DIRECTORS' RESPONSIBILITY

This statement, which should be read in conjunction with the Auditors' statement of their responsibilities, is made with a view to setting out for Shareholders, the responsibilities of the Directors of the Company with respect to the financial statements.

In accordance with the provisions of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, the Directors are responsible for the preparation of annual financial statements, which give a true and fair view of the Company and of the Statements of Comprehensive Income for the Financial Year.

The responsibilities include ensuring that:

(a) Appropriate internal controls are established both to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;
(b) The Company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which ensure that the financial statements comply with the requirements of the Companies and Allied matters Act;
(c) The company has used suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed and:
(d) The going concern basis is used, unless it is inappropriate to presume the company will continue in business

UAC of Nigeria Plc
Financial Statements for the year ended 31 December 2018

UAC of Nigeria Plc

Financial Highlights

	Group			Company		
	2018 N'000	2017 N'000	% change	2018 N'000	2017 N'000	% change
Revenue	78,744,081	89,178,082	(12)	681,238	826,507	(18)
Operating (loss)/profit	(5,311,198)	7,031,104	(176)	1,277,741	1,551,480	(18)
Net finance (cost) / income	(2,007,506)	(4,324,087)	(54)	2,917,806	1,817,233	61
Share of net profit of associates and joint venture using the equity method	1,806,303	539,102	235	-	-	-
(Loss)/Profit before tax	(5,512,401)	3,246,120	(270)	4,195,547	3,368,714	25
Income Tax Expense	(3,959,969)	(1,921,733)	106	(586,880)	(288,886)	103
(Loss)/Profit after tax for the year	(9,472,370)	1,324,387	(815)	3,608,667	3,079,827	17
(Loss)/Profit for the year	(9,584,614)	962,824	(1,095)	3,608,667	3,079,827	17
Other comprehensive income for the year net of tax	28,999	7,002	-	-	-	
Total comprehensive (loss)/income for the year net of tax	(9,555,615)	969,826	(1,085)	3,608,667	3,079,827	17
Total Equity	74,208,029	73,126,422	1	40,132,542	23,450,792	71
Total equity and liabilities	131,093,162	130,617,133	0	49,041,894	32,174,633	52
Cash and Cash equivalents	30,275,249	14,125,974	114	18,776,880	5,779,991	225
Earnings per share (kobo) - Basic	(211)	50		140	160	
Dividend per share (kobo) - Proposed	64	65		64	65	
NSE quotation as at December 31 (kobo)	975	1,672		975	1,672	
Number of shares in issue ('000)	2,881,296	1,920,864		2,881,296	1,920,864	
Market capitalisation as at December 31 (N'000)	28,092,636	32,116,846		28,092,636	32,116,846	

UAC of Nigeria Plc
Index to the audited consolidated financial statements
for the year ended 31 December 2018

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Independent Auditors' Report

To the Members of UAC OF NIGERIA PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of UAC of Nigeria Plc and its subsidiaries (the Group) which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements 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 consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of UAC of Nigeria Plc and its subsidiaries as at 31 December 2018, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, Financial Reporting Council of Nigeria Act No 6, 2011 and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

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 *Auditors' 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 UAC of Nigeria Plc and its subsidiaries. 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 UAC of Nigeria Plc and its subsidiaries. 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 each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' 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.

Independent Auditors' Report

To the Members of UAC OF NIGERIA PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Key Audit Matter	How the matter was addressed in the audit
Assessment of Goodwill impairment (Consolidated financial statements) The goodwill balance of ₦548.7 million, principally relates to the acquisitions of Portland Paints & Product Nigeria Plc and Livestock Feeds Plc in 2013. In line with the IAS 36, Goodwill should be tested for impairment annually. The Company tested the goodwill for impairment and no impairment charge has been recorded against these balances in the current financial year. The annual impairment test is significant to our audit because the balance involved is significant to the Group and the testing process is complex and requires significant judgment. The value in use assessment to support the continued carrying amount of goodwill involves the application of judgement about future performance of those businesses. Certain assumptions made by management in the impairment review are considered by the engagement team to be key areas of judgement, notably the forecast cash flows, the overall growth rates and the discount rates applied amongst others. The disclosure of goodwill is set out in Note 13 of to the consolidated and separate financial statements.	Our audit procedures include, amongst other, the following: We reviewed management's key assumptions used in the impairment model for goodwill to determine the value in use and recoverable amount of the cash generating unit to ensure it is in compliance with the requirements of *IAS 36 Impairment of Assets*. We evaluated management's future cash flow forecasts and the process by which they were determined and approved, including checking that the forecasts were consistent with the latest Board approved budgets and confirming the mathematical accuracy of the underlying calculations. We also considered the accuracy of previous forecasts made by management. We obtained corroborating evidence regarding the carrying value of goodwill, and the related disclosures, through challenging: • Key assumptions for growth rates in the cash flow forecasts by comparing them to historical results, and economic forecasts; and • The discount rates by independently estimating a range based on market data. We performed sensitivity analysis around these assumptions to ascertain the extent of change that individually, or in combination, would be required for the goodwill to be impaired.

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Independent Auditors' Report

To the Members of UAC OF NIGERIA PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Key Audit Matter	How the matter was addressed in the audit
Valuation of Investment properties (Consolidated and separate financial statements) The company and its subsidiary (UACN Property Development Company Plc) owns a portfolio of investment properties comprising commercial properties, shopping malls, serviced residences and integrated development projects. Investment properties is a significant account to the group and it represents 10% of the Total assets. We focused on this area due to the size of the investment property balance and the valuation process which involves significant judgement in determining the appropriateness of the valuation methodology used, and in estimating the underlying assumptions applied. The valuations are highly sensitive to key assumptions applied in deriving the capitalization rates, market rents, discount and terminal yield rates, which increases the risk of error or potential bias i.e. a small change in the assumptions or parameters can have a significant impact to the valuation. These investment properties are stated at their fair values based on independent external valuations. Investment properties are disclosed in Note 14 to the consolidated and separate financial statements.	Our audit procedures include, amongst others, the following: • We obtained and reviewed the Investment Property valuation report prepared by the external property valuer. • We evaluated the level of qualification, expertise, independence and objectivity of the external property valuer. • We reviewed the valuation methodology to confirm consistency with previous years and current realities. • We evaluated the valuation methodologies adopted with reference to those applied by other external property valuers for similar property types. • We compared the tenancy information, including occupancy rates and market rents, provided by the Group to the external property valuer with underlying contracts and documentation, on a sample basis.

Independent Auditors' Report

To the Members of UAC OF NIGERIA PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Key Audit Matter	How the matter was addressed in the audit
Significant impairment of intercompany receivables (Consolidated financial statements) UACN Property Development Company Plc has huge intercompany receivables from its related parties majorly from Joint ventures and subsidiary amounting to ₦3.11 billion (2017; ₦428 million). The joint ventures and subsidiary have been operating at a loss, have going concern issues, negative equity and liquidity issues; there are uncertainties around the ability of the subsidiary and Joint venture to generate cash flows to fully repay its indebtedness. The joint venture in question - First Festival Mall Limited from whom ₦2.5 billion is receivable has been fully written off and investment of ₦234 million has also been written off. An impairment assessment was performed on receivables due from joint ventures and subsidiary using the expected credit loss approach carried out by an external Consultant to determine the recoverable amount. This led to the recognition of a total impairment loss and write off of ₦9.64 billion during the year. We consider this a key audit matter due to the significance of the amount and the complexity of the impairment assessment which involves management judgement on the recoverable amount. The disclosure of the impairment of intercompany receivables is set out in Note 6 of the consolidated and separate financial statements.	Our audit procedures on intercompany receivables amongst others includes: • Our internal valuation specialist evaluated the assumptions made by management on the recoverability of the related party receivables. • We validated material transactions during the year to invoices, payment approvals and other third-party documents. • We obtained confirmations from all related parties to corroborate our audit evidence. Material differences noted in the confirmation response were duly investigated and necessary adjustments made where required. • We also assessed the adequacy of the disclosures regarding the impairment of intercompany receivables to determine whether they are in line with IFRS 9 requirements.

Independent Auditors' Report

To the Members of UAC OF NIGERIA PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Key Audit Matter	How the matter was addressed in the audit
Significant inventory write down (Consolidated financial statements) During the year, UACN Property Development Company Plc's inventory (assets under construction) was written down by ₦1.36 billion to its net realisable value following the review of all ongoing projects against the expected selling price and other incidental costs to sell. The net realisable value has been estimated by an estate valuer. The estate valuer adopted the market value as the basis of the fair valuation of the property reflecting continuity in its existing use. The determination of the fair value was based on the estimated amount for which an asset should exchange on the date of valuation which is 31 December 2018 between a willing buyer and willing seller at arm's length transaction after proper marketing wherein parties had each acted knowledgeably, prudent and without compulsion. See Note 19 in the consolidated and separate financial statements for the disclosure on Inventory.	Our audit procedures in relation to Inventory (Assets under construction) amongst others include: • We tested the valuation of inventory (Assets under construction) to verify that it is performed in accordance with the entity's accounting policies and applicable financial reporting framework. We checked the carrying value against the recoverable amount to ensure that these assets are carried at the lower of cost and Net realisable value. • We assessed the independence, qualifications, experience, competence and expertise of the valuation experts to determine whether there are any matters that might have affected their objectivity and independence. • We used property specific information and external data to independently develop a range of estimates and compared it with the valuer's estimates. • We also reviewed the appropriateness of the disclosure for compliance with relevant standards.

Independent Auditors' Report

To the Members of UAC OF NIGERIA PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Key Audit Matter	How the matter was addressed in the audit
Inventory valuation and Cost of sales: (Consolidated financial statements) Livestock Feeds Plc measures its raw materials using weighted average cost method. This cost is computed by its accounting software (Odoo), which is then used in the determination of cost of sales. Also, there are some adjustments made to cost of sales which is driven by the level of consumption and production processes, these adjustments are: • ***Under/over absorption of overheads***: Cost of sales is initially recorded using absorption costing method before adjusting for under/over absorption of overheads (Production and Labour). The absorption rate is derived using the prior month production volume and cost. When the actual cost and production volume is determined at the end of the month/year, it is compared with the budgeted production. • ***Production yield variance***: This arises because of loss from the production process. The raw material input into the production of finished feeds are not fully recovered at the end of the production process, due to impurities and normal loss arising from production. Thus, a production yield variance is computed at the end of each batch produced and this variance is adjusted for as production yield variance in the trial balance. The total yield variance for the year was ₦45.9 million which represents about 6% of the Loss before tax during the year. In view of the materiality of balances related to inventory, and the risk associated with valuation of inventory as discussed above, this is considered a key audit matter. See Note 18 in the consolidated and separate financial statements for the disclosure on Inventory valuation.	We performed the following procedures to address these issues; • We participated in the physical inventory count to ascertain the amount of inventory as at year end and the inventory count sheet duly witnessed by us was used as the basis for the valuation done at year end. • We selected inventory samples as at year end and recomputed the weighted average cost. We reviewed the inventory valuation to ensure that they are carried at the lower of cost and net realizable value. • We recomputed the overhead absorption rate for each month to ascertain its accuracy. • We compared the absorption cost with the actual cost to ensure adjustment for the under/over absorption of overheads is accurate. • We obtained an understanding of the computation of the production yield variance and verified the accuracy of the production volume per computation. • We reviewed the adequacy of provision made during the year for damaged and slow moving inventory.

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Independent Auditors' Report

To the Members of UAC OF NIGERIA PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report, Chairman's' Statement, Statement of Directors' Responsibility, Report of the Audit Committee, Value Added Statement and Five Year Financial Summary as required by the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, 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. Other information does not include the consolidated and separate financial statements and our Auditors' 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 on the other information obtained prior to the date of this Auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the 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, and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004 and 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 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 or the Company or to cease operations, or have no realistic alternative but to do so.

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Independent Auditors' Report

To the Members of UAC OF NIGERIA PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

Auditors' 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 Auditors' 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 Auditors' 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 Auditors' report. However, future events or conditions may cause the group or 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 the Company audit. We remain solely responsible for our audit opinion.

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Independent Auditors' Report

To the Members of UAC OF NIGERIA PLC - Continued

Report on the Audit of the Consolidated and Separate Financial Statements - Continued

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, we confirm that:

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

Yusuf Aliu, FCA
FRC/2012/ICAN/00000000138
For: Ernst & Young
Chartered Accountants
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0892889

29 March 2019

REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF UAC OF NIGERIA PLC

In compliance with Section 359(6) of the Companies and Allied Matters Act CAP C20 Laws of the Federation of Nigeria 2004, we have reviewed the audited Financial Statements of the Company for the year ended 31st December, 2018 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 are in our opinion adequate.

(c) The internal audit and internal control systems are adequate.

(d) The External Auditors' Management Letter was satisfactorily dealt with by Management.

