shares at premium (i.e. above the par value), the value of the premium should be transferred to share premium.

**28 (ii). Revenue Reserves**

Revenue Reserves represents accumulated loss over the years.

**29. Related party transactions**

The ultimate parent and controlling party of the Company is Custodian Investment Plc. There are other companies that are related to UPDC through common shareholding.

The following transactions were carried out with related parties:

**(a) Sales of goods and services**

| | | | The Group | | The Company | |
|---|---|---|---|---|---|---|
| | Relationship | Nature of transaction | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| UAC of Nigeria Plc | Associate | Property rental, use of hotel facility and fee on management of facilities | 17,898 | 36,057 | 17,898 | 33,387 |
| MDS Logistics Limited | Sister Company | | - | 275 | - | 275 |
| Chemical & Allied Products Plc | Sister Company | | - | 10,978 | - | 10,978 |
| UPDC Metrocity Limited | Joint Venture | | - | 1,323 | - | 1,066 |
| Pinnacle Apartment Dev. Ltd | JV Partner | | - | 626 | - | 528 |
| UPDC REIT | Associate | | | | | |
| | | | 35,142 | 46,342 | 35,142 | 46,146 |

**(b) Purchases of goods and services**

| | | | The Group | | The Company | |
|---|---|---|---|---|---|---|
| | Relationship | Nature of transaction | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| UAC of Nigeria Plc | Associate | Management fee per service agreement with UAC and direct purchase of products from fellow subsidiaries | 8,810 | 25,486 | 8,810 | 25,486 |
| UPDC Hotels Limited | Subsidiary | | - | - | - | 704 |
| Chemical & Allied Products Plc | Sister Company | | - | 1,466 | - | 1,466 |

### (c) Period-end balances arising from sales/purchases of goods/services

| | The Group | | The Company | |
|---|---|---|---|---|
| **Receivable:** | **2021 N'000** | **2020 N'000** | **2021 N'000** | **2020 N'000** |
| Receivables balance | 5,835,135 | 6,037,667 | 19,923,081 | 20,162,724 |
| Provision for expected credit losses | (3,743,016) | (3,389,206) | (17,799,491) | (10,879,330) |
| **Balance as at 31 December** | **2,092,119** | **2,648,461** | **2,123,590** | **9,283,394** |

Below is the breakdown of related party receivables as at 31 December

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | **Relationship** | **2021 N'000** | **2020 N'000** | **2021 N'000** | **2020 N'000** |
| UPDC Metrocity Limited | Joint Venture | 1,860,956 | 2,025,467 | 1,860,956 | 2,025,467 |
| UPDC Hotels Limited | Subsidiary | - | - | 14,045,538 | 14,045,568 |
| First Festival Mall Limited | Joint Venture | 2,614,513 | 2,614,513 | 2,614,513 | 2,614,513 |
| First Restoration Dev. Co. Limited | Joint Venture | 29,054 | - | 29,054 | - |
| Calabar Golf Estate Limited | Joint Venture | 647,598 | 643,856 | 647,598 | 643,856 |
| Pinnacle Appart Dev. Ltd/Imani and Sons | JV Partner | 300,346 | 363,015 | 300,346 | 363,015 |
| Galaxy Mall | Joint Venture | 74,034 | 74,034 | 74,034 | 74,034 |
| Manor Garden | Subsidiary | 308,634 | 316,782 | 316,782 | 316,782 |
| UPDC Facility Management Ltd | Subsidiary | - | - | 34,260 | 79,489 |
| | | 5,835,135 | 6,037,667 | 19,923,081 | 20,162,724 |
| Impairment of Intercompany receivables | | (3,743,016) | (3,389,206) | (17,799,491) | (10,879,330) |
| | | **2,092,119** | **2,648,461** | **2,123,590** | **9,283,394** |

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| **Payable:** | **Relationship** | **2021 N'000** | **2020 N'000** | **2021 N'000** | **2020 N'000** |
| First Restoration Dev. Co. Limited | Joint Venture | - | 885 | - | 885 |
| UAC Foods Ltd | Sister Company | 28 | - | 28 | - |
| MDS Logistics Ltd | Subsidiary | 1,787 | 1,790 | 1,787 | 1,790 |
| James Pinnock Place | Joint Operation | 72,741 | 117,562 | 72,741 | 117,562 |
| UPDC REIT | Associate | 46,858 | 65,774 | 46,858 | 65,774 |
| Custodian Investment Plc | Parent | 47,922 | - | 47,922 | - |
| Warm Spring Waters Nig. Ltd. | Subsidiary | - | 15 | - | 15 |
| UAC of Nigeria Plc | Associate | 41,124 | 5,913 | 41,124 | 5,913 |
| Deep Horizon Investment Ltd | Subsidiary | - | - | 183,710 | - |
| | | **210,460** | **191,939** | **394,170** | **191,939** |

All trading balances will be settled in cash.

The related party transactions were carried out on commercial terms and conditions.

**30. Contingent liabilities**

The company had ongoing litigations as at 31 December 2021. The claims against the Company from these litigations amount to N243.55 Million as at the reporting date (2020: N243.55 Million). Based on legal advice, the Directors are of the opinion that none of the litigations is likely to have any material adverse effect on the Company.

**31. Management service agreement**

The Company had a Management Service Agreement with UAC of Nigeria Plc up until 2020. This agreement provides that the Company pays an annual fee of 1% (VAT exclusive) of its turnover to UACN for services received under the agreement. The services provided include Business Strategy and Financial Advisory, Treasury, Secretarial & Legal, Human Resources Management, Insurance, Pensions & Gratuity Administration, Medical etc. No amount was charged in 2021 (2020: N16.67million). This does not include share of James Pinnock sales (Company's joint operation).

**32. Going Concern**

The Group reported a net loss of N1.9 billion (2020: N0.61 billion) while the Company reported a net loss of N8.6 billion (2020: N1.06 billion). Management has come up with detailed plans to address the consistent loss as detailed below:

UPDC Plc has been a profitable business prior to 2017 when it first experienced a loss. The historical losses were as a result of specific transactions relating to the impairment of loans and receivables due from a subsidiary (UPDC Hotels Limited) and huge finance cost resulting from the Corporate bond and Bridge facility loan obtained from related parties. In particular there was an associated high finance cost as a result of the high interest rate on the bridge facility and the loan at 19%. The entity was operationally profitable apart from those amounts.

The key driver of management strategy is to be profitable by the end of the year 2022. Management has decided to reposition its portfolio by actively selling the investment properties and 55 serviced plots. N2.9billion of the sales is forecasted to be generated from the sale of Pinnock Prime, while N1.4billion from sale of 37 plots of middle income serviced plots. These projected sales are the property inventories in Deep Horizon (a newly acquired subsidiary). The earmarked property inventories (Pinnock Prime) for -N4.3 billion is planned to be fully sold before the end of the fourth quarter 2022. However, only 6 plots have been sold as at the end of February 2022. The proceeds from these properties are expected to be used to fund the construction of new projects which is to commence within the third quarter 2022.

The Directors and Majority shareholders have identified the need to pay up the existing loans - Corporate bond and Bridge facility in order to reduce the huge finance cost and put the entity in a positive position for profitability. They have thus given the entity a N5.9 billion loan at an interest rate of 9% with 3 years moratorium. The company has paid up the bond from the inflow from the parent and the significant investors which is also significantly reducing the interest cost burden from prior years. The entity's subsidiary, UPDC Hotels Limited is currently held for sale and there are potential buyers who are currently conducting due diligence on the hotel business. The timeline for the disposal of the subsidiary is projected to be concluded on or before the end of the second quarter of 2022. The proceeds of the hotel business would be used to pay up the loans and the balance would be used as working capital

Management has prepared forecasts and projections that demonstrate that the Group and the Company should be able to make profit in the next twelve months in the ordinary course of business. The entity is expected to be able to generate enough revenue from the sales of its completed properties and then use the funds from the sales to further develop other projects. Management has considered the deposits received to date and the agreements with customers as well as their history in concluding on the forecasts. As noted above, management has also considered that If the company is able to sell the hotel, sufficient cash flows from investment activity will be generated to enable the company to repay outstanding loans and also fund constructions/projects. From the 2022 cashflow forecast analysis, the forecast shows that the Company is able to generate sufficient cashflows from its operating activities. It also shows that the Company will be able to generate sufficient cashflows from both sales of investment properties and sales of property inventory as a result of the strategies and actions put in place by management which the Directors considered achievable.

Having considered the above, the consolidated and separate financial statements of UPDC Plc have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the forecast performance targets will be achieved, and that sufficient resources will be available to finance future operations and loan repayments, and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

**33. Events after reporting period**

**COVID-19 Pandemic**

**Impact Review**

We have continued to implement our strategies for managing the impact of the pandemic on our business by focusing on our people, operations, customers and finances. Our strategy remains the same, and is as follows:

- **People:** We adopted a "People First" approach, ensuring the safety of our staff and customers. Flexible working was adopted to minimize the risk of exposure to the virus, and we were able to establish minimum disruption to business operations while working from home.
- **Operations:** We have continued to stress-test our businesses. We have continued to focus on cost optimization, negotiating discounts on every expenditure and agreeing appropriate payment plans with contractors.
- **Strategy:** We have reviewed and analyzed internal data and conducted market research, and based on these, we have reviewed our products and service offerings to align with the market. We will focus our energies on products and service offerings which offer stable and consistent demand.
- **Technology:** We embraced digital transformation to ensure continued paperless access to our files, seamless communication with our employees and customers through virtual meeting platforms; and continued access to our products and services via the available digital channels.

**Balance sheet analysis**

- **Property, Plant and Equipment:** The Company's Property Plant and Equipment consists mainly Motor Vehicles, Furniture & Fittings and Computer Equipment. We do not envisage any negative impact on this class of asset.
- **Intangible Assets:** This class of asset includes software, which will not be negatively impacted by the effects of the pandemic.
- **Investment Properties:** We have reclassified our Investment Properties into Inventory with the aim of selling them in the coming year.
- **Investment in Joint Ventures:** There may be a slowdown in sales of Joint Venture assets and recovery of receivables. We have planned for this in our budget for the year.
- **Inventories:** There may be a slowdown in sales of property stock. Our new developments will focus on affordable housing, which will help drive revenue for the year.
- **Trade and Other Receivables:** We will perform a quarterly analysis and review of the portfolio and the impact on the Company. We will also continue to embark on recovery drives. Any required adjustment will be reflected in the appropriate reporting period.
- Asset of disposal group classified as held for sale is Festival Hotel. The hospitality sector has been negatively impacted by the pandemic and resultant social distancing requirements. We will continue to focus on cost management measures at the hotel, while we pursue the sale of the business.
- **Non-current liabilities:** The Company's bond coupon will fall due in April and October. The Company has put measures in place to ensure that these obligations are met as and when due.
- **Current liabilities:** We do not envisage any adverse impact on current liabilities.

## 34. Disposal group held for sale and discontinued operations

**Festival Hotel, Conference Centre & Spa**

The Board decided to sell its investment in Festival Hotel, Conference Centre & Spa in 2017. Efforts are ongoing to improve the performance of the Hotel. Consequently, Festival Hotel has been classified as a disposal group held for sale and as a discountinued operation in accordance with IFRS 5

**Exception to one year requirement:**

IFRS 5 requires that except for certain exceptions, the sale of a non-current asset or disposal group is expected to qualify for recognition as a completed sale within one year from the date of classification. However, during the year, there were certain factors considered to be beyond the control of management which have invariably extended the sale period beyond one year. Management however, remains committed to concluding the sale within a reasonable time frame.