MR. OLABISI FAYOMBO FRC/2013/ICAN/00000002883
CHAIRMAN OF THE COMMITTEE

Dated 26th day of March, 2019

MEMBERS OF THE COMMITTEE

Mr. Olabisi Fayombo	-	Chairman
Mr. Matthew Akinlade	-	Member
Mr. Nwosu Nnabike	-	Member
Mrs. Awuneba Ajumogobia	-	Member
Mr. Babatunde Kasali	-	Member
Mrs Olufunke Ighodaro	-	Member

SECRETARY
Mr. Godwin A Samuel

UAC of Nigeria Plc

Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

		The Group		The Company	
	Notes	31 Dec 18 N'000	31 Dec 17 N'000	31 Dec 18 N'000	31 Dec 17 N'000
Continuing operations					
Revenue	5	78,744,081	89,178,082	681,238	826,507
Cost of sales		(64,700,283)	(73,221,534)	-	-
Gross profit		**14,043,798**	**15,956,547**	**681,238**	**826,507**
Dividends Income		-	-	2,046,400	2,719,313
Other operating income	6	1,440,680	3,715,916	437,121	524,958
Selling and distribution expenses	7	(4,788,257)	(4,595,842)	-	-
Administrative expenses	7	(7,098,771)	(7,086,222)	(1,887,019)	(2,285,261)
Other operating losses	6(i)	(8,908,648)	(959,296)	-	(234,038)
Operating (loss)/profit		**(5,311,198)**	**7,031,104**	**1,277,741**	**1,551,480**
Finance income	8	2,980,602	1,861,352	2,917,806	1,817,233
Finance cost	8	(4,988,108)	(6,185,438)	-	-
Net finance cost		(2,007,506)	(4,324,087)	2,917,806	1,817,233
Share of profit of associates and joint venture using the equity method	17.3	1,806,303	539,102	-	-
(Loss)/Profit before tax		**(5,512,401)**	**3,246,120**	**4,195,547**	**3,368,714**
Income Tax Expense	9	(3,959,969)	(1,921,733)	(586,880)	(288,886)
(Loss)/profit after tax for the year from continuing operations		(9,472,370)	1,324,387	3,608,667	3,079,827
Discontinued operations					
Loss after tax for the year from discontinued operations	34	(112,244)	(361,562)	-	-
(Loss)/Profit for the period		**(9,584,614)**	**962,824**	**3,608,667**	**3,079,827**
Other comprehensive income:					
Items not to be subsequently recycled to profit or loss					
Net changes in fair value of financial assets	16	28,999	7,002	-	-
Tax on other comprehensive income		-	-	-	-
Other comprehensive income for the period net of tax		28,999	7,002	-	-
Total comprehensive (loss)/income for the period net of tax		**(9,555,615)**	**969,826**	**3,608,667**	**3,079,827**
(Loss)/Profit attributable to:					
Equity holders of the parent		(6,089,961)	956,076	3,608,667	3,079,827
Non controlling interests		(3,494,653)	6,749	-	-
		(9,584,614)	**962,824**	**3,608,667**	**3,079,827**
Total comprehensive (loss)/income attributable to:					
Equity holders of the parent		(6,068,792)	959,647	3,608,667	3,079,827
Non controlling interests		(3,486,823)	10,180	-	-
		(9,555,615)	**969,826**	**3,608,667**	**3,079,827**
Earnings per share attributable to owners of the parent during the period (expressed in Naira per share):					
Basic Earnings Per Share					
From continuing operations	11	(207)	69	140	160
From discontinued operations	11	(4)	(19)	-	-
From profit for the period		(211)	50	140	160
Diluted Earnings Per Share					
From continuing operations	11	(207)	69	140	160
From discontinued operations	11	(4)	(19)	-	-
From profit for the period		(211)	50	140	160

UAC of Nigeria Plc

Consolidated and Separate Statement of Financial Position
as at 31 December 2018

		The Group		The Company	
	Notes	31 Dec 18 N'000	31 Dec 17 N'000	31 Dec 18 N'000	31 Dec 17 N'000
Assets					
Non-current assets					
Property, plant and equipment	12	21,824,121	21,537,773	714,112	660,353
Intangible assets and goodwill	13	1,525,656	1,606,023	21,722	30,246
Investment property	14	7,196,663	13,486,037	2,694,651	2,758,650
Investments in associates and joint ventures	17	20,091,466	19,109,621	-	-
Available-for-sale financial assets	16	-	26,199	-	1,001
Equity instrument at fair value through other comprehensive income	16(i)	40,000	-	30,000	-
Investments in subsidiaries	15	-	-	21,207,536	15,815,152
Prepayment	20	8,706	3,245	-	-
Deferred tax asset	28	90,144	711,900	-	-
		50,776,755	56,480,798	24,668,021	19,265,402
Current assets					
Inventories	18	30,525,636	30,391,954	3,123	2,669
Trade and other receivables	20	10,233,691	16,358,997	5,463,870	6,996,571
Cash and Cash equivalents	21	30,275,249	14,125,974	18,776,880	5,779,991
Right of return assets	5(ii)	7,916	-	-	-
		71,042,492	60,876,926	24,243,873	12,779,231
Non-current asset held for sale	15(i)	-		130,000	130,000
Assets of disposal group classified as held for sale/distribution to owners	34	9,273,914	13,259,409	-	-
Total assets		**131,093,162**	**130,617,133**	**49,041,894**	**32,174,633**
Equity and Liabilities					
Ordinary share capital	29	1,440,648	960,432	1,440,648	960,432
Share premium	29	18,509,120	3,934,536	18,509,120	3,934,536
Contingency reserve	29	28,575	28,575	-	-
Fair value/available for sale reserve	29	14,789	(1,990)	28,999	-
Retained earnings	29	38,135,993	46,827,439	20,153,775	18,555,824
Equity attributable to equity holders of the Company		58,129,126	51,748,993	40,132,542	23,450,792
Non controlling interests		16,078,903	21,377,429	-	-
Total equity		**74,208,029**	**73,126,422**	**40,132,542**	**23,450,792**
Liabilities					
Non-current liabilities					
Borrowings	22	4,500,793	1,329,037	-	-
Deferred tax liabilities	28	4,707,053	4,890,082	73,648	152,842
Deferred revenue	25	1,577	3,192	-	-
Provisions	27	10,874	17,223	-	-
		9,220,297	6,239,534	73,648	152,842
Current liabilities					
Trade and other payables	23	15,437,697	16,238,983	1,056,112	1,350,845
Contract liabilities		55,373	-	-	-
Current income tax liabilities	9	6,336,866	5,377,083	2,655,269	2,419,014
Bank overdrafts and current portion of borrowings	22	19,671,568	23,780,410	-	-
Dividend payable	26	4,899,962	4,655,045	4,899,962	4,655,045
Government grant	24	-	9,226	-	-
Deferred revenue	25	211,736	213,463	134,276	56,640
Provisions	27	93,085	92,456	90,085	89,456
Refund liabilities	5(ii)	9,167	-	-	-
		46,715,454	50,366,665	8,835,704	8,570,999
Liabilities of disposal group classified as held for sale/distribution to owners	34	949,382	884,513	-	-
Total liabilities		**56,885,133**	**57,490,711**	**8,909,352**	**8,723,841**
Total equity and liabilities		**131,093,162**	**130,617,133**	**49,041,894**	**32,174,633**

The financial statements and the notes on pages 5 to 64 were approved and authorised before issue by the board of directors on 27 March 2019 and were signed on its behalf by:

Mr. Dan Agbor
Chairman
FRC/2013/NBA/00000001748

Mrs. Omolara Elemide
Ag. Group CEO
FRC/2013/ICAN/00000001850

Mrs. Muhibat Abbas
Ag. CFO
FRC/2013/ICAN/00000002584

The notes on pages 5 to 64 are an integral part of these financial statements.

UAC of Nigeria Plc
Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

The Group

	Notes	Attributable to owners of the Company							
		Share Capital N'000	**Share Premium N'000**	**Contingency reserve N'000**	**Fair value/available for sale Reserve N'000**	**Retained Earnings N'000**	**Total N'000**	**Non controlling Interest N'000**	**Total N'000**
Balance at 1 January 2017		**960,432**	**3,934,536**	**28,575**	**(5,561)**	**41,500,304**	**46,418,286**	**30,047,253**	**76,465,540**
Profit and loss		-	-	-	-	956,076	956,076	6,749	962,824
Other comprehensive income									
Net changes in fair value of financial assets	16	-	-	-	3,571	-	3,571	3,431	7,002
Transactions with non-controlling interests									
Acquisition of non-controlling interests		-	-	-	-	6,291,924	6,291,924	(6,291,924)	-
Investment in rights issue by non-controlling interests		-	-	-	-	-	-	23,747	23,747
Transactions with Equity holders									
Dividends	10	-	-	-	-	(1,920,864)	(1,920,864)	(2,411,828)	(4,332,692)
Balance at 31 December 2017		**960,432**	**3,934,536**	**28,575**	**(1,990)**	**46,827,439**	**51,748,993**	**21,377,429**	**73,126,422**
Balance at 1 January 2018		**960,432**	**3,934,536**	**28,575**	**(1,990)**	**46,827,439**	**51,748,993**	**21,377,429**	**73,126,422**
Effect of adoption of new accounting standards		-	-	-	-	(1,003,403)	(1,003,403)	-	(1,003,403)
At 1 January 2018 as restated		**960,432**	**3,934,536**	**28,575**	**(1,990)**	**45,824,036**	**50,745,590**	**21,377,429**	**72,123,019**
Profit and loss		-	-	-	-	(6,089,961)	(6,089,961)	(3,494,653)	(9,584,614)
Net changes in fair value financial assets	16	-	-	-	14,789	-	14,789	14,210	28,999
Transactions with non-controlling interests									
Acquisition of non-controlling interests - Grand Cereals Limited and CAP Plc		-	-	-	-	276,750	276,750	(276,750)	-
Transactions with Equity holders									
Rights issue fully subscribed		480,216	14,574,584	-	-	-	15,054,800	-	15,054,800
Reversal of available for sale reserve due to disposal		-	-	-	1,990	(1,990)	-	-	-
Dividends	10	-	-	-	-	(1,872,843)	(1,872,843)	(1,541,332)	(3,414,175)
Balance at 31 December 2018		**1,440,648**	**18,509,120**	**28,575**	**14,789**	**38,135,993**	**58,129,126**	**16,078,903**	**74,208,029**

Separate statement of changes in equity
for the year ended 31 December 2018

	Notes	**The Company Attributable to owners of the Company**				
		Share Capital N'000	**Share Premium N'000**	**Fair value available for sale reserve N'000**	**Retained Earnings N'000**	**TOTAL N'000**
Balance at 1 January 2017		960,432	3,934,536	-	17,396,547	22,291,515
Profit and loss		-	-		3,080,142	3,080,142
Transactions with Equity holders						
Dividends paid	10	-	-		(1,920,864)	(1,920,864)
Balance at 31 December 2017		**960,432**	**3,934,536**	**-**	**18,555,825**	**23,450,792**
Balance at 1 January 2018		960,432	3,934,536	-	18,555,825	23,450,792
Impact of transition to IFRS on opening retained earnings		-	-	-	(137,872)	(137,872)
Profit and loss		-	-	-	3,608,667	3,608,667
Net changes in fair value of financial assets	16	-	-	28,999	-	28,999
Transactions with Equity holders						
Rights issue fully subscribed		480,216	14,574,584	-	-	15,054,800
Dividends	10	-	-	-	(1,872,843)	(1,872,843)
Balance at 31 December 2018		**1,440,648**	**18,509,120**	**28,999**	**20,153,775**	**40,132,542**

UAC of Nigeria Plc

Consolidated and Separate statement of cash flow
for the year ended 31 December 2018

	Notes	The Group 31 Dec 18 N'000	The Group 31 Dec 17 N'000	The Company 31 Dec 18 N'000	The Company 31 Dec 17 N'000
Cash flows from operating activities					
Cash generated from operations	30	6,695,354	13,988,944	674,517	769,429
Corporate tax paid		(2,129,260)	(1,836,437)	(328,557)	(192,396)
VAT paid		(1,268,095)	(774,967)	(64,857)	(117,152)
Interest received		2,980,602	1,861,352	2,917,806	1,817,233
Interest paid		(4,984,670)	(6,185,438)	-	-
Net cash flow generated from operating activities		**1,293,931**	**7,053,454**	**3,198,909**	**2,277,115**
Cash flows from investing activities					
Dividend received		-	-	2,046,400	2,719,313
Purchase of Intangible assets		(33,113)	(105,084)	(7,030)	(5,819)
Purchase of property, plant and equipment		(2,924,281)	(1,313,062)	(243,737)	(99,734)
Proceeds from sale of property, plant and equipment		84,193	159,063	24,137	14,623
Purchase of investment properties		(2,560)	(145,502)	(2,559)	(8,396)
Proceeds from sale of investment properties		4,860,076	8,153,037	133,849	101,462
Proceeds from disposal of financial asset		16,790	-	-	-
Cash Distribution from UPDC REIT		824,458	1,125,550	-	-
Net cash generated from investing activities		**2,825,564**	**7,874,002**	**1,951,059**	**2,721,448**
Cash flows from financing activities					
Dividends paid to non controlling interests		(1,541,332)	(2,411,828)	-	-
Dividends paid to Company shareholders		(1,830,540)	(1,859,531)	(1,830,540)	(1,859,531)
Proceeds from borrowings		4,096,791	1,372,242	-	-
Proceeds from rights issue		16,101,190	-	15,366,915	-
Investment in rights issue by non-controlling interests		-	23,747		
Recovery of excess bank charges		-	265,244	-	-
Rights issue expenses		(312,115)	-	(312,115)	-
Repayment of borrowings		(1,499,193)	(6,059,229)	-	-
Acquisition of additional interest in subsidiaries		-	-	(5,380,223)	(1,602,065)
Net cash flow used in financing activities		**15,014,800**	**(8,669,354)**	**7,844,037**	**(3,461,596)**
Net increase in cash & cash equivalents		19,134,296	6,258,101	12,994,006	1,536,967
Cash & cash equivalents at the beginning of the year		11,140,572	4,895,948	5,779,991	4,250,546
Effects of exchange rate changes on cash and cash equivalents.		382	(13,477)	2,882	(7,523)
Cash & cash equivalents at the end of the period after adjusting for bank overdraft	**21(i)**	**30,275,249**	**11,140,572**	**18,776,880**	**5,779,991**

1 Corporate Information

The consolidated financial statements of UAC of Nigeria Plc ('the Company') and its subsidiaries (collectively, the Group) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of directors on 27th March 2019. UAC of Nigeria Plc. (the Company or the parent) is a limited company incorporated and domiciled in Nigeria and whose shares are publicly traded. The registered office is located at 1-5, Odunlami Street, Marina, Lagos.