Analysis of the results of the discontinued operations is as follows:

| | Festival Hotel | |
|---|---|---|
| | 2021 N'000 | 2020 N'000 |
| Revenue | 235,844 | 329,735 |
| Cost of sales | (67,173) | (191,017) |
| Gross profit | 168,671 | 138,718 |
| Administrative expenses | (404,104) | (368,171) |
| Net finance cost | - | 3 |
| Other operating income | 119,147 | 1,249 |
| Operating loss | (116,286) | (228,201) |
| Loss before taxation from discontinued operations | (116,286) | (228,201) |
| Taxation | - | - |
| **Loss from discontinued operations** | **(116,286)** | **(228,201)** |
| Attributable to; | | |
| Equity holders of parent | (110,123) | (216,106) |
| Non-controlling interest | (6,163) | (12,095) |
| | **(116,286)** | **(228,201)** |

Analysis of the results of the disposal group held for sale and distribution to owners is as follows:

| | Festival Hotel | |
|---|---|---|
| | 31 Dec. 2021 N'000 | 31 Dec. 2020 N'000 |
| **Assets** | | |
| **Non-current assets:** | | |
| Property, plant and equipment | 11,943,485 | 11,943,485 |
| Intangible assets | 5,130 | 5,130 |
| | **11,948,615** | **11,948,615** |
| **Current assets:** | | |
| Inventories | 48,951 | 48,951 |
| Trade and other receivables | 90,592 | 125,809 |
| Cash and short-term deposits | 27,761 | 46,548 |
| | **167,304** | **221,308** |
| **Assets of disposal group classified as held for sale/ distribution to owners** | 12,115,919 | 12,169,923 |
| Less: Impairment of assets of disposal group held for sale | (4,029,237) | (4,029,237) |
| **Fair value of disposal group held for sale** | **8,086,682** | **8,140,686** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Trade and other payables | 1,187,897 | 946,620 |
| **Liabilities of disposal group classified as held for sale/ distribution to owners** | 1,187,897 | 946,620 |

Cashflows from discontinued operations:

The net cash flows of Festival Hotel are as follows:

| | 2021 N'000 | 2020 N'000 |
|---|---|---|
| Operating | 6,214 | 22,611 |
| Investing | - | (35,948) |
| Financing | (25,000) | (25,000) |
| **Net cash outflows** | **(18,786)** | **(38,337)** |

## 34 (i). Assets of disposal group classified as held for distribution to owners

### UPDC Real Estate Investment Trust (UPDC REIT)

As at 31 December 2021, UPDC held 133,413,475 units in UPDC REIT, representing 5% of the total issued REIT units. This is in compliance with Section 532(z) of the SEC Rules and Regulations (as amended) that requires promoters of real estate investment schemes to subscribe to a minimum of 5% of the registered units of the scheme at inception and hold such units throughout the life of the real estate investment scheme. The share price as at 31 December 2021 was N4.45 per unit.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Investment in UPDC REIT | - | 7,007,890 | - | 7,007,890 |
| Reclassification to Equity instrument at fair value | - | (567,007) | - | (567,007) |
| Impairment gain | - | 2,867,237 | - | 1,894,377 |
| Dividend received | - | (972,860) | - | - |
| Unbundling of UPDC REIT units | - | (8,335,260) | - | (8,335,260) |
| **Fair value asets at UPDC REIT** | **-** | **-** | **-** | **-** |

## 34 (ii). Assets of disposal group classified as held for sale/distribution to owners

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Fair value assets at Festival Hotel, Conference Centre & Spa | - | 8,140,686 | - | 8,140,686 |
| Fair value assets at UPDC REIT | - | 8,902,267 | - | 8,902,267 |
| Unbundled UPDC REIT through the Share Premium* | - | (4,698,056) | - | (4,698,056) |
| Unbundled UPDC REIT through the Revenue Reserves* | - | (3,637,204) | - | (3,637,204) |
| Reclassification to Equity instrument at fair value | - | (567,007) | - | (567,007) |
| **Total** | - | 8,140,686 | - | 8,140,686 |

* The unbundled UPDC REIT through share premium and revenue reserves is as a result of the scheme of arrangement as agreed by the shareholders and sanctioned by an order of the court during the court-ordered AGM.

## 34 (iii). Assets and Liabilities of disposal group classified as held for sale/distribution to owners

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 N'000 | 2020 N'000 | 2021 N'000 | 2020 N'000 |
| Assets of disposal group classified as held for sale/ distribution to owners (Note 34 & 34 (i)) | 8,086,682 | 8,140,686 | - | - |
| **Total** | **8,086,682** | **8,140,686** | **-** | **-** |
| Liabilities of disposal group classified as held for sale/ distribution to owners (Note 34) | 1,187,897 | 946,620 | - | - |
| **Total** | **1,187,897** | **946,620** | **-** | **-** |

# Statement of Value Added

For the year ended 31 December 2021

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 N'000 | % | 2020 N'000 | % | 2021 N'000 | % | 2020 N'000 | % |
| Sale of properties, rents and services | 825,404 | | 1,662,487 | | 540,563 | | 1,597,218 | |
| Bought in materials and services (All local) | (1,441,951) | | (258,015) | | 7,981,998 | | 618,183 | |
| Finance income | 45,654 | | 35,172 | | 44,929 | | 35,172 | |
| **Value (consumed)/added** | **(570,893)** | **100** | **1,439,644** | **100** | **(7,486,364)** | | **943,863** | **100** |
| **Distribution:** | | | | | | | | |
| Employees | 378,566 | (66) | 399,019 | 28 | 240,114 | (3) | 360,346 | 38 |
| Company Taxes | 142,969 | (25) | 115,023 | 8 | 75,717 | (1) | 113,120 | 12 |
| Interest charges | 763,707 | (134) | 1,512,946 | 105 | 763,707 | (10) | 1,512,946 | 160 |
| Depreciation | 15,300 | (3) | 8,414 | 1 | 8,971 | (0) | 6,749 | 1 |
| Amortisation | 3,622 | (1) | 10,158 | 1 | 3,038 | (0) | 10,013 | 1 |
| Transfer to non-controlling interests | 51,055 | (9) | 11,776 | 1 | - | - | - | - |
| Retained Loss | (1,926,111) | 337 | (617,692) | (43) | (8,577,911) | 115 | (1,059,311) | (112) |
| **Value (consumed)/added** | **(570,893)** | **100** | **1,439,644** | **100** | **(7,486,364)** | **100** | **943,863** | **100** |

Value (consumed)/added represents the additional wealth which the Group has been able to (utilise)/create by its own and its employees efforts. This statement shows the allocation of that wealth to employees, government, providers of capital and the amount retained for the future creation of more wealth.

# Group Five - Year Financial Summary

## Statement of Financial Position as at 31 December 2021

| | 2021 N'000 | 2020 N'000 | 2019 N'000 | 2018 N'000 | 2017 N'000 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Non-current liabilities | 5,584,190 | 4,345,562 | 4,341,230 | 4,329,867 | 1,344,476 |
| Current liabilities | 4,806,077 | 7,358,703 | 21,620,331 | 23,301,701 | 29,595,163 |
| Liabilities of disposal group classified as held for sale | 1,187,897 | 946,620 | 802,626 | 780,414 | - |
| Total liabilities | 11,578,164 | 12,650,885 | 26,764,187 | 28,411,982 | 30,939,639 |
| Ordinary share capital | 9,279,985 | 9,279,985 | 1,299,198 | 1,299,198 | 1,299,198 |
| Share premium | 8,971,551 | 8,971,551 | 6,065,397 | 6,065,397 | 6,065,397 |
| Other reserves | 391,420 | | | | |
| Revenue reserve and fair value reserve of financial assets at FVOCI | (10,627,450) | (8,561,255) | (5,014,475) | 10,861,012 | 26,439,679 |
| Shareholders' funds | 8,015,506 | 9,690,281 | 2,350,120 | 18,225,607 | 33,804,274 |
| Non-controlling interest | 2,562 | (48,493) | (178,288) | (170,700) | (165,849) |
| Total equity | 8,018,068 | 9,641,788 | 2,171,832 | 18,054,907 | 33,638,425 |
| **Net equity and liabilities** | **19,596,232** | **22,292,673** | **28,936,020** | **46,466,889** | **64,578,064** |
| | | | | | |
| PPE, intangible assets & Investment properties | 66,317 | 1,824,646 | 2,417,871 | 4,274,810 | 10,537,632 |
| Long term Investments | 724,083 | 864,167 | 129,589 | 20,109,195 | 32,035,384 |
| Assets of disposal group classified as held for sale | 8,086,682 | 8,140,686 | 15,249,451 | 8,320,174 | - |
| Current assets | 10,719,150 | 11,463,174 | 11,139,109 | 13,762,710 | 22,005,048 |
| **Total assets** | **19,596,232** | **22,292,673** | **28,936,020** | **46,466,889** | **64,578,064** |
| **Comprehensive income** | | | | | |
| Revenue | 825,404 | 1,662,487 | 2,157,614 | 2,303,326 | 3,983,078 |
| Loss before taxation | (1,615,801) | (262,693) | (16,194,629) | (13,244,202) | (3,057,309) |
| Taxation | (142,969) | (115,023) | 454,722 | (1,723,130) | 403,306 |
| Loss after taxation | (1,758,770) | (377,716) | (15,739,907) | (14,967,332) | (2,654,003) |
| Non-controlling Interest | 51,055 | 11,776 | (7,588) | (4,764) | (15,563) |
| Loss per share for loss attributable to the equity holders of the Group | (2,066,195) | (450,926) | (15,875,487) | (15,044,717) | (2,932,076) |
| Revenue reserve | (2,066,195) | (450,926) | (15,875,487) | (15,044,717) | (2,932,076) |
| Basic loss per share (kobo) | (9) | (2) | (115) | (579) | (130) |
| Net assets per share (Naira) | 0.4 | 0.5 | 0.8 | 6.9 | 12.9 |

**Note :**

The earnings, dividends and net assets per share of 40 kobo are computed respectively on the profit after taxation, proposed dividends and the shareholders' funds each on the basis of the number of shares in issue as at 31st December.

# Company Five - Year Financial Summary

## Statement of Financial Position as at 31 December 2021

| | 2021 N'000 | 2020 N'000 | 2019 N'000 | 2018 N'000 | 2017 N'000 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Non-current liabilities | 5,584,190 | 4,345,562 | 4,341,230 | 4,329,867 | 669,859 |
| Current liabilities | 4,527,788 | 6,760,381 | 21,234,266 | 22,915,633 | 29,209,094 |
| Total liabilities | 10,111,978 | 11,105,943 | 25,575,496 | 27,245,500 | 29,878,953 |
| Ordinary share capital | 9,279,985 | 9,279,985 | 1,299,198 | 1,299,198 | 1,299,198 |
| Share premium | 8,971,551 | 8,971,551 | 6,065,397 | 6,065,397 | 6,065,397 |
| Other reserves | 391,420 | | | | |
| Revenue reserve and fair value reserve of financial assets at FVOCI | (17,788,454) | (9,070,459) | (5,082,059) | 7,353,595 | 26,577,160 |
| Total equity | 854,502 | 9,181,077 | 2,282,536 | 14,718,190 | 33,941,755 |
| **Net equity and liabilities** | **10,966,480** | **20,287,020** | **27,858,032** | **41,963,690** | **63,820,708** |
| | | | | | |
| PPE, intangible assets & Investment properties | 45,717 | 1,797,657 | 2,417,506 | 4,274,445 | 10,537,263 |
| Long term Investments | 2,442,995 | 971,382 | 129,589 | 91,335 | 17,428,732 |
| Assets of disposal group classified as held for sale | | - | 7,007,890 | 16,489,153 | - |
| Current assets | 8,477,768 | 17,517,981 | 18,303,047 | 21,108,757 | 35,854,713 |
| **Total assets** | **10,966,480** | **20,287,020** | **27,858,032** | **41,963,690** | **63,820,708** |
| **Comprehensive income** | | | | | |
| Revenue | 540,563 | 1,597,218 | 2,157,614 | 2,303,326 | 3,983,078 |
| Loss before taxation | (8,502,194) | (946,192) | (12,890,376) | (16,673,705) | (2,470,861) |
| Taxation | (75,717) | (113,120) | 454,722 | (1,813,257) | 403,306 |
| Loss after taxation | (8,577,911) | (1,059,312) | (12,435,654) | (18,486,962) | (2,067,555) |
| Other comprehensive income for the period net of taxation | (140,084) | 166,767 | - | - | - |
| Total comprehensive loss | (8,717,995) | (892,545) | (12,435,654) | (18,486,962) | (2,067,555) |
| Net assets per share (Naira) | 0.05 | 0.5 | 0.9 | 5.7 | 13.1 |

**Note :**

The earnings, dividends and net assets per share of 5 kobo are computed respectively on the profit after taxation, proposed dividends and the shareholders' funds each on the basis of the number of shares in issue as at 31st December.

# SUSTAINABILITY REPORT

### About the Report

This report covers UPDC Plc (UPDC) sustainability related activities between January 1, 2021 and December 31, 2021, unless noted otherwise.

In determining the most important issues to our stakeholders and the industry, we aligned our reporting to the Global Reporting Initiative (GRI) and the Nigeria Exchange Regulation Limited's Sustainability disclosure guidelines.

As part of our report development process, we have merged guidance from both disclosure frameworks, along with input from our stakeholders and this has informed our views on the topics that are most important to UPDC.

We identified 22 topics as material to the long-term success and resiliency of our businesses and have organized them in three areas for this report: **Sustainability Governance, Environmental Stewardship and Social Responsibility**.

This report represents our second sustainability report as we continue to communicate on our sustainability performance and commitments to our stakeholders.

In each section, we have detailed our management approach to each area, our commitments and performance for each individual aspect in the context of our business.

For further information on the contents of the report and enquiries, please contact Mrs. Folake Kalaro at **fkalaro@updcplc.com**

### Scope and Boundary

The scope of the report covers material topics for UPDC and its real estate business covering asset management and facility management unless stated otherwise. For disclosures covering physical assets, only data sourced from the Headquarters of UPDC has been reported. As we move on in our sustainability journey and develop enterprise -wide sustainability data collection systems, we will report on other facilities.

There were no assumptions or estimates used in providing the content of the report.

### Organizational Profile

#### Who we are

Founded in 1997, UPDC is a seasoned development company in Nigeria with an established record in developing, selling, and managing real estate assets across Nigeria. Known for the quality of its products, UPDC is the first real estate company to have been listed on the Nigerian Exchange Limited, and offers the most diversified portfolio of residential, commercial, retail, and hospitality assets.

#### Our Vision

To become the leading lifestyle real estate company of choice in Nigeria by delivering world-class properties and services tailored to the needs of the Nigerian market

#### Our Mission

To build and manage:

- Distinctive lifestyle developments
- To time, cost and quality
- Customers for life: from development stage to sales to asset and facility management
- Shareholder value

We have established strong operating capabilities over the years that enable us to provide significant operational assistance and influence across our assets and businesses. We commit to explore all possibilities within our control and beyond it to join the transition to a clean energy and Nigeria's commitment to the race to net-zero, ensuring that the core of our business operations takes sustainability into key consideration in its overarching strategy, objectives, decision making and planned approaches, influencing our entire value chain in the responsible way of doing business and measuring our carbon footprints while at it.

We will considerably select green technologies, low carbon emitting devices and machineries as we make our architectural choices and form alliances in this sustainability journey. We will train our staff and provide the right level of green awareness to all our stakeholders, driving and leading sustainability beyond compliance and conformity.

**CEO's Statement**

2021 represented a recovery year for most of the population with a lot of lessons learned from the pandemic in 2020 on the fragility of our world. This led the world to create a new view of business as usual which became especially evident with the rise of remote working and hybrid working. This shows if we can unlearn and learn new ways of working, then we can draw parallel lines in our approach to a sustainable way of doing things.

UPDC continued its sustainability journey with a focus on embedding sustainability into our business to manage risks to our operations. We have engaged in training programs in the course of the year with ESG and Sustainability experts to understand the risks and opportunities for our business as well as equipping our employees with the required knowledge to be change agents for the transition to a sustainable world.

As Investors and stakeholders across the global community continue to ramp up pressure to exchange traditional business methods for times of contributing to a sustainable future for all, we fully align with this cause at UPDC and strongly advocate for it within our sector capacity, believing that it is not too late to build a better working world. We continue to work towards developing targets for our ESG and Sustainability KPIs, identified through our year-on-year materiality assessment processes which draws insight from our internal and external stakeholders to provide business intelligence on what UPDC should focus on.

This allows us to think beyond reporting of our financial performance to applying a holistic view and approach to our business and its impacts on communities where we operate, with a clear understanding that taking an integrated approach to our business is critical to our long-term success and sustainability. As detailed in our prior year report, we will continue to align to global sustainability frameworks on sustainability reporting and climate management such as the NGX's sustainability disclosure guidelines, GRI standards and TCFD recommendations for climate reporting.

We understand that our people are our greatest assets and are responsible for helping us make the strides towards our sustainability ambitions, we will continue to invest in building a work environment that is inclusive and free from discrimination of any form even as we expand our diversity and inclusion initiatives by developing targets to match our ambition.

I am excited to be part of this transition and look forward to leading UPDC into a new sustainable world.

Signed

**Odunayo Ojo**
CEO, UPDC
FRC/2013/CIIN/00000003054.

**Sustainability Governance**

**Sustainability Strategy/ambitions**

Through our reporting process and stakeholder engagement, we have identified the key drivers for our sustainability ambitions. We aim to continue improving on these focus areas through our commitments and improvements to our operations.


**Figure 1:** Sustainability Strategy Focus Areas

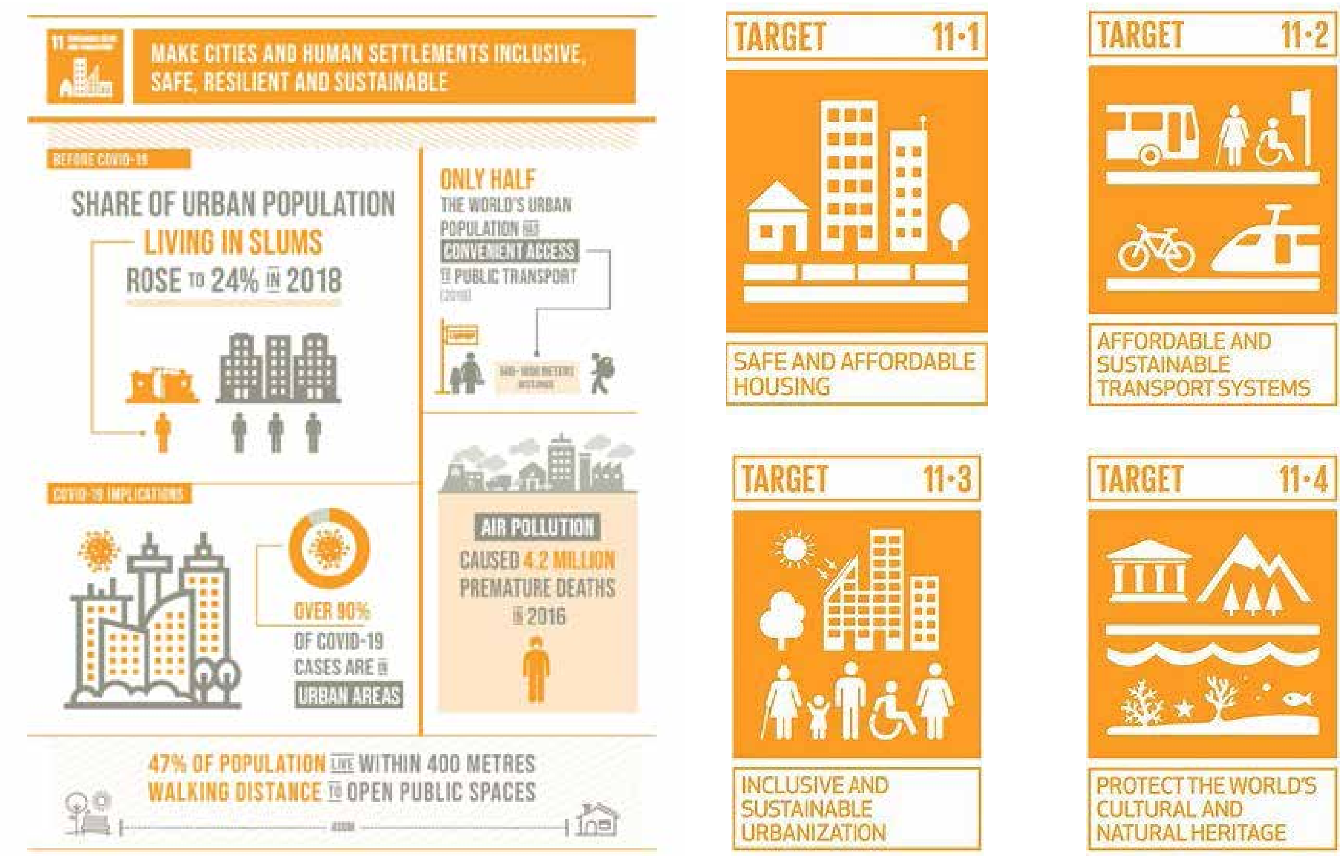
As we continue our sustainability journey, our approach will be guided by our sustainability strategy, our commitment to clean energy and race towards Net Zero. This will set out the roadmap for implementing operational improvements, new technologies and innovations or redesigns as applicable to our business.

This is in line with our philosophy of conducting business with a long-term perspective in a sustainable and ethical manner. This means operating with clear governance, alignment to sustainable business principles and practices and maintaining a disciplined focus on embedding these principles into our operations.

This will entail embedding sustainability into our oversight process covering risk management and strategy. We will also commit to transparency of our performance and progress by providing information on sustainability activities to our investors and stakeholders and seeking third-party assurance where applicable.

This will also cascade into how we approach our development strategy by driving us to increasingly provide investment opportunities that enable our investors to achieve their own ESG investment objectives.

For each of our strategic focus areas, we have identified value drivers that will enable us to achieve these, we have also aligned these to the UN SDGs and paid more attention to Goal 11 – Building Sustainable Cities and Communities, its targets, and indicators as it impacts our business operations and continue to look to contribute to the global mandate for global sustainable development.




| Sustainability Strategy Focus Area | Value Drivers | Outcomes | UN SDGs Alignment |
|---|---|---|---|
| Corporate Governance | • Financial Performance<br>• Capital Management<br>• Corporate Governance<br>• Risk Management | Efficient management of investor capital supported by integration of ESG aspects in decision making. | **UN SDGs – 1-17**<br>Committed to participate as a responsible business in supporting all five key stakeholder Groups achieve the SDGs |
| Transparency and Accountability | • Stakeholder engagement<br>• Sustainability Reporting | Increased Shareholder confidence in reported data for making informed decisions. | **UN SDG 16:** Peace, Justice, and Strong Institutions<br><br>**Target 16.6** - Develop effective, accountable, and transparent institutions at all levels |
| Safe and inclusive work Environments | • Diversity and Inclusion<br>• Employee Engagement<br>• Health and Safety | Motivated and high performing workforce that achieves UPDC's goals. | **UN SDG 5:** Gender Equality<br><br>**UN SDG 8:** Decent Work and Economic Growth |
| Strong Communities | • Community Contribution<br>• Supply chain management<br>• Stakeholder engagement | Positively impacted communities that contribute to the sustained growth of UPDC. | **UN SDG 11:** Sustainable Cities and Communities |

| Sustainability Strategy Focus Area | Value Drivers | Outcomes | UN SDGs Alignment |
|---|---|---|---|
| Environmental Preservation | • Resource Efficiency<br>• Green Buildings<br>• Climate change adaptation and mitigation | Reduced environmental footprint that contributes to a decarbonized portfolio that is attractive to international and local investors. | **UN SDG 12:** Responsible Consumption and Production<br><br>**UN SDG 13:** Climate Action |

**Table 1:** Sustainability Strategy Value Drivers

Furthermore, through our housing and facilities services, we contribute to the achievement of social and economic progress required to achieve the sustainable development agenda of the UN SDGs. We are proud to be aligned to the UN SDGS and use our platform as a company to drive partnership, action and growth of the agenda across Nigeria.