The Group is a diversified business with activities in the following principal sectors: Foods & Beverages, Logistics, Real Estate and Paints. (*See Note 5*).

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated and Separate financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and Fair Value Through Other Comprehensive Income that have been measured at fair value. The consolidated financial statements are presented in Naira and all values are rounded to the nearest thousand (N'000), except when otherwise indicated. the consolidated and separate financial statements provide comparative information in respect of the previous period.

The financial statements have been prepared on a going concern basis.

The policies set out below have been consistently applied to all the years presented.

2.1.2 Changes in accounting policy and disclosures

(a) New and amended standards and interpretations adopted by the group

The Group applied IFRS 15 and IFRS 9 for the first time to all revenue contracts and financial instruments respectively as at 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

i Impact of application of IFRS 9 Financial instruments

The Group applied IFRS 9 prospectively with an initial application date of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.
The cumulative effect of initially applying IFRS 9 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 39 and related Interpretations.

Group
The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:
Impact on statement of profit or loss and other comprehensive income (increase/(decrease)

	Adjustments	N'000
Assets		
Trade and other receivables	(b)	(1,249,581)
Cash and short term deposits	(b)	(88,035)
Total assets		(1,337,616)
Liabilities		
Deferred tax liabilities	(c)	(335,777)
Total liabilities		(335,777)
Total adjustment on equity:		
Retained earnings	(b),(c)	(1,001,839)
		(1,001,839)

Company
The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:
Impact on statement of profit or loss and other comprehensive income (increase/(decrease)

	Adjustments	1 January 2018
Assets		
Intercompany receivables	(b)	(146,208)
Cash and short term deposits	(b)	(35,700)
		========
Total assets		(181,907)

		========
Liabilities		
Deferred tax liabilities	(c)	(44,035)

Total liabilities		(44,035)
		========
Total adjustment on equity:		
Retained earnings	(b),(c)	(137,872)

		(137,872)
		========

The nature of these adjustments are described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The following are the changes in the classification of the Group's financial assets:

Trade and other receivables classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

Listed equity investments classified as AFS financial assets as at 31 December 2017 are classified and measured as Financial assets at fair value through other comprehensive income beginning 1 January 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1 January 2018.

Group			**IFRS 9 measurement category**
		Fair value through OCI	**Amortised cost**
IAS 39 measurement category	**N'000**	**N'000**	**N'000**
Loans and receivables:			
Trade and other receivables*	11,372,496		10,122,915
Cash and short term deposits*	14,125,974		14,037,939
Intercompany receivables			
Available for sale:			
Listed equity investments	15,198	15,198	-
Non-listed equity investments	11,001	11,001	-
Company			
IAS 39 measurement category			
Loans and receivables:			
Trade and other receivables	6,166,309		6,020,102
Cash and short term deposits	5,779,991		5,744,291
Available for sale:			
Non-listed equity investments	1,001	1,001	-

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Upon adoption of IFRS 9 the Group recognised additional impairment on its trade receivables, intercompany receivables and cash and short-term deposits of N1.2 billion and N91 million respectively (company: N146 million and N35 mllion) which resulted in a decrease in Retained earnings of N1.3 billion (Company: N181.9 million) as at 1 January 2018.

The impact of transition to IFRS 9 on reserves and retained earnings is, as follows:
In N'000 of naira

	Retained
Group	
Retained earnings	***N'000***
Closing balance under IAS 39 (31 December 2017)	46,827,439
Reclassification adjustments in relation to adopting IFRS 9	
Recognition of IFRS 9 ECLs including those measured at FVOCI	(1,337,616)
Deferred tax in relation to the above	335,777

Opening balance under IFRS 9 (1 January 2018)	45,825,600
	=========
Company	***N'000***
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	18,555,824
Reclassification adjustments in relation to adopting IFRS 9	
Recognition of IFRS 9 ECLs including those measured at FVOCI	(181,907)
Deferred tax in relation to the above	44,035

Opening balance under IFRS 9 (1 January 2018)	18,417,952
	=========

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

Group	**Allowance for impairment under IAS 39 as at 31**	**Re-measurment**	**ECL under IFRS 9 as at 1 January 2018**
	N'000	**N'000**	**N'000**
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9	1,429,318	1,249,581	2,678,899
Cash and short trem deposits under IAS 39/Financial assets at amortised cost under IFRS 9	-	88,035	88,035
	------------	------------	------------
	1,429,318	1,337,616	2,766,934
	========	========	========

(c) Other adjustments

Company	**Allowance for impairment under IAS 39 as at 31 December 2017**	**Re-measurment**	**ECL under IFRS 9 as at 1 January 2018**
	N'000	**N'000**	**N'000**
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9	-	146,208	146,208
Cash and short trem deposits under IAS 39/Financial assets at amortised cost under IFRS 9	-	35,700	35,700
	------------	------------	------------
	-	181,907	181,907
	========	========	========

(c) Other adjustments

In addition to the adjustments described above, other items such as deferred taxes were adjusted to retained earnings as necessary upon adoption of IFRS 9 as at 1 January 2018.

ii Impact of application of IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the

date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18.

The effect of adopting IFRS 15 as at 1 January 2018 was, as follows:

	Reference	Increase/decrease
Assets		
Right of Return assets		6,714
Total Asset		6,714
Liabilities		
Deferred Tax Liabilities		(448)
Refund Liabilities		8,726
Total Liabilties		8,278
Total Adjustment on equity:		
Retained earnings		(1,564)

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Company's operating, investing and financing cash flows. The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Statement of Profit/loss for the year ended 31 December 2018

	Reference	Amounts prepared under		
		IFRS 15	Previous IFRS	Impact
Revenue from Contracts with Customers				
Sale of goods		78,744,081	78,744,522	(441)
Revenue		78,744,081	78,744,522	(441)
Cost of Sales		(64,700,283)	(64,699,081)	(1,202)
Gross Profit		14,043,798	14,045,441	(1,643)
Admin/Selling expenses		(11,887,028)	-	-
Other income		1,440,680	1,440,680	-
Other losses		(8,908,648)	(8,908,648)	-
Operating (loss)/Profit		(5,311,198)	(5,311,198)	-
Finance income		2,980,602	2,980,602	-
Finance costs		(4,988,108)	(4,988,108)	-
Share of profit of associates and joint ventures		1,806,303	1,806,303	-
Loss before tax		(5,512,401)	(5,512,401)	(1,643)
Income tax expense		(3,959,969)	(3,960,461)	493
Profit for the year		(9,472,370)	(9,472,863)	(1,150)
Earnings per share				

	Amounts prepared under		
	IFRS 15	Previous IFRS	Increase/Decrease
Assets			
Right of return assets	1,202	-	1,202
Total Assets	1,202	-	1,202
Equity			
Retained earnings	38,135,993	38,134,843	1,150
Total equity	38,135,993	38,134,843	1,150
Liabilities			
Deferred Tax Liabilities	4,707,053	4,706,560	493
Total non-current liabilities	4,707,053	4,706,560	493
Trade and other payables	15,437,697		
Refund Liabilities	(441)	-	(441)
Total current Liabilities	15,437,256	15,437,697	(441)
Total Liabilities	20,144,309	20,144,257	52
Total Equity and Liabilities	58,280,302	58,279,100	1,202

The nature of the adjustments as at 1 January 2018 and the reasons for the significant changes in the statement of financial position as at 31 December 2018 and the statement of profit or loss for the year ended 31 December 2018 are described below:

a) **Sale of goods with variable consideration**

Some contracts for the sale of goods provide customers with a right of return. Before adopting IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. If revenue could not be reliably measured, the Group deferred recognition of revenue until the uncertainty was resolved. Under IFRS 15, rights of return rebates give rise to variable consideration.

Rights of return

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the probability-weighted expected value of returns to estimate the goods that will not be returned. For goods expected to be returned, the Group presented a refund liability and an asset for the right to recover products from a customer separately in the statement of financial position. Upon adoption of IFRS 15, the remeasurement resulted in additional Refund liabilities of N8.7 million and Right of return assets N6.7 million as at 1 January 2018. As a result of these adjustments, Retained earnings as at 1 January 2018 decreased by N1.5 million.

As at 31 December 2018, IFRS 15 increased Right of return assets and decrease of Refund liabilities by N1.2 million and N0.4 million respectively. It also increased Revenue from contracts with customers and

Cost of sales by N0.4 million and N1.2 million respectively, for the year ended 31 December 2018

Other adjustments

In addition to the adjustments described above, other items of the primary financial statements such as deferred taxes and retained earnings were adjusted as necessary.

Retained earnings	
Closing balance under IAS 39 (31 December 2017)	46,827,439
Recognition of IFRS 15 impact	(2,013)
Deferred tax in relation to the above	448
Opening balance under IFRS 9 (1 January 2018)	**46,825,875**
Total change in equity due to adopting IFRS 15	**(1,564)**

(b) 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's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The list of these standards are as follows:
- IFRS 16 Leases- Effective 01 January 2019
- IFRS 17 Insurance Contracts- Effective 01 January 2021
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment- Effective 01 January 2019
-Amendments to IFRS 9: Prepayment Features with Negative Compensation- Effective 01 January 2019
-Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
-Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
-Amendments to IAS 28: Long-term interests in associates and joint ventures
-Annual Improvements 2015-2017 Cycle (issued in December 2017)

The new standards or amendments to existing standards that may have an impact on the Group's financial statements are as provided below:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.
Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.
IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of one year or less and as such has opted for the use of short term leases exemptions.
Subject to identification of leases with terms of more than 12 months and the decision of the Group not to use short-term lease and lease of low value asset exemption, the lease liability will be measured at the present value of the lease payments that are not paid at that date. The lease payments would have to be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. The Group will have to recognise right of use assets (ROU) assets in its books. Such ROU asset will include the present value of the unpaid lease payment, payment made to the lessor at commencement of the lease (amount prepaid), the direct cost incurred initially and the cost of restoring the property to its original state.
On transition, it is expected that the impact will impact negatively retained earnings and also create deferred tax assets.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:
• Whether an entity considers uncertain tax treatments separately
• The assumptions an entity makes about the examination of tax treatments by taxation authorities
• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
• How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply the interpretation from its effective date.

Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated and separate financial statements. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and intereston the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the consolidated and separate financial statements of the Group.

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

The amendments address the conflict between IFRS 10 and IAS 28 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 the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.
The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.
The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated and separate financial statements.

Annual Improvements 2015-2017 Cycle (issued in December 2017)
These improvements include:

• IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Group.

• IFRS 11 Joint Arrangements
A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3.
The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its
consolidated and separate financial statements.

• IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated and separate financial statements.

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Impairment allowance for financial assets

In assessing the Group's internal rating process, the Group'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's customers and counter parties from Internal parties. This includes Internal 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 company's performance.

The table below shows the Group's internal credit rating grades.

Internal rating grade	**12 month PD range**	**Implied S&P rating**
1	0.00% - 0.58%	Very Good+
2	0.58% - 1.42%	Very Good
3	1.42% - 2.43%	Very Good-
4	2.43% - 16.3%	Good+
5	16.3% - 28.05%	Good
7	28.05%-41.03%	Average+
8	41.03% - 100	Bad
Non- performing		
9	100%	Very Bad

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's internal grading system are explained in Notes 20 and 21 and policies on whether ECL allowances are calculated on an individual or collective basis are set out in Notes 20 and 21

Group

Short term deposits	**2018**	
	Stage 1	
	Individual	***Total***
	N'000	***N'000***
Gross carrying amount as at 1 January 2018	12,718,367	***12,718,367***
New assets originated or purchased	28,372,476	***28,372,475.64***
Assets derecognised or repaid (excluding write offs)	(12,718,367)	***(12,718,367)***
	--------------	--------------
	28,372,476	**28,372,476**
	========	========

	2018	
	Stage 1	
Impairment allowance for short term deposits	***Individual***	***Total***
Internal rating grade of "1"	***N'000***	***N'000***
ECL allowance as at 1 January 2018 under IFRS 9	67,710	67,710
New assets originated or purchased	63,939	63,939
Assets derecognised or repaid (excluding write offs)	(76,423)	(76,423)
Unwind of discount (recognised in interest income)		-
	--------------	--------------
	55,226	**55,226**
	========	========

Loan receivables	**2018**	
	Stage 1	
	Individual	***Total***
	N'000	***N'000***
Gross carrying amount as at 1 January 2018	599,056	***599,056***
New assets originated or purchased	42,470	***42,470***
Assets derecognised or repaid (excluding write offs)	(353,928)	***(353,928)***
	--------------	--------------
	287,598	**287,598**
	========	========

	2018	
	Stage 1	
Impairment allowance for loan receivables	***Individual***	***Total***
Internal rating grade of "3"	***N'000***	***N'000***
ECL allowance as at 1 January 2018 under IFRS 9	10,189	10,189
New assets originated or purchased	421	421
Assets derecognised or repaid (excluding write offs)	(6,414)	(6,414)
Unwind of discount (recognised in interest income)		-
	--------------	--------------
	4,196	**4,196**
	========	========

Intercompany receivables	2018	
	Stage 1 Individual N'000	***Total N'000***
Gross carrying amount as at 1 January 2018	6,329,203	6,329,203
New assets originated or purchased	5,558,403	5,558,403
Assets derecognised or repaid (excluding write offs)	(8,945,052)	(8,945,052)
	--------------	--------------
	2,942,554	**2,942,554**
	==========	========