### Stakeholder Engagement and Prioritization

Building and nurturing strong working relationships with our stakeholders is critical to our value creation. Our key stakeholders include investors, third party capital partners, customers, communities, suppliers, government, media, and our people. We aim to build lasting relationships with our stakeholders through an active program of engagement activities.

As part of our periodic materiality assessment, we re-assess the list of our stakeholders, determining their priority, level, mode and frequency of engagement with them as we consider involving them as a critical component of identifying key issues that impact our ability to determine what is material to our business and how we must create value for our stakeholders over the short, medium and long term.

The table below identifies our key stakeholder groups and how we engage with them, detailing the channels and frequency of our engagements with them:

| Stakeholder Group | Engagement Channels | Frequency |
|---|---|---|
| **Regulators** | • Regulator Meetings<br>• Compliance Reports | • Quarterly |
| **Employees** | • Employee Surveys<br>• Ethics Hotline / Whistleblowing Policy<br>• Internal Events / Town Halls<br>• Internal Communications / Intranet | • Annually<br>• Yearly<br>• Weekly<br>• Weekly |
| **Investors** | • Investor Meetings, Conferences, Webcasts and Calls<br>• General Meetings and Investor Reports<br>• Email Notifications and Updates<br>• Website / Investor Portal | • Quarterly<br>• Yearly<br>• When the need arises<br>• Quarterly |
| **Board of Directors** | • Board Reports<br>• Board Meetings<br>• Email Notifications and Updates | • Quarterly<br>• Quarterly<br>• As necessary |
| **Communities** | • Community Outreach<br>• Town Halls | • As necessary |
| **Suppliers and Vendors** | • Surveys<br>• Conferences and Town Halls | • Annually<br>• As necessary |

**Table 2:** Stakeholder Engagement Table

### Materiality Assessment and Matrix

The materiality process allows companies to identify the most important Environmental, Social and Governance (ESG) topics that can impact their businesses. For the 2021 reporting year, we engaged our stakeholders using a survey to identify what ESG topics they felt had the most impact on UPDC's long term resiliency and ability to operate.

Our 2021 Sustainability materiality matrix outlines the material topics identified using the GRI's reporting standards, the NGX Sustainability disclosure guidelines and the level of influence that our internal and external stakeholders believe these will have on our operations.

The four quadrants are defined below and are presented in the materiality matrix diagram that follows:

1. **Top Right Quadrant:** the aspects that fall into this quadrant are considered to be significant (or material) to UPDC's business and important to UPDC's stakeholders. These are aspects that are critical for disclosure.
2. **Bottom Right Quadrant:** the aspects that fall into this quadrant are considered to be highly significant (or material) to UPDC's business but are less important to UPDC's stakeholders. These are aspects that are still considered to be relevant for disclosure.
3. **Top Left Quadrant:** the aspects that fall into this quadrant are considered to be highly important to UPDC's stakeholders, but less significant (or material) to UPDC's business. These are aspects that are still considered to be relevant for disclosure.
4. **Bottom Left Quadrant:** the aspects that fall into this quadrant are considered to be less important to UPDC's stakeholders, and less significant to UPDC's business. These aspects are not considered to be important enough for disclosure; however, they will still be tracked and managed by UPDC.

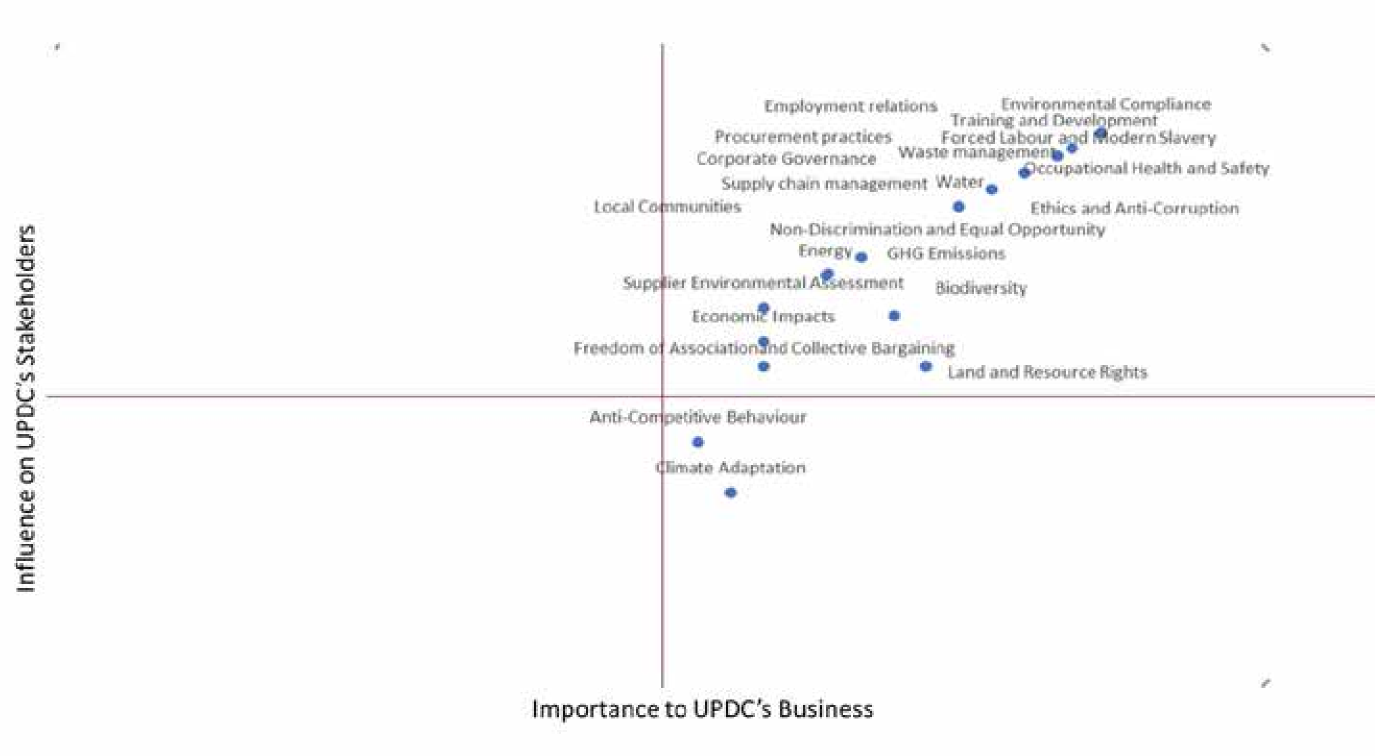



**Figure 2:** Materiality Matrix

### Interpreting the Change in our Materiality Matrix

We updated our list of ESG issues in 2021 to reflect emerging issues in global sustainability including but not limited to climate action, natural resource conservation and non-discrimination in the workplace. This shows our commitment to staying up to date with sustainability indicators and topics that affect our long-term business growth and survival.

Our stakeholder engagement process allows us to source the concerns of our internal and external stakeholders on ESG issues and the impacts on our business as it relates to each of our reporting year – now 2021. We observed that their responses showed a higher prioritization of issues from the previous year which corresponds with greater knowledge on ESG issues and underscores the importance of creating operational mechanisms to manage these issues. We look forward to continuing our interaction with our stakeholders to further bolster our early detection and understanding of UPDC's exposures as well as areas for continued improvement.

**Associations and External Initiatives**

In support of our Environmental, Social and Governance (ESG) efforts, we plan to align and engage with leading sustainability organizations to reinforce and strengthen the incorporation of sustainability into our operations. We have identified associations such as the Private Sector Advisory Group on the UN SDGs (PSAG) and the United Nations Global Compact (UNGC).

Through our memberships with these organizations, we can actively contribute to discussions aimed at advancing sustainability awareness across private and public markets, and ensure we are reporting and acting in line with evolving best practices.

**Corporate Governance**

Effective and inclusive governance is essential to sustainable business operations, and we ensure that we conduct our business according to the highest ethical and legal standards. Sound governance practices guide our actions and ensure alignment with our investors. We regularly review evolving legislation, guidelines, and best practices where we operate and update our compliance actions accordingly.

UPDC complies with the relevant regulatory laws including the Investment and Securities Act, the Securities and Exchange Commission (SEC) Rules and Regulations, the Securities and Exchange Commission (SEC) Code of Corporate Governance, the Nigerian Code of Corporate Governance, the Companies and Allied Matters Act, the Nigeria Stock Exchange Rules and Regulations, amongst others.

**Performance Monitoring and Evaluation**

The Board has established a system of independent annual evaluation of its performance, that of its committees and individual directors. In this regard, the Society for Corporate Governance Nigeria was engaged to conduct the Board performance evaluation for the Financial Year Ended December 31, 2021. The Board believes that the use of an independent consultant promotes the objectivity and the transparency of the evaluation process.

The annual appraisal covered all aspects of the Board's composition, structure, responsibilities, relationships, processes, individual members competencies and respective roles in the overall performance of the Board, as well as the Company's compliance status with the provisions of the Code of Corporate Governance. The result also confirmed that the individual Directors and the Board continue to operate at a high level of effectiveness and efficiency.

**Tone at the top**

The Board in keeping with the corporate governance rules of Nigeria are required to oversee the management of risks and opportunities to UPDC including ESG risks and develop an approach to manage and mitigate these impacts. In further demonstrating our keenness to Sustainability and ESG issues, the Executive management of UPDC was engaged in the course of the year in a full Sustainability Masterclass facilitated by a GRI and NGX trained Subject Matter Expert (SME) on sustainability to engage, allow for interactions for knowledge sharing and build capacity in Corporate Sustainability. The Board continues to be actively engaged in this process and is committed to be engaged in more training programs on ESG issues that impact UPDC's business and long-term strategy.

The Board of Directors has ultimate oversight of UPDC's ESG strategy and receives regular updates on ESG initiatives throughout the year.

**Ethics and Anti-corruption**

Our commitment to conducting our business ethically and responsibly within UPDC as well as within the businesses and assets that we manage is reflected and documented in our values, Code of conduct, policies and processes. This comprises adhering to all laws and regulations and honoring all contracts and obligations, be they related to anti-bribery and corruption, protection of human rights, or maintaining a positive work environment.

We have a zero-tolerance approach to bribery, including facilitation payments. We mandate all employees to complete an annual anti-bribery and corruption training course and certify their compliance. We periodically review the course content and also provide an ethics hotline to facilitate the reporting of suspected unethical, illegal or unsafe behavior anonymously.

### Supply Chain

We extend our code of conduct to our suppliers and vendors and require them to operate in accordance with all applicable laws and regulations. Going forward, we intend to embed environmental and social considerations into our vendor selection process and perform periodic audits on compliance.

### Procurement Practices

UPDC has adopted responsible contractor policies to help guide the selection of contractors and subcontractors who provide services to the company. UPDC supply chain management focuses on reducing the risks associated with engaging with suppliers, to mitigate this, UPDC employs a procurement process for assessing contractors. This process in the future will include ESG considerations to manage risks rising from human rights, environment and sustainability alignment.

Our current process assesses suppliers/contractors on technical and financial capabilities including risk, safety and quality management.

### Supplier Environmental Assessment

As we continue to embed sustainability into our process, UPDC will request companies to submit their environmental sustainability policies outlining how they minimize the impact on the environment and carbon footprint and have a scoring system with a view to blacklisting non-compliant companies/individuals on future projects.

### Risk Management

Risk management is a fundamental part of our business, and our investors require us to properly manage risk while creating long-term value. Our controlled risk management approach is based on clear operating methods and a strong risk culture. We understand that risks to our businesses—including ESG-related risks—are constantly evolving, and our program aims to monitor, and proactively mitigate and manage them over time.