	2018	
	Stage 1	
Impairment allowance for intercompany receivables	***Individual***	***Total***
Internal rating grade of "4"	***N'000***	***N'000***
ECL allowance as at 1 January 2018 under IFRS 9	978,085	978,085
New assets originated or purchased	-	-
Assets derecognised or repaid (excluding write offs)	(539,824)	(539,824)
	--------------	--------------
	438,261	**438,261**
	========	========

Company

Intercompany receivables	2018	
	Stage 1 Individual N'000	***Total N'000***
Gross carrying amount as at 1 January 2018	6,166,309	6,166,309
New assets originated or purchased		-
Assets derecognised or repaid (excluding write offs)	(1,371,276)	(1,371,276)
	--------------	--------------
	4,795,033	**4,795,033**
	========	========

	2018	
	Stage 1	
Impairment allowance for intercompany receivables	***Individual***	***Total***
Internal rating grade of "4"	***N'000***	***N'000***
ECL allowance as at 1 January 2018 under IFRS 9	146,208	146,208
New assets originated or purchased		-
Assets derecognised or repaid (excluding write offs)	(34,772)	(34,772)
Unwind of discount (recognised in interest income)		-
	--------------	--------------
	111,436	**111,436**
	========	========

Short term deposits	2018	
	Stage 1 Individual N'000	***Total N'000***
Gross carrying amount as at 1 January 2018	5,737,384	***5,737,384***
New assets originated or purchased	18,689,159	***18,689,159***
Assets derecognised or repaid (excluding write offs)	(5,737,384)	***(5,737,384)***
	--------------	--------------
	18,689,159	**18,689,159**
	========	========

	2018	
	Stage 1	
Impairment allowance for short term deposits	***Individual***	***Total***
Internal rating grade of "1"	***N'000***	***N'000***
ECL allowance as at 1 January 2018 under IFRS 9	35,700	35,700
New assets originated or purchased	55,128	55,128
Assets derecognised or repaid (excluding write offs)	(35,700)	(35,700)
		-
	--------------	--------------
	55,128	**55,128**
	========	========

Summary of significant accounting policies continued

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

	Note	*Stage 1 Individual N'000*	*Simplified model N'000*	*Total N'000*
Debt instruments measured at amortised cost - Related party receivables		(539,824)	-	(539,824)
Debt instruments measured at amortised cost-trade receivables		-	5,726	5,726
Debt instruments measured at amortised cost- Loan receivables		(5,993)	-	(5,993)
Debt instruments measured at amortised cost-short term deposits		(12,484)	-	(12,484)
		---------------	---------------	---------------
	7	**(558,301)**	**5,726**	**(552,574)**
		========	========	========

Company

	Note	*Stage 1 Individual N'000*	*Total N'000*
Debt instruments measured at amortised cost - Related party receivables		(34,772)	(34,772)
Debt instruments measured at amortised cost-short term deposits		19,428	19,428
		---------------	---------------
	7	**(15,344)**	**(15,344)**
		========	========

Summary of significant accounting policies continued

Transfers of Investment Property – Amendments to IAS 40

In June 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments which clarifies application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. Early application of the amendments is permitted and must be disclosed. The amendment is effective for annual periods beginning on or after 1 January 2018.

2.2 Basis of consolidation

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. Investments in subsidiaries are carried at cost.

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 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. 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.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the Group 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 is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

All intra-group transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intra-group transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Changes in ownership interests in subsidiaries without loss 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 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.

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 to profit or loss.

Associates and Joint Ventures

Associates are all entities over which the Group has significant influence but not control, generally a group has 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's investment in associates includes 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.

Summary of significant accounting policies continued

The Group's share of post-acquisition profit or loss is 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's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does 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 calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/ (loss) of an associate' in 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.

Share of profit/(losses) arising from equity accounting of investment in associates are recognised in the income statement

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 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 group's presentation 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 the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit or loss within "Other operating profit and (losses)"

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 using the exchange rates at the date when the fair value is determined. Translation differences on non-monetary financial assets measured at fair value in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively)

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Summary of significant accounting policies continued

2.5 Property, plant and equipment

Land and buildings comprise mainly of factories and offices.
Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.
Land and buildings held for use in the production or supply of goods or services, or for administration purposes, are classified as property, plant and equipment.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Leasehold properties are depreciated over their useful lives, unless the lease period is shorter, in which case the lease period is used. Depreciation on other assets is calculated using the straight line method to allocate their cost over their estimated useful lives, as follows:

Leasehold land and buildings	Lease terms vary from 5 to 25 years
Plant and machinery	2 to 10 years
Office furniture and equipments	3 to 5 years
Motor vehicles	4 to 10 years
Computer equipments	3 to 5 years
Capital work-in-progress	Nil

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting date.

Where an indication of impairment exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Impairment Note 2.8 for further detail).

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition or disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised within "Other (losses)/gains in the statement of profit or loss.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.6 Intangible assets

(a) Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the
changes in fair value recognised in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, and then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Summary of significant accounting policies continued

(b) 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 below), 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 on a straight-line basis 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.

(c) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Computer software acquisition and development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives, which does not exceed five years.

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.

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.

Summary of significant accounting policies continued

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial instruments – initial 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.

2.9.1 Policy subsequent to 1 January 2018

2.9.1.2 Financial assets

Initial recognition and measurement

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

Financial assets are classified, at initial recognition, as 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'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 has applied the practical expedient, the Group 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 has applied the practical expedient are measured at the transaction price determined under IFRS 15. 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.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures 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 and
- 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's financial assets at amortised cost includes trade receivables, and loan to subsidiary and loan to a director included under current financial assets.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and
- 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.
The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.
The Group elected to classify irrevocably its non-listed equity investments under this category.

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 Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired and
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has 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 could be required to repay.

Impairment of financial assets

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

- Disclosures for significant assumptions Note 4.1 and
- Trade receivables, including contract assets Note 20

The Group recognises 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 expects 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 applies a simplified approach in calculating ECLs.
Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has 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.

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

2.9.1.3 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's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

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

2.9.1.3.1 Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 22.

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.

Offsetting of 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.

2.9.2 Financial assets

Policy prior to 1 January 2018

2.9.2.1 Classification

The group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(b) Available - for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the 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.

2.9.2.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs, except for instruments carried at fair value through profit or loss which are recognised at fair value with transactions costs being expensed to profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of equity instruments classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or lass as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss as part of other income. Dividends on available-for sale equity instruments are recognised in the profit or loss as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

Summary of significant accounting policies continued

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or lass as 'gains and losses from investment securities'.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the receivables or a group of receivables are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisations and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. In the case of trade receivables, allowance for impairment is made where there is evidence of a risk of non-payment taking into account ageing, previous experience and economic conditions.

For loans and other receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If an asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

(b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets are impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through profit or loss. If in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through profit or loss.

2.12 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Impairment is performed in accordance with the policy on impairment of financial assets 2.12(a). If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

2.13 Cash, cash equivalents and bank overdrafts

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown with borrowings in current liabilities.

2.14 Borrowings

Interest-bearing bank loans and overdrafts are recorded at fair value, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis through profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts 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 using the effective interest method.

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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 cost method.

Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Summary of significant accounting policies continued

2.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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.

2.18 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 will be required to settle that obligation and the amount has been reliably estimated.

Provisions for restructuring costs are recognised when the Group 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.

Where the effect of discounting is material, provisions are discounted and 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 finance cost.

Contingent consideration in a business combination
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions above or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2.19 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.

2.20 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 income statement 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 balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
• When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

• In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

• When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

• In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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 intends to settle its current tax liabilities on a net basis.

2.21 Employee benefits

(a) Defined Contribution schemes

The group has two defined contribution plans for its employees;
i) A statutory pension scheme and
ii) A gratuity scheme

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(i) Pension Scheme
The Pensions 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 a pension fund administrator.

The contributions are recognised as employee benefit expenses when they are due. The group has no further payment obligation once the contributions have been paid.

(ii) Gratuity Scheme
Under the gratuity scheme, the group contributes on an annual basis a fixed percentage of the employees salary to a fund managed by a fund administrator. The funds are invested on behalf of the employees and they will receive a payout based on the return of the fund upon retirement.

The contributions are recognised as employee benefit expenses when they are due. The group has no further payment obligation once the contributions have been paid.

(b) Profit-sharing and bonus plans

All full time staff are eligible to participate in the profit-sharing scheme. The group recognises 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 recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Summary of significant accounting policies continued

Revenue

2.22 Policy subsequent to 1 January 2018

2.22.1 Revenue from contracts with customers

The group is involved in the manufacture and sale of paint, foods and beverages, agricultural business relating to the manufacture and marketing of animal feeds and concentrates, real estate, hotel management, maintenance services on rented properties, rendering of warehousing, distribution and haulage services, managing quick service restaurants through its franchise operations and management services.

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 expects to be entitled in exchange for those goods or services. The group 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 group has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Group reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The group 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 categorised the different revenue stream detailed below.

The group has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Group reasonably expect that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The group 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 categorised the different revenue stream detailed below.

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

At contract inception, the Group assess the goods or services promised to a customer and identifies as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

In arriving at the performance obligations, the Company assessed the goods and services as capable of being distinct and as distinct within the context of the contract after considering the following:

- If the customer can benefit from the individual good or service on its own;
- If the customer can use the good or service with other readily available resources;
- If multiple promised goods or services work together to deliver a combined output(s); and
- whether the good or service is integrated with, highly interdependent on, highly interrelated with, or significantly modifying or customising, other promised goods or services in the contract

Sale of paints

The group manufactures and sells paint and other decorative. Revenue are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 60 days upon delivery.

Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The paint is often sold with volume rebates based on aggregate sales over a three months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates.

The group normally transfer the products to the customers' premises as part of the sales inventive which is a logistics discount. The logistic discount which is the transport cost paid on behalf of the customer is recognised as a reduction to revenue for the related goods. The group 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 (if any). In determining the transaction price for the sale of hardware, the Group considers the existence of significant financing components and consideration payable to the customer (if any).

Sale of food and beverages

Contract for the sale of food and beverages begins when goods have been delivered to the customer and revenue is recognised at the point in time when control of the goods has been transferred to the customer, generally on delivery of the goods. The normal credit term is 5 days upon delivery for food items, 60 days for key account customers and bottled water 60days.

The 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 (if any). In determining the transaction price for the sale of food and beverages, the Company considers the existence of significant financing components and consideration payable to the customer (if any).

Sale of animal feeds and concentrates

Contract for the sale of animal feeds and concentrates begins when goods have been delivered to the customer and revenue is recognised at the point in time when control of the goods has been transferred to the customer, generally on delivery of the goods. The normal credit term is 90 days upon delivery.

Sale of properties

The group builds properties to sell. The group either sells a completed property or a carcass. For a carcass, the customer buys and completes the property. The group recognises revenue at a point in time when control is transferred to the customer. Control is transferred when the customer pays the full price of the property. The group gives its customers a credit period of 90 days when an instalment payment is outstanding.

The group 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 (if any). In determining the transaction price, the Group considers the effects of the existence of significant financing component.

Service and management fees

The group provides management services on rented and sold out properties to customers.

The group recognises revenue overtime because as the Group renders the management services, the customer simultaneously receives and consumes the benefits

The group 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 (if any). In determining the transaction price, the Group considers the effects of the existence of significant financing component.

Commercial Service Fees

Commercial service fees are fees earned on management services rendered to Group entities. These services include but are not limited to; legal/Group secretarial and human resources support.

These services have been assessed as a single performance obligation because these services are individually distinct but within the context of the contract, are not distinct and thus have been bundled into one performance obligation.

The group recognises revenue from commercial services rendered to related party over time because the customer simultaneously receives and consumes the benefits provided by the Group.

To measure progress towards completion of the performance obligation, the Group uses the output method.

Management services

The group provides added services such as security services in its lease arrangements with its lessee. The group recognises revenue earned from such services in line with IFRS 15.

The service charge on rental properties is assessed as a series of distinct services because the service charge refers to services that are substantially the same and have the same pattern of transfer to the tenants.

The group recognises revenue from service charge on lease agreements over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Rendering of warehousing, distribution and haulage services

Contract for the rendering of warehousing, distribution and haulage services begins when the group has satisfied the customer of its performance obligation. The group recognizes revenue over time as the performance obligation is being satisfied for warehousing services. Revenue for distribution and haulage services is recognised at a point in time, when the performance obligation is fully satisfied.

A valid contract is recognised as revenue after the contract is approved by the parties, rights and obligations are recognised, collectability is probable, the contract has commercial substance and the payment terms and consideration are identifiable.

The probability that a customer would make payment is ascertained based on the evaluation done on the customer as stated in the credit management policy at the inception of the contract. The Group is the principal in all of its revenue arrangement since it is the primary obligor in most of the revenue arrangements, has inventory risk and determines the pricing for the goods and services.

Rendering of services based on Franchise agreement

The sale-based franchise fees (royalties) are recognized at the later of when the sale occurs (provided there is no expectation of a subsequent reversal of the revenue); or the performance obligation to which some or all of the sales-based royalty has been allocated is satisfied (in whole or in part). An agreed royalty rate is charged on the Net Proceeds on Sale (NPS) declared by each franchisee and recognized in the books as royalty income.

The group recognises revenue from royalty rates and franchise fees overtime.

The group 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 (if any). In determining the transaction price for the sale of feeds and concentrates, the Group considers the existence of significant financing components and consideration payable to the customer (if any).

Significant financing component

Using the practical expedient in IFRS 15, the Group 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 does not adjust any of the transaction prices for the time value of money.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of paint and other decorative provide customers with a right of return and usage based fees (management fee). The rights of return and usage based fees give rise to variable consideration.