We conduct risk assessments at critical decision points during the investment process to identify risks and to meet target returns. The Board adopts a balanced risk profile to maintain a sustainable business and ensure we remain an attractive investment proposition over the long term. We recently completed an ESG risk assessment that covers UPDC's climate, environmental, social and governance risks:

| No | Risk | Description | Mitigation |
|---|---|---|---|
| 1 | Financial Risks | Risks arising from lack of funds to meet the Company's obligations, fund new developments and meet operational obligations. It also includes risks arising from huge cost of debts | • Start pre-sale of new developments to generate cash for the new projects.<br>• Endeavor to lock in both the soft and hard costs of construction of new projects as soon as possible.<br>• Enforcement of credit controls continuously. |
| 2 | Sales and Revenue | This is the risk that arises from our inability to sell the Company's key assets and fall in the value of our legacy assets. | • Develop fighter products in low & medium category and execute in new projects.<br>• Aggressive marketing of key assets.<br>• Engagement of high calibre brokers for disposal of specific assets.<br>• Market surveys are done monthly. Innovation reports are also presented at the monthly Business Review meeting. |

| No | Risk | Description | Mitigation |
| --- | --- | --- | --- |
| 3 | Development and Construction risks | These are risks arising from land acquisition until the project is completed and sold off. It includes risks like cost overruns, design defects, not delivering projects within specific quality parameters, HSE risks and project exit risks. | • Rigorous due diligence process both on title documents and owner entities.<br>• Extensive market research to ensure adequacy of product offering.<br>• Early engagement with Planning Agency.<br>• Carry out quality tests and obtain certification as required.<br>• Stakeholder Management Policies and Procedures. |
| 4 | Contractual Risks | Contractual risk involves potential losses arising from breach of contracts by the Company or counterparties to contracts for the supply of goods and services. | • Improved interaction between relevant departments at contract development stage.<br>• Simplification of contracts with clear drafting language to avoid ambiguity.<br>• Deployment of standard contracts with appropriate mitigating clause. Service Level Agreements (SLA) for all Suppliers and Consultants. |
| 5 | Macro-economic Risks | Uncertainties due to the actions of governmental, regulatory and/or non-governmental groups, economic policies directly impacting indicators like Forex and Interest rates. | • Deleveraging the business via equity fund injection; Unlocking value from encumbered and low-performing assets.<br>• Ensure that the company's contracts have clauses that cushion the effect of currency fluctuations for all projects. |
| 6 | Regulatory Risks | Risks arising from non-adherence to laws, standards, and codes of conduct. | • Regular review and conformity with statutory regulations. Collaborate more with regulatory bodies.<br>• Regular interactions with regulators and government agencies. |
| 7 | Information Security / Technology risks | Risks arising from inadequate IT strategy, lack of data and information availability, integrity, and security. | • Deployment of high-end IT infrastructure (Servers, Cloud storage etc.).<br>• Implementation of standard data protection practices in line with standard and guides. |

**Table 3:** Risk Management Table

### Environmental Stewardship

### Commitment, Targets and Ambitions

We recognize that we have a duty of care to our stakeholders, to sustain and protect the environment, through the management of our property portfolio. We understand the growing and evident environmental and social challenges caused by climate-related impacts to the environment and their effects on communities, and we understand the importance of contributing to mitigating those long-term effects.

We look to improve our environmental resilience by focusing on efforts towards emission reductions, investments in green buildings and implementing environmentally friendly technologies while influencing players across our value chain to adopt same.

UPDC's approach to a low carbon future will be focused on implementing the following initiatives:

- Affordable and Clean Energy through the use of renewable energy sources such as solar power.
- Industry, Innovation, and Infrastructure achievable through the development of quality, reliable, sustainable and technology-driven infrastructure as well as the use of energy-efficient appliances/equipment.
- Responsible consumption and production through local material sourcing, efficient use of materials as well as recycling construction materials.
- Climate action through the integration of climate change measures into policies, strategies and planning.
- Embedding environmental concerns into risk management to ensure shareholder confidence and improve property values which in turn wiil lead to lower environmental risks across our portfolio.

### Climate Action and Emissions Reduction

We are committed to the emission reduction targets put forward by the Paris Climate Agreement and continue to adopt measures to assess our climate risks and opportunities in line with the Task Force on Climate Related Financial Disclosures (TCFD) guidelines which set out the approach for establishing governance mechanisms for managing climate risks.

Beyond developing internal mechanisms for managing emissions, we also explore opportunities to reduce the environmental impacts across our value chain.

We encourage contractors to minimize the carbon impact of construction processes and activities by:

- Sourcing local materials to reduce transportation emissions.
- Maximizing the efficient planning of machinery across projects and portfolios.
- Considering the installation of renewable energy on-site for use during the construction phase.

UPDC also plans to utilize an independent power provider with sustainable and renewable energy generation alternatives to reduce the number of generators within the developments.

As we seek to improve on our transparency on emissions data, We are looking to require contractors to provide carbon data for materials used on-site.

We understand that reducing our carbon footprint can also be influenced by our organisational behaviour. We are currently building a work environment that considers that by educating our contractors and employees.

- We discourage contractors from burning waste materials on site.
- We make use of a collaboration platform that enables us to share project information electronically and not rely on paper-based workflows.
- We encourage virtual meetings over physical meetings to reduce transportation emissions.
- We embed environmental policies to consider procurement for low or reduced carbon materials.

### Green Buildings

We recognize that sustainability plays a key role in every stage of a project's life span, from initial planning through end-of-life operation. We will look to identify and invest in green building initiatives to provide added value to our clients such as energy reduction, water conservation, recycling, enhanced indoor air quality and environmentally friendly materials across our project sites.

UPDC engages designers to design estates/buildings with a low carbon approach in mind that makes use of sustainable & renewable technologies.

### Energy

The global economy is in the early stages of a transformation from reliance on fossil fuel-related energy sources to a low-carbon economy. Optimizing energy usage positively impacts the environment while reducing operating costs and exposures to volatility in energy prices. High performing buildings attract customers and increase occupancy and customer retention. We install energy efficient light fittings and appliances across specific sites to reduce our carbon footprint and improve the overall value of our properties.

### Waste Management

We continue to focus on waste reduction across our operations. Our project locations have either deployed or are in the process of launching innovative programs to improve their waste reduction measured by:

- Encouraging contractors to recycle and reuse waste construction materials on other construction sites where possible.
- Repurposing waste materials in the creation of new construction materials.
- Factoring recycling locations within our Estate developments to encourage proper recycling activities.

### Biodiversity

UPDC is dedicated to preserving environmental ecosystems and as such avoids the purchase of lands where the natural habitat of species would be unnecessarily compromised or disturbed and if purchased, ensure the wildlife are property relocated to a new and safe location or adapted into the proposed new ecosystem.

### Use

Managing our water consumption doubles as a cost management process as we look to ensure utilization of a resource which remains a scarce resource in certain locations. We are exploring water efficiency technologies such as on-site water recycling and rainwater harvesting as well as installing equipment with low water use features across our portfolio.

## Social Responsibility

### Commitment, Targets and Ambitions

UPDC understands the importance of a positive work environment to the success of our business. We value the contributions our people and communities have in our business and continue to work on finding opportunities for growth so that both parties an achieve their full potential.

Our social responsibility strategy focuses on sustained value creation which is built on a foundation of having:

- Engaged, competent and satisfied employees with opportunities for development.
- A diverse and inclusive workplace which drives a healthy mix of innovative ideas.
- An established safety culture that contributes to a zero-incident working environment.
- Strong connection with our customers based on active engagement.

We continue to embed sustainability best practices across our focus areas as we strive to create a great place to work for our employees and a great business to work with for our customers and stakeholders.

### Employee Relations

UPDC continues to prioritize nurturing and building a work environment that caters to an engaged and high performing workforce. Engaged employees make achieving our goals easier through the generation of innovative ideas and pride in the business. To build this culture we ensure we maintain engagements with our employees through surveys and events.

We also ensure our employees have competitive remuneration and access to quality medical care both physical and mental. We continue to provide maternity and paternity leave days as set out in our policies. Our focus on employee wellbeing encompasses mental, physical and personal wellbeing, with key aspects including physical health programs to encourage exercise and healthy nutrition as well as paid medical care.

As the world transitions into new ways of working, with hybrid and remote working options, we continue to improve on employee work-life balance by providing flexible work hours and remote/hybrid working options. This reduces the overall commute our employees have to face and reduces our overall carbon footprint. We are also exploring improving employee wellbeing through workplace design. This will cover building design features including natural light, plants and ergonomic spaces and furniture.

Our workplace practices and leave policies seek to foster a flexible working environment. We understand that our employees require an environment that allows them to continue to develop a successful career while balancing other commitments. We look to maintain clear communication channels between employees and managers to enable them discuss issues that could improve their overall work life balance.

### Employee Turnover

We use key retention metrics to determine the success of our employee engagement activities, including employee-initiated turnover and key talent retention. Employee turnover is monitored and reported monthly on a rolling 12-month average. Exit surveys also provide us with valuable insights into key drivers of retention and reasons for leaving which contribute to the improvement of our human capital strategy.

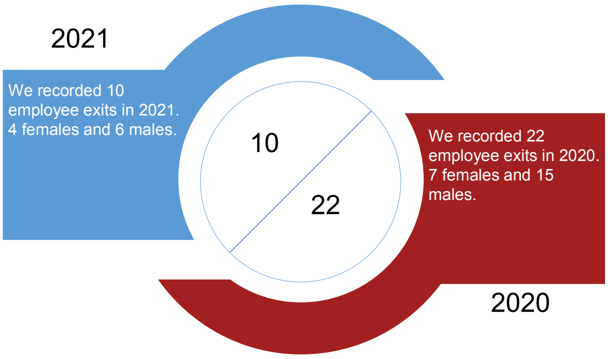



**Figure 4:** Employee Turnover

**Employee Demographics**

UPDC's total workforce for 2021 was 197 employees, this includes 45 employees at UPDC Plc., 45 employees a UPDC facility management and 128 employees at UPDC Hotels limited. A detailed breakdown of employee demographics is provided below showing age ranges and employment types. We continue to track these metrics to ensure we maintain a healthy mix of diverse experience across all business operations.

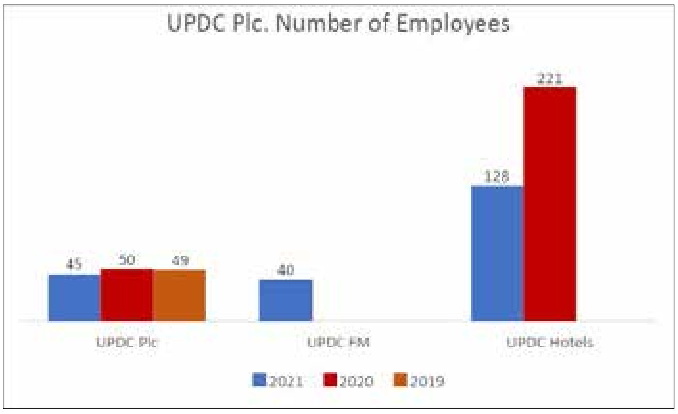



**Figure 5:** Employee Numbers

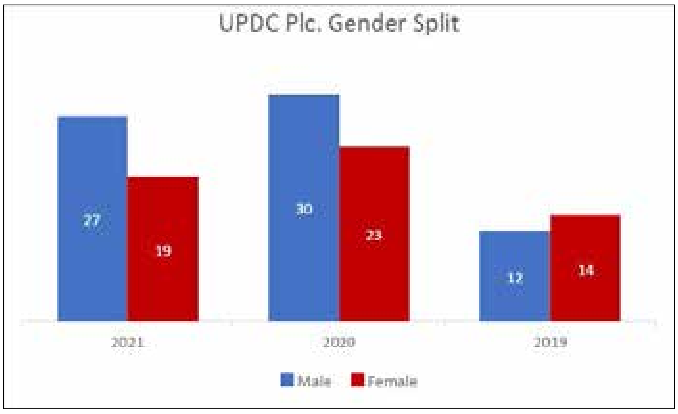



**Figure 6:** Gender Split

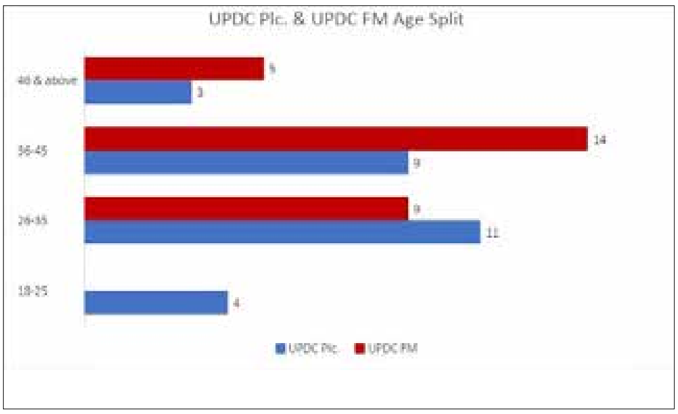



**Figure 7:** Age demographics

| | UPDC Plc | UPDC FM |
|---|---|---|
| Technicians | 0 | 3 |
| Officers | 6 | 1 |
| Assistant Managers | 3 | 24 |
| Managers | 7 | 3 |
| Senior Managers | 6 | 2 |
| Executives | 2 | 1 |
| Directors | 2 | 0 |
| Contract Staff | 3 | 6 |
| Outsourced | 0 | 0 |
| **Total** | **29** | **40** |

| | FTE | | Outsourced | | Contract | |
|---|---|---|---|---|---|---|
| **UPDC Plc: Gender Spread** | Male | Female | Male | Female | Male | Female |
| | 12 | 14 | 0 | 0 | 1 | 2 |
| **UPDC FM: Gender Spread** | Male | Female | Male | Female | Male | Female |
| | 20 | 14 | 0 | 0 | 6 | 0 |