- *Rights of return*

Certain contracts provide a customer with a right to return the goods within a specified period. Some contracts for the sale of Animal feeds, sales of food and beverages, paints provide customers with a right of return and volume rebates, Also, the Group offers its customers a right of return depending on if products are expired or defective in production. When a contract provides a customer with a right to return the goods within a specified period, the consideration received from the customer is variable because the contract allows the customer to return the products.

The group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

- **Assets and liabilities arising from rights of return**

Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

• Customer usage

The group has contracts where support staffs are located in the colour centres/shops that belongs to its numerous customers. The fee charged is based on a constant rate on sales made by the customer.

The total transaction price of service cost rendered by Group would be variable since the contracts have range of possible transaction prices arising from different volume purchased even though the rate per unit/band is fixed.

The group estimates the variable consideration using the expected value (i.e, a probability weighted amount) because this method best predicts the amount of consideration.

Application of paint and management fee

The group provides service of application of paints to its customers. Also, the Group supports it colour centres/shops that belong to its customers with staffs and equipment in which it receives constant rate management fees based on sales made by the customer.

Such services are recognised as a performance obligation satisfied over time. Revenue is recognised by measuring progress using the input method that is labour hours.

Using the practical expedient in IFRS 15 for the application of paint, the Group has elect to recognise revenue based on the amount invoiced to the customer since the Group has a right to consideration from its customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Volume incentives, logistics discounts

When customers meet a set target in a particular month the Group gives a volume incentive. This is based on a percentage of what he achieves and it is credited to the customer's account which is determined at the inception of the contract.

The group pays logistics fees on behalf of the customers each time the customer transports his goods himself. The group already treats this as a reduction in sales which is in line with IFRS 15.

Consideration payable to the customer

Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to its customer in form of logistics discounts granted to some of its customers upon execution of the some of its service contract. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.
The group recognise the reduction of revenue when (or as) the later of either of the following events occurs:

- the entity recognises revenue for the transfer of the related goods or services to the customer; and
- the entity pays or promises to pay the consideration (even if the payment is conditional on a future event). That promise might be implied by the entity's customary business practices.

Non-refundable upfront fees

In certain circumstances, the Group may receive payments from customers before they provide the contracted service or deliver a good. The up-front fees relates to an activity that the Group is required to undertake in order to fulfil the contract which result in the transfer of a promised good or service to the customer. The non-refundable up-front fees are paid at or near contract inception – e.g. set-up fees for project integration, required scheme testing, training or other payments made at contract inception.

The group considers the upfront fee to be part of the consideration allocable to the goods or services in the contract and would be recognised when (or as) the good or service to which the consideration was allocated is transferred to the customer. Since the set-up activities satisfy a performance obligation, the Group recognised the related costs when measuring progress.

When the Group receives consideration that is attributable to a customer's unexercised rights, the Group will recognise contract liability equal to the amount prepaid by the customer for the performance obligation to transfer, or to stand ready to transfer, goods or services in the future. Revenue would be recognised when the entity satisfies its performance obligation.

Principal vs Agent consideration

When another party is involved in providing goods or services to its customer, the Group determines whether it is a principal or an agent in these transactions by evaluating the nature of its promise to the customer. The group is a principal and records revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group 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 performs under the contract.

Trade receivables

A receivable represents the Group'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). Refer to accounting policies of financial assets in section p) Financial instruments – initial recognition and subsequent measurement.

Estimate

Significant accounting judgements, estimates and assumptions on IFRS 15

Revenue from contracts with customers

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

Determining the timing of satisfaction of application of paints

The group concluded that revenue for application of paint is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the service that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The group determined that the input method is the best method in measuring progress of the application of paint services because there is a direct relationship between the Group's effort (i.e., labour hours incurred) and the transfer of service to the customer. The group recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service.

Determining the timing of satisfaction of sales of paint

The group concluded that revenue for sales of paint is to be recognised as a point in time; when the customer obtains control the paint. The group assess when control is transfer using the indicators below:

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

Determining the timing of satisfaction of sales of properties.

The group concluded that revenue from sales of properties will be recognised at a point in time because the sale does not meet the requirements of being satisfied overtime. The group has assessed that a customer obtains control of the property when the Group has transferred physical possession of the property to the Customer. The group has elected to use the output method to measure its progress. The Output method recognises revenue based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.
The group has determined that the output method faithfully depicts its performance in transferring control of the property to the customer and, the method directly measures the value of the property being transferred to the customer.

Determining the timing of satisfaction of sales of food and beverages

The group concluded that revenue for sales of foods and beverages is to be recognised as a point in time; when the customer obtains control the goods. The group assesses when control is transferred using the indicators below:

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

Determining the timing of satisfaction of sales of feeds and concentrates

The Group concluded that revenue for sales of feeds and concentrates is to be recognised as a point in time; when the customer obtains control the goods. The Group assess when control is transferred using the indicators below:
• • The group has a present right to payment for the goods;
• The customer has legal title to the goods;
• The group has transferred physical possession of the asset and delivery note received;
• The customer has the significant risks and rewards of ownership of the goods; and
• The customer has accepted the goods

Determining the timing of satisfaction of service and management fees

The group concluded that revenue earned from rendering management services on leased or sold properties will be recognised over time because, as the Group performs, the customer simultaneously receives and consumes the benefits provided by the Group's performance.
The group has determined that the output method faithfully depicts its performance in transferring control of the services to the customer. The Output method recognises revenue based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.
The group has assessed that there is a direct relationship between the Group's measurement of the value of goods or services transferred to date, relative to the remaining goods or services promised under the contract.

Determining the timing of satisfaction of Commercial services to related party.

The group concluded that revenue from commercial services rendered to related parties will be recognised over time because, as the Group performs, the customer simultaneously receives and consumes the benefits provided by the Group's performance.
The group has determined that the output method is the best method in measuring progress rendering the services to the customer. The output method recognises revenue based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.
The group has assessed that there is a direct relationship between the Group's measurement of the value of goods or services transferred to date, relative to the remaining goods or services promised under the contract.

Determining the timing of satisfaction of Management Services on Lease Agreements

The group concluded that revenue from management services on lease agreements will be recognised over time because, as the Group performs, the customer simultaneously receives and consumes the benefits provided by the Group's performance.
The group has determined that the input method will effectively capture UACN's efforts to render the services. Such efforts include cost incurred to render the services.

Principal versus agent considerations

The group has a formal agreement with one of its subsidiaries, MDS Logistics to distribute goods on its behalf. However, UFL establishes the price for the products. Where products remain unsold and expires, UFL writes the value off in its books. UFL pays a service charge to MDS Logistics for services rendered.
Therefore, the Group determined that it is principal in these contracts.
• The group bears the risk of inventory. It takes responsibility for goods that have expired in the hands of MDS logistics.
• The group has discretion in establishing the price of the goods sold by MDS logistics which indicates control.
• The group has the flexibility in setting the prices in order to generate additional revenue from its service of arranging for goods or services to be provided by the telecommunication entity to customers.

Determining method to estimate variable consideration and assessing the constraint

Certain contracts for the sale of paint include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.
The group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of paint with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sale of paint with volume rebates, the Group determined that using a combination of the most likely amount method and expected value method is appropriate. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract.
The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.
Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

2.23 Policy prior to 1 January 2018

2.23.1 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and sales related taxes and income from the provision of technical services, agreements and internal revenue which is eliminated on consolidation. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity.

Group

(a) Sale of real estate

The group assesses whether the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress for each of its contracts to assess whether to treat these as the sale of goods or construction contracts.

At this stage all contracts are treated as sale of goods.

Revenue is recognised when significant risks and rewards have passed to the buyer, typically this is evidenced when the buyer is granted access to the properties. The granting of the legal title is an administrative matter that can have significant delays.

(b) Rental income

Revenue includes rental income and service charges and management charges from properties.
Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

(c) Food and beverages

Revenue arising from the sale of food and beverages represents sales of food items, livestock feeds, bottled water, fruit juices, ice-cream and Quick Service Restaurants.

Revenue for the sale of food and beverages is recognised when the risks and rewards associated with ownership are transferred to the buyer. Due to the short term nature of these transactions no significant judgements are required.

Franchise fees are recognised when services or conditions relating to the sale have been substantially performed or satisfied by the Franchisee.

(e) Paint

Revenue for the sale of paints and other decoratives is recognised when the risks and rewards associated with ownership are transferred to the buyer. Due to the short term nature of these transactions no significant judgements are required.

(f) Logistics

Revenue is recognised as the service is provided.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Company

(g) Management fees

Revenue for the company represents management fees charged to group entities for services provided such as legal/company secretarial and human resources support . Revenue is recognised as the services are completed.

(h) Dividend income

Dividend income is recognised once the right to receive payment has been established, which is generally when shareholders approve the dividend.

2.23 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Summary of significant accounting policies continued

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. 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.

2.24 Cash Dividend and Non-cash distribution to equity holders of the parent.

The Company recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Nigeria, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. In respect of interim dividends these are recognised once paid.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

2.25 Government Grant
Government Grants are recognised when there is reasonable assurance that the grant will be received and the company will comply with the conditions attaching to it.
Where a government grant is related to income, it is classified under the heading 'other gains' in the statement of comprehensive income. Where the grant is related to expenses, it is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

For government loans obtained at below market rates of interest and treated as government grants, the loan is recognised and measured in line with IAS 39 and any resulting difference between the measurement of the grant and the actual proceeds received is capitalised as deferred income. Where the grant is intended to assist in the acquisition of an asset, the deferred income is recognised in profit or loss on a systematic basis over the useful life of the asset.

Grants related to non-monetary assets are stated at fair value. When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.26 Fair value measurement
The Group measures non-financial assets such as investment properties at fair value at each reporting date. Available for sale financial assets are also carried at fair value at the Group level.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
• In the principal market for the asset or liability, or
• In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Working with an external consultant,the Group is currently developing a risk management framework. At present, risk management functions are carried out by the individual business units.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the US dollar as a result of importing key materials. Foreign exchange risk arises from future commercial transactions. There are limited exposures to recognised assets and liabilities and net investments in foreign operations.

The Group does not make use of derivatives to hedge its exposures. Although the Group has various measures to mitigate exposure to foreign exchange rate movement, over the long term however, permanaent changes in exchange rates will have an impact on profit. The Group monitors movement in the currency on an on-going basis.

The group manages this risk through adequate planning and timing of its foreign transactions and funding of its domiciliary accounts

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

GROUP	31 December 2018				
	Naira	USD	GBP	Others	Total
	N'000	N'000	N'000	N'000	N'000
Financial assets					
Trade and other receivables	8,112,667	-	-	-	8,112,667
Cash and short-term deposits	30,012,649	261,314	1,286	-	30,275,249
	38,125,316	**261,314**	**1,286**	**-**	**38,387,916**
Financial liabilities					
Long term borrowings	4,500,793	-	-	-	4,500,793
Commercial papers	19,671,568	-	-	-	19,671,568
Trade and other payables	13,699,655	-	-	-	13,699,655
Bank overdrafts	-	-	-	-	-
	37,872,016	**-**	**-**	**-**	**37,872,016**

GROUP	31 December 2017				
	Naira	USD	GBP	Others	Total
	N'000	N'000	N'000	N'000	N'000
Financial assets					
Trade and other receivables	11,533,397	-	-	-	11,533,397
Cash and short-term deposits	13,981,529	144,175	270	-	14,125,974
	25,514,926	**144,175**	**270**	**-**	**25,659,371**
Financial liabilities					
Long term borrowings	1,329,037	-	-	-	1,329,037
Commercial papers	20,795,008	-	-	-	20,795,008
Trade and other payables	14,706,157	-	-	-	14,706,157
Bank overdrafts	2,985,402	-	-	-	2,985,402
	39,815,604	**-**	**-**	**-**	**39,815,604**

	GROUP	
	31-Dec-18	**31-Dec-17**
	N'000	N'000
The total impact on profit if Naira was to decrease by 5% across currencies would be as follows:	(2,729)	3,849
The total impact on profit if Naira was to increase by 5% across currencies would be as follows:	2,729	(3,849)

Management considers a 5% shift in foreign currency exchange rate is appropriate to determine the sensitivity of Foreign currency denominated financial assets and liabilities vis a vis the Naira.

Financial risk factors continued

COMPANY	31 December 2018				
	Naira	USD	GBP	Others	Total
	N'000	N'000	N'000	N'000	N'000
Financial assets					
Trade and other receivables	5,276,118	-	-	-	5,276,118
Cash and short-term deposits	18,741,599	34,851	430	-	18,776,880
	24,017,717	**34,851**	**430**	**-**	**24,052,998**
Financial liabilities					
Trade and other payables	1,036,916	-	-	-	1,036,916
	1,036,916	**-**	**-**	**-**	**1,036,916**

COMPANY	31 December 2017				
	Naira	USD	GBP	Other	Total
	N'000	N'000	N'000	N'000	N'000
Financial assets					
Trade and other receivables	6,372,644	-	-	-	6,372,644
Cash and short-term deposits	5,760,195	19,526	270	-	5,779,991
	12,132,839	**19,526**	**270**	**-**	**12,152,636**
Financial liabilities					
Trade and other payables	1,343,781	-	-	-	1,343,781
	1,343,781	**-**	**-**	**-**	**1,343,781**

	COMPANY	
	31-Dec-18	**31-Dec-17**
	N'000	N'000
The total impact on profit if Naira was to decrease by 5% across currencies would be as follows:	2,077	1,492
The total impact on profit if Naira was to increase by 5% across currencies would be as follows:	(2,077)	(1,492)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated financial position as available-for-sale, these exposures are limited and as at 31 December 2017, there was no financial asset measured at fair value through profit or loss.

The Group is exposed to the commodity price risk of grains (maize, soya beans and wheat) due to seasonal trends and the availability of harvest produce. The Group does not hedge this risk and no commodity exchange exists within Nigeria. There are operational controls in place to monitor qualities and to ensure that adequate quantities are procured and stored in silos and warehouses in the harvest seasons for the gradual milling during the year.In case of local crop failure resulting in shortages, importation is undertaken.

Sensitivity to price is immaterial

(iii) Cash flow and fair value interest rate risk

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. The individual boards of each business unit within the group set their own borrowing limits under Group guidance. No formal Group limit policy exists at this stage.

Group treasury monitors interest rate and borrowing exposures and weighted averages for the entire group on a monthly basis. This is analysed and reviewed by the board on a quarterly basis.

The Group is not exposed to variable rate

(b) Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk is monitored by the credit risk department of the Group's independent Risk Controlling Unit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. Credit risk consists of line credit risk managers who are responsible for their business lines and manage specific portfolios and experts who support both the line credit risk manager, as well as the business with tools like credit risk systems, policies, models and reporting.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

Treasury, trading and interbank relationships
The Group's treasury, trading and bank relationships and counterparties comprise financial services institutions like banks. For these relationships, the Group's teasury department analyses publicly available information such as financial information and other external data, e.g., the rating of Good Rating Agency, and assigns the internal rating, as shown in the table below.

Nigeria Mapping Table

Global-scale long term local currency rating	**National scale long term rating**	**National scale short term rating**	**Agusto rating**	**Implied S&P rating class (without modifiers)**	**Implied S&P rating categories (with modifiers)**
BB+ and above	ngAAA	ngA-1	AAA	B	B+
BB	ngAA+	ngA-1	AA	B	B
BB-	ngAA, ngAA-	ngA-1	AA	B	B
B+	ngA+, ngA, ngA-	ngA-1, ngA-2	A	B	B
B	ngBBB+, ngBBB,ngBBB-	ngA-2, ngA-3	BBB	B	B-
B-	ngBB+, ngBB	ngB	BB	B	B-
CCC+	ngBB-, ngB+	ngB	B	CCC	CCC+
CCC	ngB, ngB-, ngCCC+	ngC	B	CCC	CCC
CCC-	ngCCC, ngCCC-	ngC	CCC	CCC	CCC-
CC	ngCC	ngC	CC	CC	CC
C	ngC	ngC	C	C	C
R	R	R	D	D	D
SD	SD	SD	D	D	D
D	D	D	D	D	D

Trade receivables
Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance btained from reputable banks and other financial institutions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). 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 Notes 20 and 21 . The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment. The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Trade receivables						
			Days past due				
	Contract assets	**Current**	**<90 days**	**90–180 days**	**180–360 days**	**>360 days**	**Total**
31-Dec-18	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**	**N'000**
Expected credit loss rate	0	8.66%	22.21%	32.69%	13.38%	80.20%	
Estimated total gross							
Carrying amount at default		832,159	972,249	386,481	360,602	1,534,358	4,085,850
Expected credit loss		72,039	215,961	126,340	48,266	1,230,602	1,693,208
31-Dec-17							
Expected credit loss rate							
Estimated total gross		4.73%	28.83%	81.99%	20.52%	50.76%	
carrying amount at default							
Expected credit loss		1,043,291	944,326	203,919	671,043	1,581,658	4,444,237
		49,370	272,243	167,187	137,675	802,843	1,429,318

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

In thousands of Naira	2018	1-Jan-18
Balance as at 1 January under IAS 39	-	1,429,318
Adjustment upon application of IFRS 9	-	271,496
Balance as at 1 January 2018 – As restated	**1,700,814**	**1,700,814**
Provision for expected credit losses	668,535	
Reversals	(662,809)	-
Write off	(13,333)	-
Balance at 31 December	1,693,208	1,700,814

Expected credit loss measurement - other financial assets
The Group applied the general approach in computing expected credit losses (ECL) for short-term deposits and other recivables. The Group recognises 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 expects 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 PD, LGD and 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 considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. 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 Notes 20 and 21 Summary of significant accounting policies and in Notes 20 and 21 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Group obtains 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's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Group's base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2017 and 31 December 2018.

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

Key drivers		**ECL**	**Group/Company**					
	Assigned Probabilities	**Scenario**	**2019**	**2020**	**2021**	**2022**	**2023**	**Subsequent years**
GDP growth								
	10%	Upturn	0.26	0.29	0.32	0.35	0.38	0.41
	80%	Base	0.20	19.00	0.15	0.16	0.14	0.15
	10%	Downturn	0.14	0.11	0.08	0.05	0.02	-0.01
Oil Price %								
	10%	Upturn	56.00	59.00	62.00	65.00	68.00	71.00
	80%	Base	55.00	57.00	62.00	54.00	56.00	57.00
	10%	Downturn	44.00	41.00	38.00	35.00	32.00	29.00
Exchange rate %								
	10%	Upturn	180.00	175.00	170.00	165.00	160.00	155.00
	80%	Base	199.50	209.48	219.95	230.95	242.49	254.62
	10%	Downturn	204.75	214.99	225.74	237.02	248.87	261.32
Inflation rate %								
	10%	Upturn	26.00	24.00	22.00	20.00	18.00	16.00
	80%	Base	31.00	32.00	33.00	34.00	35.00	36.00
	10%	Downturn	34.00	36.00	38.00	40.00	42.00	44.00

Key drivers	Assigned Probabilities	ECL Scenario	Group/Company 2018	2019	2020	2021	2022	Subsequent years
GDP growth								
	11%	Upturn	0.23	0.26	0.29	0.32	0.35	0.38
	79%	Base	0.20	0.20	19.00	0.15	0.16	0.14
	10%	Downturn	0.17	0.14	0.11	0.08	0.05	0.02
Oil Price %								
	11%	Upturn	53.00	56.00	59.00	62.00	65.00	68.00
	79%	Base	50.00	55.00	57.00	62.00	54.00	56.00
	10%	Downturn	47.00	44.00	41.00	38.00	35.00	32.00
Exchange rate %								
	11%	Upturn	185.00	180.00	175.00	170.00	165.00	160.00
	79%	Base	190.00	199.50	209.48	219.95	230.95	242.49
	10%	Downturn	195.00	204.75	214.99	225.74	237.02	248.87
Inflation rate %								
	11%	Upturn	28.00	26.00	24.00	22.00	20.00	18.00
	79%	Base	30.00	31.00	32.00	33.00	34.00	35.00
	10%	Downturn	32.00	34.00	36.00	38.00	40.00	42.00

The following tables outline the impact of multiple scenarios on the allowance:

31-Dec-18	Group Short-term deposits N'000	InterCompany receivables N'000	Loan receivables N'000	Total N'000	Company Short-term deposits N'000	InterCompany receivables N'000	Total N'000
Upside(11%)	6,075	107,589	1,121	114,785	3,927	12,258	16,185
Base (80%)	44,181	782,468	8,151	834,800	28,560	89,149	117,708
Downturn(9%)	4,970	88,028	917	93,915	3,213	10,029	13,242
Total	55,226	978,085	10,189	1,043,500	35,700	111,436	147,136

1-Dec-18	Group Short-term deposits N'000	InterCompany receivables N'000	Loan receivables N'000	Total N'000	Company Short-term deposits N'000	InterCompany receivables N'000	Total N'000
Upside (11%)	6,075	48,209	462	54,745	6,064	16,083	22,147
Base (79%)	43,629	346,226	3,315	393,169	43,551	115,504	159,055
Downside (10%)	5,523	43,826	420	49,768	5,513	14,621	20,134
Total	55,226	438,261	4,196	497,683	55,128	146,208	201,335

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs. The group also ensures that at all times the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Other than the major loans disclosed in note 22 to these annual financial statements which are contracted with various financial institutions, the group has no significant concentration of liquidity risk with any other single counter-party

The group is finalising new policies on cash reserves and liquidity.

Surplus cash is managed individually by the business units and monitored by the Group.

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

GROUP

At 31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	-	24,491,670	5,035,702	-
Trade and other payables	13,699,655	-	-	-
Bank overdrafts	-	325,399	-	-
	13,699,655	**24,817,069**	**5,035,702**	**-**

GROUP

At 31 December 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	-	20,975,578	1,360,811	-
Trade and other payables	14,706,157	-	-	-
Bank overdrafts	-	3,135,637	-	-
	14,706,157	**24,111,214**	**1,360,811**	**-**

COMPANY

At 31 December 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	-	-	-	-
Finance lease liabilities	-	-	-	-
Trade and other payables	1,036,916	-	-	-
Bank overdrafts	-	-	-	-
	1,036,916	**-**	**-**	**-**

COMPANY

At 31 December 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years
Borrowings (excluding finance lease liabilities)	-	-	-	-
Finance lease liabilities	-	-	-	-
Liabilities associated with non-current assets held for sale	-	-	-	-
Trade and other payables	1,343,781	-	-	-
	1,343,781	**-**	**-**	**-**

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the group'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. For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent.
The Group's objectives when managing capital are to safeguard the group'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 may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as interest bearing debt capital divided by total equity. Interest bearing debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated financial position). Total equity is calculated as 'equity' as shown in the consolidated statement of financial position including non controlling interest. The Group has a debt/equity threshhold of 0.6 times.

	31-Dec-18	31-Dec-17
Interest bearing debt	24,172,361	25,109,447
Total equity	74,208,029	73,126,422
Total capital	98,380,389	98,235,869
Gearing ratio	0.33	0.34

3.3 Fair value estimation

Financial instruments are normally held by the group until they close out in the normal course of business. Most of the fair values of the group's financial instruments approximate their carrying values. The maturity profile of short term liabilities fall due within 12 months. The maturity profile of long-term liabilities, are as disclosed in note 22 of these annual financial statements.

Short-term borrowings are measured at amortised cost using the effective interest rate method and the carrying amounts approximate the fair value. Fair valuation of borrowings was done using the income approach. This approach entails a calculation of the present value of expected future cash flows. The fair value hierarchy for borrowings is level 3 *(see below table)*

Due to their short term nature, there are no significant differences between the carrying values and the fair values of financial assets and liabilities, except for intra-group loans at company level which are eliminated on consolidation.

There are no significant differences between the carrying values and the fair values of financial assets and liabilities, except for intra-group loans at company level which are eliminated on consolidation.

The table below sets out the classification of each class of financial assets and liabilities, as well as a comparison to their fair values. The different fair value levels are given below:

Level 1: Quoted prices in active markets for identical assets or liabilities, for identical assets or liabilities that the Group can access at the measurement date

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities for the year ended 31 December 2018.

	Total	Quoted price in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)
Group	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Assets measured at fair value:				
Investment properties	7,196,663	-	-	7,196,663
Equity instrument at fair value through other comprehensive income	40,000	40,000	-	-
Company	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Assets measured at fair value:				
Investment properties	2,694,651	-	-	2,694,651
Liabilities for which fair values are disclosed:				
Interest-bearing loans and borrowings				
Nigerian Banks	24,707,270	-	24,707,270	-

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities for the year ended 31 December 2017.

	Total	Quoted price in active market (Level 1)	Significant observable input (Level 2)	Significant unobservable input (Level 3)
Group	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Assets measured at fair value:				
Investment properties	13,486,037	-	-	13,486,037
Equity instrument fair value through other comprehensive income	-	-	-	-
Company	**₦'000**	**₦'000**	**₦'000**	**₦'000**
Assets measured at fair value:				
Investment properties	2,758,650	-	-	2,758,650
Liabilities for which fair values are disclosed:				
Interest-bearing loans and borrowings				
Nigerian Banks	25,242,351	-	25,242,351	-

These valuations were done as at 31 December 2018, there have been no transfers between Level 1 and Level 2 during the year.

i) Assets measured at fair values
a) Investment properties
The valuation techniques used and key inputs to valuation of investment properties have been disclosed on Note 14.

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.

The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method and by applying discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2018 was assessed to be insignificant.

The following table presents the Group's financial assets and liabilities that are not measured at fair value:

	GROUP			
	31-Dec-18		31-Dec-17	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Trade receivables	2,392,642	2,392,642	3,014,919	3,014,919
Receivables from Group companies	3,230,152	3,230,152	6,928,259	6,928,259
Other receivables	2,489,873	2,489,873	1,590,219	1,590,219
Cash and short-term deposits	30,275,249	30,275,249	14,125,974	14,125,974
	38,387,916	**38,387,916**	**25,659,371**	**25,659,371**
Liabilities				
Bank overdrafts and current portion of borrowings	19,671,568	19,671,568	23,780,410	23,780,410
Long term borrowings	4,500,793	5,035,702	1,329,037	1,461,941
Trade payables	6,843,729	6,843,729	6,884,745	6,884,745
Other payables	3,444,840	3,444,840	2,554,663	2,554,663
Accruals	3,378,727	3,378,727	4,071,618	4,071,618
	37,839,657	**38,374,566**	**38,620,474**	**38,753,377**

The fair value presented above was derived using the Discounted Cash Flow technique using largely unobservable inputs. This falls into the level 3 fair value measurement.