**Table 4:** Employee cadres and employment type

### Diversity and Inclusion

A focus on diversity and inclusion reinforces our culture of collaboration and strengthens our ability to develop our people and maintain an engaged workforce. Benefit from our diverse workforce promotes employee engagement and strengthens our ability to develop our people and provide value to our investors. Our approach to diversity and inclusion has been deliberate and is integrated into our Human Capital Development processes and initiatives.

Our Inclusion and Diversity Policy embraces diversity in gender identity, race, age, disability, sexual orientation, nationality, education, socioeconomic background, work experience, relationship status, family/career responsibilities and personality. These factors influence the unique perspectives that our employees bring to the workplace. Our people should feel safe and empowered to bring their true selves to work every day.

Our corporate culture fosters open communication, collaboration, diversity, and forward thinking among all employees to encourage the exchange of views, ideas and knowledge which leads to innovation.

An inclusive culture is key to creating an environment that not only harnesses diversity but leads to a true sense of belonging and community. UPDC's diversity strategy aims to build awareness on the importance of a diverse workplace while maximizing diversity in leadership positions, in particular the proportion of women in management roles. This enables us to position ourselves as diversity leaders and advocates in the real estate sector.

### Diversity in Recruitment

UPDC extends its diversity actions to all phases of the employment life cycle. Our recruitment is driven by merit-based decision making with a focus on removing unconscious bias.  Recruitment teams are supported by our Human Resources Team to ensure our recruitment is focused on selecting the best person for the job, considering only factors relevant to the person's ability to successfully perform the role.

**Women in Leadership**

We understand the importance of empowering women in the workplace and increasing the representation of women in leadership positions, in 2021 we continued to record a healthy percentage of women in our senior leadership team.


63% of our senior management team are female.

**Training and Development**

In pursuance of the Company's objective to assist and encourage every employee to achieve their full potential, UPDC provides learning opportunities for all its employees including on the job and off the job covering coaching, mentoring, project work, e-learning and job rotations.

The training strategies are tailored to keep employees engaged and help grow their general knowledge base. UPDC provides general, professional and leadership trainings as well as tuition reimbursement support to employees who undertake approved self-development and professional development programs.

A training plan is developed each year for all employees based on competency gaps identified during performance management initiatives. Employee performance is monitored through the year with KPIs set at the beginning of the year and monitored through regular check in sessions with line managers during mid-year and end of year appraisals. We also provide training to give feedback in a way that is constructive and to receive feedback in a way that enables development.

We are focused on ensuring objective assessments and mitigating the impact of unconscious bias. It is important to us that we respect cultural differences to avoid assumptions about someone's ability related to these differences, which could impact the opportunities we provide.

| | 2021 | 2020 |
|---|---|---|
| Number of employees trained | 63 | 35 |
| Training hours per employee and for the entire organization | • 13 hours per employee<br>• 870 for the entire organization | • 11.14hrs per employee<br>• 390 for the entire organization |

**Table 5**: Training Hours

**Health and Safety**

Ensuring the health and safety of our workforce via both physical and mental health policies, goals and programs are a priority for UPDC. To manage this, UPDC is aligned to the ISO 45001 standard for Occupational Health and Safety (OHS) and Health and safety Regulations provided by the Nigerian government. Our health and safety policies and procedures apply not only to employees, but also to contractors and subcontractors and take into consideration the protection of the surrounding community. Our objective is to have zero serious safety incidents by working toward implementing consistent health and safety principles across the organization.

UPDC is committed to providing resources to all stakeholders to work in safe and clean environments. UPDC strives to provide safe work environments at the corporate head office, estates and project sites. The Company enforces strict adherence to safety regulations and annually trains employees on safety, environmental, social and health issues.

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of fatalities | 0 | 0 | 0 |

**Table 6:** Health and Safety Highlights

### Fair Labor Practices

UPDC, in its role as a responsible company commits to conducting its business in an ethical manner, including by carrying out our own business activities in a way that respects and supports the protection of human rights through striving for the:

- elimination of discrimination in employment;
- prohibition of modern slavery, including child and forced labor; and
- eradication of harassment and physical or mental abuse in the workplace.

### Human Rights

An integral part of the UPDC's culture and commitment to conducting business ethically and responsibly is ensuring our activities respect and support the protection of human rights.

We embed these standards into all core business activities, including training, communications, contracts and due diligence processes. These practices extend to our interactions with key suppliers and other business partners. Code of conduct awareness sessions are held annually for employees and training sessions with declaration forms are implemented for all new hires.

### Customer Engagement

Engaging with our customers is a priority for UPDC as we look to understand the concerns and needs and use these insights to drive business improvements. We also want to actively communicate our sustainability values to our customers and create a culture of shared values. Our values highlight our focus on a high standard of customer service excellence, and this is achieved by unlocking the value of positive customer experiences and committing to measurable investments that create channels for new customers and reinforces brand loyalty.

We focus on understanding customer segments and what drives value for these customers to inform strategic decisions regarding portfolio mix, design, delivery and operation of new and existing assets. Customer insights are integral to the strategy of business units and projects as these insights are used across the business to inform strategy and decision making to meet the evolving needs of our customers and the community.

### Cybersecurity

With the advent of new technology and remote working, our exposure to IT risks has grown in significance. To ensure that our IT systems, networks and data continue to operate efficiently, we have a dedicated internal IT team that manages potential IT system failures and cyber security breaches to help us mitigate the risk of loss of sensitive information, operational disruption, reputation damage and fines and penalties.

Technological safety is integral to our overall working environment. As we continue to digitise our business and enable digital services for our customers, protecting the information and the privacy of our customers is paramount. We also continue to train our employees on identifying cyber threats and managing UPDC's IT assets.

### GRI Index

The index below specifies each of the GRI and NGX Standards used and lists all disclosures included in the report:

| GRI Section | Disclosure Description | Report Alignment | NGX Disclosure Alignment |
|---|---|---|---|
| **GRI 100: Universal Standards** | **102:** General Disclosures | 0.1 About the report<br>0.2 Scope and Boundary<br>0.3 First time reporter<br>0.4 CEO's statement<br>0.5 Organizational profile | The entirety of our report is aligned to the overarching expectation of Corporate Governance Disclosures covered in the intention of the Nigerian Exchange (NGX) Sustainability Disclosure Guidelines. |
| | **103:** Management Approach | 1.1 Sustainability Governance | **Principle 3:** Businesses should provide products and services that are safe and contribute to sustainability throughout their life cycle.<br><br>**Principle 4:** Businesses should engage with and provide value to their customers and consumers in a responsible manner.<br><br>**Principle 6:** Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. |
| **GRI 200: Economic Disclosures** | **201:** Economic Performance | 0.5 Organizational Profile | |
| | **205:** Anti-corruption | 1.6 Ethics and Anti-corruption | **Principle 1:** Businesses should conduct and govern themselves with Ethics, Transparency and Accountability. |
| **GRI 300: Environmental Disclosures** | **302:** Energy | 2.4 Green Buildings | **Principle 9:** Business should respect, protect, and make efforts to restore the environment. |
| | **303:** Water and Effluents | 2.7 Water use | |
| | **305:** Emissions | 2.2 Climate action and Emissions reduction | |
| | **306:** Waste | 2.5 Waste management | |

| GRI Section | Disclosure Description | Report Alignment | NGX Disclosure Alignment |
|---|---|---|---|
| **GRI 400: Social Disclosures** | **GRI 402:** Labor/Management Relations | 3.2 Employee relations | **Principle 5:** Businesses should promote the wellbeing of all employees. |
| | **GRI 403:** Occupational Health and Safety | 3.5 Occupational Health and Safety | |
| | **GRI 404:** Training and Education | 3.4 Training and Development | |
| | **GRI 405:** Diversity and Equal Opportunity | 3.3 Diversity and Inclusion | **Principle 8:** Businesses should support inclusive growth and equitable development. |
| | **GRI 406:** Non-discrimination | 3.6 Fair Labor practices | |
| | **GRI 408:** Child Labor | 3.6 Fair Labor practices | |
| | **GRI 409:** Forced or Compulsory Labor | 3.6 Fair Labor practices | |
| | **GRI 412:** Human Rights Assessment | 3.7 Human Rights | **Principle 7:** Businesses should respect and promote human rights. |
| | **GRI 413:** Local Communities | 3.9 Community development and engagement | |

# EXPLANATORY MEMORANDUM FOR SHAREHOLDERS OF UPDC PLC ON ITEM 8 ON THE NOTICE OF ANNUAL GENERAL MEETING

**(A) PREAMBLE**

At the forthcoming Annual General Meeting ("AGM") of UPDC PLC ("the Company"), the Directors have recommended for shareholders' approval, resolutions approving the cancellation of all of the Company's unissued shares (the "Share Cancellation"). The proposal is set out on the AGM agenda as item 8. This Explanatory Memorandum provides the Company's Shareholders with information on the rationale for, and implementation of, the proposed Share Cancellation.

**(B) RATIONALE**

(i) The Corporate Affairs Commission ("CAC") by a notice titled 'Public Notice: Existing Companies and the Requirements of Issued Share Capital under the Companies and Allied Matters Act 2020' dated April 16, 2021 (the "CAC Notice"), informed all existing companies incorporated in Nigeria that they should, in compliance with the provisions of the Companies and Allied Matters Act No. 3 of 2020 (as amended) ("CAMA") and the CAC Regulations 2021, ensure that they have no unissued shares by December 31, 2022 (the "CAC Directive").

(ii) In order to ensure compliance with the CAC Directive, the Board of Directors obtained advice from Management as well as external legal counsel, on the most optimal and suitable options available to the Company. In this regard, the Board was advised that the Company could either (1) undertake a transaction for the issuance of its unissued shares (e.g., rights offer for existing shareholders, a scrip dividend issued to existing shareholders and/or a fresh issuance of shares) or (2) cancel its unissued shares by implementing the Share Cancellation.

(iii) In connection with the Share Cancellation option, Management was duly advised by external legal counsel as follows:

- whilst there is no specific provision of CAMA or the Companies Regulations 2021 that sets out a process for cancelling unissued shares of companies without more; (ostensibly because CAMA does not recognise unissued shares), there is no provision of Nigerian law which would preclude shareholders from effecting the cancellation of unissued shares by passing a resolution to that effect.
- section 868 of CAMA defines "share capital" as the "issued share capital of a company at any given time". Accordingly, to the extent that CAMA no longer recognises or acknowledges unissued shares as forming part of a company's share capital, the extinguishment of such unissued shares (by way of cancellation) does not result in a reduction of the company's share capital.
- external legal counsel formally applied to the CAC for its guidance on the approach to be taken by companies in order to dispense with their unissued shares and obtained the CAC's response confirming the propriety of implementing the Share Cancellation.