Fair value estimation continued

	Company			
	31/Dec/18		31/Dec/17	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Receivables from Group companies	4,795,033	4,795,033	6,166,309	6,166,309
Other receivables	481,085	481,085	206,335	206,335
Cash and short-term deposits	18,776,880	18,776,880	5,779,991	5,779,991
	24,052,998	**24,052,998**	**12,152,636**	**12,152,636**
Liabilities				
Other payables	87,142	87,142	82,802	82,802
Accruals	949,774	949,774	1,260,978	1,260,978
	1,036,916	**1,036,916**	**1,343,781**	**1,343,781**

3 Financial instruments by category

	Group 31 Dec 2018		
	Available for sale	Loans and receivables	Other financial liabilities
Financial assets			
Equity instrument fair value through other comprehensive income	40,000	-	-
Trade and other receivables	-	8,112,667	-
Cash and short-term deposits	-	30,275,249	-
	40,000	**38,387,916**	**-**
Financial liabilities			
Long term borrowings	-	-	4,500,793
Current portion of long term borrowings	-	-	19,671,568
Trade and other payables	-	-	13,699,655
Bank overdrafts	-	-	-
	-	**-**	**37,872,016**

	Group 31 Dec 2017		
	Available for sale	Loans and receivables	Other financial liabilities
Financial assets			
Equity instrument fair value through other comprehensive income	-	-	-
Trade and other receivables	-	11,533,397	-
Cash and short-term deposits	-	14,125,974	-
	-	**25,659,371**	**-**
Financial liabilities			
Long term borrowings	-	-	1,329,037
Current portion of long term borrowings	-	-	20,795,008
Trade and other payables	-	-	14,706,157
Bank overdrafts	-	-	2,985,402
	-	**-**	**39,815,604**

	Company 31 Dec 2018		
	Available for sale	Loans and receivables	Other financial liabilities
Financial assets			
Trade and other receivables	-	5,276,118	-
Receivables from Group companies	-	4,795,033	-
Cash and short-term deposits	-	18,776,880	-
	-	**28,848,031**	**-**
Financial liabilities			
Trade and other payables	-	-	1,036,916
	-	**-**	**1,036,916**

	Company 31 Dec 2017		
	Available for sale	Loans and receivables	Other financial liabilities
Financial assets			
Equity instrument fair value through other comprehensive income	-	-	-
Trade and other receivables	-	6,372,644	-
Cash and short-term deposits	-	5,779,991	-
	-	**12,152,636**	**-**
Financial liabilities			
Trade and other payables	-	-	1,343,781
	-	**-**	**1,343,781**

The fair value of the Available for Sale Investments falls into the level 1 fair value measurement

4 Significant judgements and estimates

4.1 Significant estimates and sources of estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Use of available information and the application of judgement are inherent in the formation of estimates. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Investment Property

The Group uses a combined approach of valuing investment properties using professionally qualified experts.
For breakdowns of the properties valued using each of this refer to Note 14.

Management makes use of a number of methods to assess the fair value of investment property:
- Open market value
- Direct market comparison approach
- Current replacement cost approach

For purposes of the fair value recognised in the financial statements the open market method is adopted. The Open market value method falls under the "market approach" as stipulated in IFRS 13

To obtain the open market value the following were considered:

- Market participants
- The property is freely exposed to the market
- A reasonable period within which to negotiate sale, taking into account the nature of the property and state of the market
- No account is to be taken of an additional bid by a special purchaser

b) Estimates of useful lives and residual values

The estimates of useful lives and residual values of PPE impact the annual depreciation charge.
The useful lives and residual values are based on management experience and the condition of the assets. Consideration is given to management's intended usage policy for the assets in the future and potential market prices of similar assets.

c) Impairment Testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in use and fair value less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact estimations and may require a material adjustment to the carrying value of intangible and tangible assets.

The group reviews and tests the carrying value of assets when events of changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occured, estimates are prepared for expected future cash flows for each group of assets. Expected future cashflows used to determine the value-in-use of intangible and tangible assets are inherently uncertain and could materially change over time.

d) Provisions

Provisions were raised and management determined a best estimate of amount based on the information available. Best estimates, being the amount that the group would rationally pay to settle the obligation, are recognised as provisions at the reporting date. Risks, uncertainties and future events, such as changes in law and technology, are taken into account by management in determining the best estimates. Where the effect of discounting is material, provisions are discounted. The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability, all of which requires management estimation.

The group is required to record provisions for legal or constructive contingencies when the contingency is probable of occurring and the amount of the loss can be reasonably estimated. Liabilities provided for legal matters require judgements regarding projected outcomes and ranges of losses based on historical experience and recommendations of legal counsel. Litigation is, however, unpredictable and actual costs incurred could differ materially from those estimated at the reporting date.

e) Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

f) Allowance for uncollectible accounts receivable

Past experience indicates a reduced prospect of collecting debts over the age of two months. Trade receivable balances older than two months are regularly assessed by management and provided for at their discretion. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience based on the facts and circumstances prevailing as at reporting date. In addition, a large number of minor receivables is grouped into homogeneous groups and assessed for impairment collectively. Individual trade receivables are written off when management considers them to be uncollectable.

4.2 Significant judgements

a) Revenue recognition

Sale of constructed properties require detailed judgements. Each transaction is assessed to determine under IFRIC 15 whether revenue should be recognised when the significant risks and rewards pass to the buyer or over time as construction takes place. All of the projects in the periods presented were identified as being the sale of goods and therefore revenue was only recognised when the significant risks and rewards had passed.

The significant risks and rewards were identified as having passed when the buyer had taken possession or control of the properties. Transfer of legal title in the market is time consuming and is seen only as an administrative step and not as a pre-requisite for revenue recognition.

b) Investment in associate

In June 2013 , the company issued a Real Estate Investment Trust (REIT) of 3,000,000,000 units of N10 each which is listed on the stock exchange.
The company's planned subscription rate of the REIT was 40% and 60% to UPDC and the general public respectively. The REIT closed at a value of N26.7billion, with UPDC holding 62.4% while other investors held 37.6%.

The REIT is governed by a Trust Deed, administered by UBA Trustees Limited and First Trustees Limited. The documents of title to the properties are held by the Custodians, UBA Global Services Limited. The Fund is managed by FSDH Asset Management Limited (FSDH AM) while UPDC is the Property Manager.

Although the company has more than 50% investment in the REIT, it was not consolidated as a subsidiary because the company does not control the REIT. Control is exercised by the Investment Committee and comprise:

FSDH Asset Management Limited (Fund Managers)	- 2
UPDC (Sponsor of REIT & Property Manager)	- 2
UBA Trustees (Joint Trustees)	- 1
First Trustees (Joint Trustees)	- 1
Independent (Shareholders) of the REIT	- 3

5. Segment Analysis

The Group

The chief operating decision-maker has been identified as the Executive Committee (Exco), made up of the management of the company. The Exco reviews the Group's internal reporting in order to assess performance and allocate resources.
Management has determined the operating segments based on these reports.

The Group has identified the following as segments:

Animal Feeds - Made up of business units involved in the manufacturing and sale of livestock feeds and edible oil.
Paints - Made up of business units involved in the manufacturing and sale of paints products and other decoratives.
Packaged Food - Made up of a business unit involved in the manufacturing and sale of bottled water, snacks, fruit juices and ice-cream.
QSR (Quick Service Restaurants) - Made up of a business unit involved in the making and sale of food items.
Logistics - Made up of a business unit involved in rendering logistics and supply chain services including warehousing, transportation and redistribution services.
Real Estate - Made up of a business unit involved in real estate development, management and owners of Golden Tulip Hotel, Festac, Lagos.
Others - These are non-reportable segments made up of two medium size entities within the group involved in pension fund administration services and the corporate head office.

The following measures are reviewed by Exco; with **Profit Before Tax** taken as the segment profit.

- Revenue to third parties
- Operating profit
- Profit before tax
- Property, plant and equipment
- Net assets
- EBIT Margin
- Return On Equity

31 December 2018	Animal Feeds N'000	Paints N'000	Packaged Food N'000	QSR N'000	Logistics N'000	Real Estate N'000	Others N'000	Total N'000
Total Revenue	44,571,248	10,593,796	16,202,326	1,277,917	5,971,060	2,303,326	681,238	**81,600,912**
Intergroup revenue	(1,761,781)	(32,013)	(335,019)	-	(145,238)	(88,552)	(494,227)	**(2,856,830)**
Revenue to third parties	42,809,467	10,561,783	15,867,307	1,277,917	5,825,822	2,214,774	187,012	**78,744,081**
Operating profit/(loss)	1,166,547	2,596,873	885,208	54,247	1,042,201	(10,287,614)	(768,660)	**(5,311,199)**
Profit/(loss) before tax	37,408	2,903,931	1,361,871	59,236	1,220,209	(13,244,202)	2,149,146	**(5,512,402)**
(Loss)/profit after tax for the year from discontinued operations	-	-	-	-	-	(147,652)	35,408	**(112,244)**
Property, plant and equipment	13,136,516	1,633,301	2,667,510	240,995	3,384,716	46,972	714,112	**21,824,121**
Net assets	16,922,128	4,344,483	6,107,077	376,451	5,089,114	18,047,178	23,321,597	**74,208,028**

31 December 2017	Animal Feeds N'000	Paints N'000	Packaged Food N'000	QSR N'000	Logistics N'000	Real Estate N'000	Other N'000	Total N'000
Total Revenue	58,431,832	9,430,239	14,379,348	1,242,561	5,039,851	3,983,078	826,507	**93,333,416**
Intergroup revenue	(2,166,613)	(5,757)	(196,457)	(107,944)	(921,273)	(103,184)	(654,107)	**(4,155,335)**
Revenue to third parties	56,265,219	9,424,482	14,182,891	1,134,617	4,118,578	3,879,894	172,399	**89,178,082**
Operating profit/(loss)	2,976,199	2,118,787	970,558	46,202	652,862	1,434,330	(1,167,834)	**7,031,105**
Profit/(loss) before tax	1,106,671	2,302,138	1,353,713	51,102	840,405	(3,057,309)	649,400	**3,246,120**
(Loss)/profit after tax for the year from discontinued operations	-	-	(110,653)	-	-	(293,635)	42,726	**(361,562)**
Property, plant and equipment	12,067,263	1,571,426	3,323,897	292,607	3,546,165	76,063	660,353	**21,537,773**
Net assets	12,342,128	3,623,378	5,905,932	397,604	4,831,620	33,638,424	12,387,336	**73,126,422**

Included in the net assets of animal feeds and paint segments above, are the carrying amounts of Livestock Feeds and Portland Paints Plc amounting to N1.9 billion and N1.4 billion respectively (see note 13)

Entity wide information

Analysis of revenue by category:	31 Dec 2018 N'000	31 Dec 2017 N'000
Sale of goods	72,731,248	84,887,104
Revenue from services	6,012,834	4,290,977
	78,744,081	**89,178,082**

Analysis of revenue by geographical location:	31 Dec 2018 N'000	31 Dec 2017 N'000
Nigeria	78,744,081	89,164,743
Ivory Coast	-	13,339
	78,744,081	**89,178,082**

Concentration risk

The group is not exposed to any concentration risk, as there is no single customer with a contribution to revenue of more than 10%.

Disaggregated Revenue

Group

For the year 31 December 2018

Segments	Animal Feeds	Paint	Packaged Food	QSR	Logistics	Real Estate	Others	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Revenue from contracts with customers								
Sale of goods	42,809,467	10,561,783	15,867,307	1,277,917	-	2,214,774	-	72,731,248
Rendering of service	-	-	-	-	5,825,822	-	187,012	6,012,834
Total	**42,809,467**	**10,561,783**	**15,867,307**	**1,277,917**	**5,825,822**	**2,214,774**	**187,012**	**78,744,081**
Geographical Markets								
Nigeria	42,809,467	10,561,783	15,867,307	1,277,917	5,825,822	2,214,774	187,012	78,744,081
Outside Nigeria								
Total	**42,809,467**	**10,561,783**	**15,867,307**	**1,277,917**	**5,825,822**	**2,214,774**	**187,012**	**78,744,081**
Timing of revenue								
Goods transferred at a point in time	42,809,467	10,561,783	15,867,307	1,277,917	-	2,214,774	-	72,731,248
Services transferred over time	-	-	-	-	5,825,822	-	187,012	6,012,834
	42,809,467	**10,561,783**	**15,867,307**	**1,277,917**	**5,825,822**	**2,214,774**	**187,012**	**78,744,081**

5(ii). Right of return assets and refund liabilities

	The Group		The Company	
	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2018 N'000	31 Dec 2017 N'000
Right of return assets	7,916	-	-	-
Refund liabilities				
Arising from retrospective volume rebates	-	-	-	-
Arising from rights of return	9,167	-	-	-
	9,167	-	-	-

Return Assets and Refund Liabilities
Net return assets (refund liabilities) consisted of the following at December 31:
Group

(In thousands of naira)	2018	1 Jan 2017	Change	Change
Return assets	7,916	6,714	1,202	18%
Refund liabilities	(9,167)	(8,726)	(441)	5%
Net contract assets (liabilities)	(1,251)	(2,013)	762	23%

Group/Company
Right of return of assets
Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Group/Company
Refund liabilities
A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

6. Other operating income

	The Group		The Company	
	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2018 N'000	31 Dec 2017 N'000
Profit on sales of Property,Plant and Equipment	19,991	85,371	1,341	-
Profit on sales of Investment Property	15,352	1,956,939	15,352	6,462
Government grant	9,226	226,640	-	-
Commision fees from property sold*	310,000	-	-	-
Write back of statute barred unclaimed dividend	149,445	278,996	149,445	278,996
Other income**	883,135	902,726	219,043	239,500
Total other operating income	**1,440,680**	**3,715,916**	**437,121**	**524,958**

Commision fees from property sold*
This relates to agency fees received for sales of property on behalf of customer who previously purchased same from UAC Property and Development Company Plc

***Other income**
Other income includes sales commission received on sales of third party properties, service charges and income from professional services, insurance claims, sales of scraps etc.