(iv) The Board carefully deliberated on the above-referenced options weighing all relevant considerations including but not limited to the Company's capital requirements and structure, the Company's distributable profits and reserves as well as the requirements (documentation, costs and timing) for the implementation of each of the possible options.

(iv) Upon conclusion of its deliberations, the Board was of the considered opinion that the Share Cancellation is the most suitable option for the Company's compliance with the CAC Directive.

**(C) IMPLEMENTATION OF THE SHARE CANCELLATION**

(i) To implement the Share Cancellation, the following key authorisations and actions are required:

- board resolution recommending the Share Cancellation to the Company's shareholders – the Board has approved this resolution;
- shareholders' resolution approving the Share Cancellation and altering the Company's Memorandum and Articles of Association ("MemArts") to reflect the revised share capital of the Company – these resolutions are as set out in the AGM Notice.
- making the relevant filings at the CAC recording the cancellation of the unissued shares and alteration of the Company's MemArts.

(ii) Upon conclusion of the Share Cancellation:

- the Company will cease to have unissued shares in its share capital and would thus have complied with the CAC Directive;
- there shall be no change in the number of issued shares of the Company and/or in the proportional shareholding held by each Shareholder; and
- there shall be no financial, tax, legal and/or other obligations imposed on the Shareholders in connection with their respective shareholdings in the Company; by reason of the Share Cancellation.

**BY ORDER OF THE BOARD**

**Folake Kalaro (Mrs.)**
Company Secretary
FRC/2018/NBA/00000017754

# Shareholders Information

## Range Analysis As At 31st December 2021

| Range | | | No. of Holders | Holders % | Holders Cum. | Units | Units % | Units Cum. |
|---|---|---|---|---|---|---|---|---|
| 1 | - | 5,000 | 20,960 | 75.17 | 20,960 | 35,103,419 | 0.19 | 35,103,419 |
| 5,001 | - | 10,000 | 2,994 | 10.74 | 23,954 | 21,070,706 | 0.11 | 56,174,125 |
| 10,001 | - | 50,000 | 2,720 | 9.76 | 26,674 | 59,131,575 | 0.32 | 115,305,700 |
| 50,001 | - | 100,000 | 527 | 1.89 | 27,201 | 38,228,183 | 0.21 | 153,533,883 |
| 100,001 | - | 500,000 | 498 | 1.79 | 27,699 | 106,489,533 | 0.57 | 260,023,416 |
| 500,001 | - | 1,000,000 | 82 | 0.29 | 27,781 | 62,701,647 | 0.33 | 322,725,063 |
| 1,000,001 | - | 10,000,000 | 91 | 0.33 | 27,872 | 239,245,134 | 1.29 | 561,970,197 |
| 10,000,001 | | 5,000,000,000 | 9 | 0.03 | 27,881 | 578,146,882 | 3.12 | 1,140,117,079 |
| 5,000,000,001 | - | Above | 2 | 0 | 27,883 | 17,419,852,857 | 93.86 | 18,559,969,936 |
| **Grand Total** | | | **27,883** | **100** | | **18,559,969,936** | **100** | |

### Five Year Share Price History

| YEAR | LAST TRADING DAY | CLOSING SHARE PRICE (N) | INC/(DEC) OVER PRECEDING YEAR |
|---|---|---|---|
| 2017 | December 31, 2017 | 2.79 | 7% |
| 2018 | December 31, 2018 | 1.91 | -31.50% |
| 2019 | December 31, 2019 | 1 | -47.60% |
| 2020 | December 31, 2020 | 0.79 | -21% |
| 2021 | December 31, 2021 | 1.19 | 51% |

### Five Year Dividend History

| DIVIDEND NUMBER | REPORTING PERIOD | CLOSURE DATE | DIVIDEND PER SHARE | DIVIDEND TOTAL (N) |
|---|---|---|---|---|
| Nil | 2016 Accounting Year | Not Applicable | Nil | Nil |
| Nil | 2017 Accounting Year | Not Applicable | Nil | Nil |
| NIl | 2018 Accounting Year | Not Applicable | Nil | Nil |
| NIl | 2019 Accounting Year | Not Applicable | Nil | Nil |
| NIl | 2021 Accounting Year | Not Applicable | Nil | Nil |

### Unclaimed Dividend as at December 31, 2021

| Div. No | Year | Amount Unclaimed (N) |
|---|---|---|
| 11 | 2009 | 9,409,084.80 |
| 12 | 2010 | 8,076,120.59 |
| 13 | 2011 | 7,045,635.86 |
| 14 | 2012 | 688,466.12 |
| 15 | 2013 | 10,055,457.02 |
| 16 | 2014 | 139,545,444.54 |
| **17** | **2015** | **40,236,313.22** |

Africa Prudential

# FULL DEMATERIALIZATION FORM FOR MIGRATION

**INSTRUCTION:** Please fill out the form in CAPITAL LETTERS. Section 'B' is applicable only if certificate(s) is/are misplaced, lost or destroyed.

Please credit my account at Central Securities Clearing System (CSCS) with shares from my holdings in ______ **"the company"**. I recognize this will invalidate any certificate(s) in my possession, or which might come into my possession in respect of my total holding(s) in this/this company.

Affix recent passport photograph

USE GUM ONLY
NO STAPLE PINS

## SECTION A:

**SHAREHOLDER'S FULL NAMES:** ______
*Surname* *First Name* *Middle Name*

**ADDRESS:** ______

**GSM NUMBER:** ______ **E-MAIL:** ______

**GENDER:** Male ☐ Female ☐ **DATE OF BIRTH:** D D M M Y Y Y Y **CSCS INVESTOR'S A/C NO.:** ______

**CLEARING HOUSE NUMBER(CHN):** C ______ **REGISTRAR'S ID NO (RIN):** ______

### BANK DETAILS FOR DIRECT SETTLEMENT

**ACCOUNT NAME:** ______ **BANK:** ______

**BANK A/C NUMBER:** ______ *Must be NUBAN* **BVN:** ______ *Must be confirmed by bank* **AGE OF A/C:** DD MM YYYY *Must be confirmed by bank*

**Authorized Signature (1)** *(and stamp of Stockbroker)*

**Authorized Signature (2)** *(and stamp of Stockbroker)*

**Shareholder's Signature & Date**

**Shareholder's Signature & Date (2)** *(if applicable)*

Thumb Print

### CERTIFICATE DETAILS

| S/N | CERTIFICATE NO. (IF ANY) | UNITS | S/N | CERTIFICATE NO. (IF ANY) | UNITS |
|---|---|---|---|---|---|
| 1. | | | 4. | | |
| 2. | | | 5. | | |
| 3. | | | 6. | | |

Company Seal

## SECTION B: INDEMNITY FOR MISPLACED, LOST OR DESTROYED CERTIFICATE(S)

I hereby request Africa Prudential Plc to credit my account at Central Securities Clearing System (CSCS) with unit of shares not covered in my share certificate(s) details quoted in Section 'A' above. The holdings are registered in my name, and the original shares/stocks certificate(s) has/have been misplaced, lost or destroyed or was never received. I hereby, with the Guarantor whose name hereunder appears, indemnify the said Company and Africa Prudential Plc against all claims and demands, money, losses, damages, costs and expenses which may be brought against, or be paid, incurred or sustained by the said Company and /or Africa Prudential Plc by reason or in consequence of the said certificate(s) having been misplaced, destroyed, lost or in consequence of a transfer being registered without surrender of the certificate(s) or otherwise whatsoever. I further undertake and agree that if the said Certificate(s) shall hereafter be found, to forthwith deliver up to Africa Prudential Plc or their successors or assigns without cost, fee or reward.

### CERTIFICATE DETAILS

| S/N | CERTIFICATE NO. (IF ANY) | UNITS | S/N | CERTIFICATE NO. (IF ANY) | UNITS |
|---|---|---|---|---|---|
| 1. | | | 4. | | |
| 2. | | | 5. | | |
| 3. | | | 6. | | |

Dated this ____ day of ______, 20____

Name: ______

Signature: ______

Joint (2) (if applicable): ______

Joint (3) (if applicable): ______

Company Seal

**In the Presence of:**

**Name:** ______ **GSM NO:** ______

**Address:** ______ **Signature:** ______

### THIS SECTION IS TO BE EXECUTED BY THE SHAREHOLDER'S STOCKBROKER, BANKER OR INSURANCE COMPANY

On behalf of ______ Plc/Ltd, we hereby agree jointly and severally keep the company and/or the Registrar or other persons acting on their behalf fully indemnified aganist all action, proceedings, liabilities, claims, losses, damage, costs and expenses in relation to or arising out of your accepting to re-issue to the rightful owner the shares/stocks, and to pay you on demand, all payments, losses, costs and expenses suffered or incurred by you in consequence thereof or arising therefrom. We/I also agree and consent that Africa Prudential Plc ("Afriprud") may collect, use, disclose, process and deal in any manner whatsoever with my/our personal, biometric and shareholding information set out in this form and/or otherwise provided by me/us or possessed by Afriprud for administration of my/our shareholding and matters related thereto.

**Authorised Signatory (1):** ______ **Authorised Signatory (2):** ______

Company Seal

HEAD OFFICE: 220B, Ikorodu Road, Palmgrove, Lagos.
ABUJA: Infinity House (2nd Floor), 11 Kaura Namoda Street, Off Faskari Crescent, Area 3, Garki, Abuja.
PORT-HARCOURT: Oklen Suite Building (2nd Floor), No. 1A, Evo Road, GRA Phase 2.
TEL: 0700 AFRIPRUD (0700 2374 7783) | E-MAIL: cxc@africaprudential.com | www.africaprudential.com | @afriprud

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Affix
Recent Passport
Photograph
USE GUM ONLY
NO STAPLE PINS
(to be stamped by your banker)
ONLY CLEARING BANKS ARE ACCEPTABLE

# E-DIVIDEND MANDATE ACTIVATION FORM

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

**The Registrar**
Africa Prudential Plc
220B, Ikorodu Road, Palmgrove, Lagos.

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

Bank Verification Number (BVN):

Bank Name:

Bank Account Number:

Account Opening Date: DD MM YYYY

## SHAREHOLDER ACCOUNT INFORMATION

Gender: Male Female Date Of Birth D D M M Y Y Y Y

Surname/Company's Name First Name Other Name

Address

City State Country

Clearing House Number (CHN) (if any) C Name of Stockbroking Firm

Mobile Telephone 1 Mobile Telephone 2

E-mail Address

## DECLARATION

I/We hereby declare that the information I have provided is true and correct and that I shall be held personally liable for any of my personal details.

I/We also agree and consent that Africa Prudential Plc ("Afriprud") may collect, use, disclose, process and deal in any manner whatsoever with my/our personal, biometric and shareholding information set out in this form and/or otherwise provided by me/us or possessed by Afriprud for administration of my/our shareholding and matters related thereto.

Signature: Signature: Company Seal (if applicable)

Joint/Company's Signatories

**Note:** This service costs **N150.00** per form exclusive of VAT.

***Please tick against the company(ies) where you have shareholdings***

**CLIENTELE**

1. ABBEY MORTGAGE BANK PLC
2. ADAMAWA STATE GOVERNMENT BOND
3. AFRILAND PROPERTIES PLC
4. AFRICA PRUDENTIAL PLC
5. A & G INSURANCE PLC
6. ALUMACO PLC
7. A.R.M LIFE PLC
8. BECO PETROLEUM PRODUCTS PLC
9. BUA GROUP
10. BENUE STATE GOVERNMENT BOND
11. CAP PLC
12. CAPPA AND D'ALBERTO PLC
13. CEMENT COY. OF NORTHERN NIG. PLC
14. CSCS PLC
15. CHAMPION BREWERIES PLC
16. CWG PLC
17. CORDROS MONEY MARKET FUND
18. EBONYI STATE GOVERNMENT BOND
19. GOLDEN CAPITAL PLC
20. INFINITY TRUST MORTGAGE BANK PLC
21. INVESTMENT & ALLIED ASSURANCE PLC
22. JAIZ BANK PLC
23. KADUNA STATE GOVERNMENT BOND
24. LAGOS BUILDING INVESTMENT CO. PLC
25. GLOBAL SPECTRUM ENERGY SERVICES PLC
26. MED-VIEW AIRLINE PLC
27. MIXTA REAL ESTATE PLC *(formerly ARM Properties Plc)*
28. NEXANS KABLEMETAL NIG. PLC
29. LIVINGTRUST MORTGAGE BANK PLC
30. PERSONAL TRUST & SAVINGS LTD
31. P.S MANDRIDES PLC
32. PORTLAND PAINTS & PRODUCTS NIG. PLC
33. PREMIER BREWERIES PLC
34. RESORT SAVINGS & LOANS PLC
35. ROADS NIGERIA PLC
36. SCOA NIGERIA PLC
37. TRANSCORP HOTELS PLC
38. TRANSCORP PLC
39. TOWER BOND
40. THE LA CASERA CORPORATE BOND
41. UACN PLC
42. UNITED BANK FOR AFRICA PLC
43. UNITED CAPITAL PLC
44. UNITED CAPITAL BALANCED FUND
45. UNITED CAPITAL BOND FUND
46. UNITED CAPITAL EQUITY FUND
47. UNITED CAPITAL MONEY MARKET FUND
48. UNITED CAPITAL NIGERIAN EUROBOND FUND
49. UNITED CAPITAL WEALTH FOR WOMEN FUND
50. UNIC DIVERSIFIED HOLDINGS PLC
51. UNIC INSURANCE PLC
52. UAC PROPERTY DEVELOPMENT COMPANY PLC
53. UTC NIGERIA PLC
54. VFD GROUP PLC
55. WEST AFRICAN GLASS IND PLC

OTHERS:

HEAD OFFICE: 220B, Ikorodu Road, Palmgrove, Lagos.
ABUJA: Infinity House (2nd Floor), 11 Kaura Namoda Street, Off Faskari Crescent, Area 3, Garki, Abuja.
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TEL: 0700 AFRIPRUD (0700 2374 7783) | E-MAIL: cxc@africaprudential.com | www.africaprudential.com | @afriprud

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# E-SERVICE/DATA UPDATE FORM

KINDLY FILL AND RETURN FORM TO ANY OF OUR OFFICE ADDRESSES STATED BELOW | * = COMPULSORY FIELDS

1. *SURNAME/COMPANY NAME

2. *FIRST NAME 3. OTHER NAME

4. *GENDER M F 5. E-MAIL

6. ALTERNATE E-MAIL

7. *DATE OF BIRTH D D M M Y Y Y Y

8. *MOBILE (1) (2)

9. *ADDRESS

10. OLD ADDRESS *(if any)*

11. *NATIONALITY 12. *OCCUPATION

13. *NEXT OF KIN NAME MOBILE

14. *MOTHER'S MAIDEN NAME

15. BANK NAME 16. A/C NO.

17. A/C NAME 18. A/C OPENING DATE D D M M Y Y Y Y

19. BANK VERIFICATION NO. (BVN) 20. NAME OF STOCKBROKING FIRM

21. CSCS CLEARING HOUSE NO. (CHN) C

## DECLARATION

I/We hereby declare that the information I have provided is true and correct and that I shall be held personally liable for any of my personal details.

I/We also agree and consent that Africa Prudential Plc ("Afriprud") may collect, use, disclose, process and deal in any manner whatsoever with my/our personal, biometric and shareholding information set out in this form and/or otherwise provided by me/us or possessed by Afriprud for administration of my/our shareholding and matters related thereto.

Signature: Signature: Company Seal *(if applicable)*

Joint/Company's Signatories

***Please tick against the company(ies) where you have shareholdings***

**CLIENTELE**

1. ABBEY MORTGAGE BANK PLC
2. ADAMAWA STATE GOVERNMENT BOND
3. AFRILAND PROPERTIES PLC
4. AFRICA PRUDENTIAL PLC
5. A & G INSURANCE PLC
6. ALUMACO PLC
7. A.R.M LIFE PLC
8. BECO PETROLEUM PRODUCTS PLC
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10. BENUE STATE GOVERNMENT BOND
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12. CAPPA AND D'ALBERTO PLC
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20. INFINITY TRUST MORTGAGE BANK PLC
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23. KADUNA STATE GOVERNMENT BOND
24. LAGOS BUILDING INVESTMENT CO. PLC
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32. PORTLAND PAINTS & PRODUCTS NIG. PLC
33. PREMIER BREWERIES PLC
34. RESORT SAVINGS & LOANS PLC
35. ROADS NIGERIA PLC
36. SCOA NIGERIA PLC
37. TRANSCORP HOTELS PLC
38. TRANSCORP PLC
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41. UACN PLC
42. UNITED BANK FOR AFRICA PLC
43. UNITED CAPITAL PLC
44. UNITED CAPITAL BALANCED FUND
45. UNITED CAPITAL BOND FUND
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RC 649007

## SHARE PORTAL APPLICATION FORM

Dear Registrar,

Please take this as authority to activate my account(s) on your SharePortal where I will be able to view and manage my investment portfolio online with ease.

*** = Compulsory fields**

1. *SURNAME/COMPANY NAME:
2. *FIRST NAME:
3. OTHER NAME:
4. *E-MAIL:
5. ALTERNATE E-MAIL:
6. *MOBILE NO.: **1.** **2.**
7. SEX: MALE FEMALE
8. *DATE OF BIRTH D D M M Y Y Y Y
9. *POSTAL ADDRESS:
10. CSCS CLEARING HOUSE NO.: C
11. NAME OF STOCKBROKER:

## DECLARATION

I/We hereby declare that the information I have provided is true and correct and that I shall be held personally liable for any of my personal details.

I/We also agree and consent that Africa Prudential Plc ("Afriprud") may collect, use, disclose, process and deal in any manner whatsoever with my/our personal, biometric and shareholding information set out in this form and/or otherwise provided by me/us or possessed by Afriprud for administration of my/our shareholding and matters related thereto.

Signature: | Signature: | Company Seal *(if applicable)*

Joint/Company's Signatories

***Please tick against the company(ies) where you have shareholdings***

**CLIENTELE**

1. ABBEY MORTGAGE BANK PLC
2. ADAMAWA STATE GOVERNMENT BOND
3. AFRILAND PROPERTIES PLC
4. AFRICA PRUDENTIAL PLC
5. A & G INSURANCE PLC
6. ALUMACO PLC
7. A.R.M LIFE PLC
8. BECO PETROLEUM PRODUCTS PLC
9. BUA GROUP
10. BENUE STATE GOVERNMENT BOND
11. CAP PLC
12. CAPPA AND D'ALBERTO PLC
13. CEMENT COY. OF NORTHERN NIG. PLC
14. CSCS PLC
15. CHAMPION BREWERIES PLC
16. CWG PLC
17. CORDROS MONEY MARKET FUND
18. EBONYI STATE GOVERNMENT BOND
19. GOLDEN CAPITAL PLC
20. INFINITY TRUST MORTGAGE BANK PLC
21. INVESTMENT & ALLIED ASSURANCE PLC
22. JAIZ BANK PLC
23. KADUNA STATE GOVERNMENT BOND
24. LAGOS BUILDING INVESTMENT CO. PLC
25. GLOBAL SPECTRUM ENERGY SERVICES PLC
26. MED-VIEW AIRLINE PLC
27. MIXTA REAL ESTATE PLC *(formerly ARM Properties Plc)*
28. NEXANS KABLEMETAL NIG. PLC
29. LIVINGTRUST MORTGAGE BANK PLC
30. PERSONAL TRUST & SAVINGS LTD
31. P.S MANDRIDES PLC
32. PORTLAND PAINTS & PRODUCTS NIG. PLC
33. PREMIER BREWERIES PLC
34. RESORT SAVINGS & LOANS PLC
35. ROADS NIGERIA PLC
36. SCOA NIGERIA PLC
37. TRANSCORP HOTELS PLC
38. TRANSCORP PLC
39. TOWER BOND
40. THE LA CASERA CORPORATE BOND
41. UACN PLC
42. UNITED BANK FOR AFRICA PLC
43. UNITED CAPITAL PLC
44. UNITED CAPITAL BALANCED FUND
45. UNITED CAPITAL BOND FUND
46. UNITED CAPITAL EQUITY FUND
47. UNITED CAPITAL MONEY MARKET FUND
48. UNITED CAPITAL NIGERIAN EUROBOND FUND
49. UNITED CAPITAL WEALTH FOR WOMEN FUND
50. UNIC DIVERSIFIED HOLDINGS PLC
51. UNIC INSURANCE PLC
52. UAC PROPERTY DEVELOPMENT COMPANY PLC
53. UTC NIGERIA PLC
54. VFD GROUP PLC
55. WEST AFRICAN GLASS IND PLC

OTHERS:

HEAD OFFICE: 220B, Ikorodu Road, Palmgrove, Lagos.
ABUJA: Infinity House (2nd Floor), 11 Kaura Namoda Street, Off Faskari Crescent, Area 3, Garki, Abuja.
PORT-HARCOURT: Oklen Suite Building (2nd Floor), No. 1A, Evo Road, GRA Phase 2.
TEL: 0700 AFRIPRUD (0700 2374 7783) | E-MAIL: cxc@africaprudential.com | www.africaprudential.com | @afriprud

SCAN

To Download Shareholders' Forms

# PROXY FORM

Annual General Meeting of UPDC Plc to be held on Tuesday, 24th May 2022 in Asian Hall, Festival Hotel, Festac Town, Lagos at 10 am

**UPDC PLC RC 321582**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS AND IS TO BE USED AT THE ANNUAL GENERAL MEETING TO BE HELD ON 24TH MAY 2022**

I/We ______________________________________

______________________________________

(Name of Shareholder(s) in block letters)

Being a member/members of UPDC PLC, hereby appoint ______________________________

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 24th May 2022 at 10am and at any adjournment thereof. Unless otherwise instructed, the Proxy will vote or abstain from voting as he/she thinks fit..

Dated this _____ day of ________________ 2022

Shareholder's signature: ____________________

| ORDINARY BUSINESS | | FOR | AGAINST | ABSTAIN |
|---|---|---|---|---|
| 1 | To elect the following Director: Mr Odunayo Ojo | | | |
| 2 | To re-elect the following Director retiring by rotation: Mr. Oyekunle Osilaja | | | |
| 3. | To appoint new External Auditors | | | |
| 4. | To authorise the Directors to fix the remuneration of the Auditors | | | |
| 5. | To elect members of the Statutory Audit Committee | | | |
| **SPECIAL BUSINESS** | | | | |
| 6. | To approve N8.5m as Directors' remuneration for 2022. | | | |
| 7. | To approve Cancellation of unissued shares and amendment of MEMART | | | |

Please indicate, by marking 'X' in the appropriate space, how you wish your votes to be cast on the resolutions set out above.

# NOTE

Please fill, date and sign this form, and deliver or post to the Registrar, Africa Prudential Plc, 220B Ikorodu Road, Palmgrove, Lagos. You can also send the form via email to **cxc@africaprudential.com** not later than 48 hours before the meeting.

Provision has been made for Mr. Wole Oshin, Mr. Odunayo Ojo, Alhaji Gbadebo Olatokunbo or Mrs Adebisi Bakare to act as your proxy.

If the Shareholder is a Corporation, this form must be under its common seal or under the hand of a duly authorised officer or attorney.

In the case of Joint Shareholders, any of them may complete the form, but the names of all Joint Shareholders must be stated.

(A member of Custodian Investment Plc)

www.updcplc.com