6(i). Other operating losses

	The Group		The Company	
	N'000	N'000	N'000	N'000
Impairment of receivables in UPDC Joint Ventures*	(3,113,201)	(428,140)	-	-
Impairment of assets of disposal group held for sale	(4,029,237)	-	-	-
Impairment of Investment in Warm Spring Waters Limited	-	-	-	(46,475)
Loss on sales of Property,Plant and Equipment	(15,494)	(617)	-	(617)
Loss on sales of Investment Property	(434,399)	-	-	-
Net fair value loss on investment properties	(1,273,875)	(333,601)	-	(186,946)
Losses on completed projects*	(42,443)	(150,463)	-	-
Total other operating losses	**(8,908,648)**	**(959,296)**	**-**	**(234,038)**

***Losses on completed projects**
Losses are additional losses made post project completion.

7(a) . Expenses by nature

	The Group		The Company	
	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2018 N'000	31 Dec 2017 N'000
Changes in inventories of finished goods and work in progress	59,462,899	66,909,105	-	-
Write off of inventories to net realisable value	214,154	387,123	-	-
Personnel expenses	7,785,232	7,635,999	891,714	775,370
Depreciation	2,137,598	2,508,817	142,073	164,084
Amortisation of intangibles	125,504	154,737	15,554	24,741
Impairment of Property,Plant and Equipment	323,054	-	-	-
Allowance for /(recovery from) receivables impairment	263,890	(15,379)	-	-
Credit loss expenses	(552,574)	-	(15,344)	-
Royalty fees	139,827	123,235	-	-
Rents & Rates	528,160	523,821	26,593	29,455
Electricity & power	917,769	904,168	46,662	42,921
Vehicles repairs, maintenance & fueling	799,292	1,062,835	5,860	9,709
Other repairs & maintenance	794,917	711,939	46,282	22,952
Auditors' remuneration	164,894	167,541	25,961	23,000
Information technology charge	413,805	405,556	29,357	38,392
Legal expenses	174,954	225,234	1,811	26,734
Provision for legal claim	-	25,000	-	25,000
Exchange loss	382	13,477	2,882	7,523
Insurance	146,442	142,884	15,543	13,800
Distribution expenses	1,369,417	1,352,823	-	-
Marketing, Advertising & Communication	681,605	916,459	21,633	42,205
Sundry office expenses	634,209	676,919	609,454	1,022,006
	76,587,312	**84,903,598**	**1,887,019**	**2,285,261**

7(b). Expenses by function
Analysed as:

Cost of sales	64,700,283	73,221,534	-	-
Selling and distribution expenses	4,788,257	4,595,842	-	-
Administrative expenses	7,098,771	7,086,222	1,887,019	2,285,261
	76,587,312	**84,903,598**	**1,887,019**	**2,285,261**

	The Group		The Company	
Personnel expenses include:	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2018 N'000	31 Dec 2017 N'000
Wages, salaries and other short term benefits for staff and managers	6,848,698	6,610,910	644,102	505,841
Directors' emoluments	481,069	481,683	163,192	196,122
- Defined contribution plans	455,465	543,407	84,419	73,408
	7,785,232	**7,635,999**	**891,714**	**775,370**

7 (c). 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 aggregate amount stated against each category was incurred as wages and retirement benefit costs during the year.

	The Group		The Company	
	2018	2017	2018	2017
Costs	N'000	N'000	N'000	N'000
Key management personnel:				
Wages, salaries and other short term benefits	741,926	733,299	361,234	301,028
Directors' emoluments	481,069	481,683	163,192	196,122
Post employment benefits:				
- Defined contribution plans	455,465	543,407	84,419	73,408
Total for key management personnel	**1,678,460**	**1,758,388**	**608,845**	**570,557**
Other management personnel	3,260,919	3,060,517	231,689	162,163
Staff	2,845,853	2,817,093	51,179	42,649
Total	**7,785,232**	**7,635,999**	**891,714**	**775,370**

	The Group	
	2018	2017
Numbers	Number	Number
Key management personnel	22	26
Other management personnel	670	750
Staff	1,444	1,365
Total	**2,136**	**2,141**
	N'000	N'000
Average cost per staff	3,645	3,567

(ii) The table below shows the number of employees (excluding directors), who earned over =N=100,000 as emoluments in the year and were within the bands stated.

	2018	2017
=N=	Number	Number
300001 - 500000	36	57
500001 - 700000	89	69
700001 - 900000	72	180
900001 - 1100000	176	138
1100001 - 1300000	91	453
1300001 - 1500000	99	224
1500001 and Above	1,573	1,020
	2,136	**2,141**

	2018	2017
(iii) Emoluments of directors	N'000	N'000
Fees	5,600	4,250
Other emoluments	157,592	191,872
	163,192	**196,122**
(iv) The Chairman's emolument.	19,917	20,675
(v) Emolument of the highest paid Director.	40,852	51,179

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

	2018	2017
=N=	Number	Number
100001 - 15000000	6	4
15000001 and above	4	4

8. Net finance income/(cost)

	The Group		The Company	
	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2018 N'000	31 Dec 2017 N'000
Interest income on short-term bank deposits	2,980,602	1,861,352	2,917,806	1,817,233
Finance Income	**2,980,602**	**1,861,352**	**2,917,806**	**1,817,233**
Interest on bank loans	4,913,064	5,984,411	-	-
Interest on bank overdraft	71,606	199,773	-	-
Unwinding of discount	3,439	1,254	-	-
Finance Costs	4,988,109	6,185,438	-	-
Net finance (cost) / income	**(2,007,506)**	**(4,324,087)**	**2,917,806**	**1,817,233**

9. Taxation

	The Group		The Company	
	2018 N'000	2017 N'000	**2018 N'000**	2017 N'000
Current tax				
Nigeria corporation tax charge for the year	2,340,431	1,966,643	587,885	311,796
Education tax	238,573	126,902	66,420	23,264
Capital gains tax	784,658	121,233	11,770	-
Minimum Tax	157,580	174,697	-	-
Total current tax charge	3,521,242	2,389,475	666,074	335,060
Deferred tax				
Temporary differences, origination and reversal	438,728	(467,742)	(79,194)	(46,174)
Total deferred tax	**438,728**	**(467,742)**	**(79,194)**	**(46,174)**
Income tax expense	**3,959,969**	**1,921,733**	**586,880**	**288,886**

Nigeria corporation tax is calculated at 30% (2017: 30%) of the taxable profit for the period and education tax is calculated at 2% (2017: 2%) of assessable profit.

The tax charge for the period can be reconciled to the profit per the consolidated income statement as follows:

	The Group		The Company	
	2018 N'000	2017 N'000	**2018 N'000**	2017 N'000
Profit before tax	**(5,512,401)**	3,246,120	**4,195,547**	3,368,714
Tax at the Nigeria corporation tax rate of 30% (2016: 30%)	2,628,022	973,836	905,218	1,010,614
Education tax	238,573	126,902	66,420	23,264
Capital gains tax	784,658	121,233	11,770	-
Tax effect of disallowable expenses	1,112,279	1,367,701	49,809	90,410
Tax effect of Exempt income	(624,918)	(842,636)	(402,301)	(835,402)
Adjustment of opening balance -IFRS 9	(336,226)	-	(44,035)	-
Minimum tax adjustment	157,580	174,697	-	-
Tax charge for the year	**3,959,969**	**1,921,733**	**586,880**	**288,886**

Reconciliation of the tax payable account	The Group		The Company	
	2018 N'000	2017 N'000	**2018 N'000**	2017 N'000
Opening balance	5,377,083	4,885,789	2,419,014	2,355,689
Withholding tax utilised	(407,074)	(42,182)	(101,262)	(79,339)
Reclassified to assets held for sales (Note 34)	(25,124)	(19,563)	-	-
Tax expense	3,521,242	2,389,475	666,074	335,060
Paid during the period	(2,129,260)	(1,836,437)	(328,557)	(192,396)
	6,336,866	**5,377,083**	**2,655,269**	**2,419,014**

10. Dividend

	The Company	
	2018	2017
Amounts recognised as distribution to ordinary shareholders in the year comprise:	**N'000**	N'000
Final dividend for the year ended 31 December 2017 paid in 2018 (2017: Final 2016 dividend paid in 2017)	1,872,843	1,920,864
Number of shares (000)	2,570,477	1,920,864
Dividends per share (kobo per share)	**73**	**100**

Proposed dividends on ordinary shares:
Dividend for 2018 : 64 kobo per share (2017: 65 kobo per share)

11. Earnings Per Share

(a) Basic
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	The Group		The Company	
	2018	2017	**2018**	2017
	N'000	N'000	**N'000**	N'000
Profit attributable to ordinary equity shareholders:				
Profit from continuing operations	(5,977,717)	1,317,638	3,608,667	3,079,827
Profit from discontinued operations	(112,244)	(361,562)	-	-
Profit for the year	**(6,089,961)**	**956,076**	**3,608,667**	**3,079,827**
Basic earnings per share				
From continuing operations	(207)	69	140	160
From discontinued operations	(4)	(19)	-	-
From profit for the year	(210)	50	140	160
Diluted earnings per share				
From continuing operations	(207)	69	140	160
From discontinued operations	(4)	(19)	-	-
From profit for the year	(210)	50	140	160

	The Company	
	2018 Number	2017 Number
Basic weighted average and Diluted weighted average number of shares (000)	**2,570,477**	1,920,864

(b) Diluted

Diluted earnings per share is the same as basic earnings per share because there is no potential ordinary shares during the period.

12. Property, plant and equipment

The Group

Cost:	Leasehold land and buildings	Plant and Machinery	Computer Equipment	Motor Vehicles	Office Furniture	Capital Work in progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2017	25,372,864	18,246,925	1,062,546	4,310,785	2,673,946	2,574,933	54,241,999
Additions	160,343	581,751	146,487	285,735	46,988	91,757	1,313,062
Disposals	(6,705)	(204,268)	(14,309)	(402,237)	(25,060)	(28,970)	(681,549)
Write Off	(192,034)	(19,931)	(28,048)	(24,695)	(25,346)	(3,975)	(294,028)
Reclassifications	310,184	94,369	400	10,465	(174)	(415,244)	-
Assets held for sales	(14,785,403)	(1,293,177)	(106,608)	(144,027)	(1,484,017)	(17,989)	(17,831,222)
At 31 December 2017	**10,859,249**	**17,405,669**	**1,060,467**	**4,036,027**	**1,186,337**	**2,200,512**	**36,748,262**
At 1 January 2018	10,859,249	17,405,669	1,060,467	4,036,027	1,186,337	2,200,512	36,748,262
Additions	172,640	1,925,018	80,436	478,454	94,568	173,165	2,924,281
Disposals	-	(221,959)	(23,866)	(313,639)	(5,588)	(1,834)	(566,885)
Write Off*	-	(601,499)	(278)	-	(554)	-	(602,331)
Reclassifications	12,724	536,414	5,551	19,507	767	(574,964)	-
Other reclassifications**	-	666	(4,382)	(11,497)	-	-	(15,213)
At 31 December 2018	**11,044,613**	**19,044,310**	**1,117,929**	**4,183,852**	**1,275,530**	**1,796,880**	**38,463,114**
Accumulated depreciation and impairment							
At 1 January 2017	4,300,882	8,869,229	747,991	2,805,783	2,247,441	-	18,971,327
Charge for the year	642,307	1,298,763	152,816	346,367	68,563	-	2,508,817
Disposals	(4,348)	(190,951)	(13,918)	(345,538)	(23,457)	-	(578,212)
Write Off	(192,064)	(19,780)	(27,905)	(22,220)	(25,317)	-	(287,284)
Reclassifications	(315)	-	-	-	315	-	-
Assets held for sales	(2,930,964)	(984,979)	(99,058)	(120,240)	(1,268,917)	-	(5,404,159)
At 31 December 2017	**1,815,498**	**8,972,282**	**759,926**	**2,664,153**	**998,629**	**-**	**15,210,488**
At 1 January 2018	1,815,498	8,972,282	759,926	2,664,153	998,629	-	15,210,488
Charge for the year	295,672	1,295,216	136,592	337,522	72,596	-	2,137,598
Impairment charge	37,365	357,542	-	-	-	-	394,907
Disposals	-	(197,006)	(58,296)	(246,434)	(3,628)	-	(505,365)
Write Off*	-	(597,357)	(725)	-	(554)	-	(598,636)
Reclassifications	-	17,000	452	(17,452)	-	-	-
At 31 December 2018	**2,148,536**	**9,847,676**	**837,948**	**2,737,320**	**1,067,044**	**-**	**16,638,993**
Net book values:							
At 31 December 2018	**8,896,077**	**9,196,634**	**279,981**	**1,446,532**	**208,486**	**1,796,880**	**21,824,121**
At 31 December 2017	**9,043,751**	**8,433,387**	**300,541**	**1,371,874**	**187,708**	**2,200,512**	**21,537,773**

*Assets written off include fully depreciated assets no longer in use and damaged assets identified during the period.
**Other reclassifications are assets that were transfered to/from PPE, to/from Intangible asset and Investment properties due to change in the use. Also, cost relating to SAP ERP implementation accumulated in PPE was transferred to intangible asset during the period.

No borrowing cost was capitalised during the year

The non-current assets are not pledged as security by the group.

12(i) Property, plant and equipment

The Company

Cost	Leasehold land and buildings	Plant and Machinery	Computer Equipment	Motor Vehicles	Office Furniture	Capital Work in progress	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2017	577,034	226,515	431,251	208,378	73,940	3,975	1,521,094
Additions	546	46,791.60	22,802	26,250	3,344	-	99,734
Disposals	-	(553)	(5,562)	(48,447)	(2,945)	-	(57,508)
Write Off	-	(19,931)	(28,048)	(24,675)	(25,346)	(3,975)	(101,975)
Reclassifications	(1,260)	-	-	-	1,260	-	-
At 31 December 2017	**576,320**	**252,823**	**420,444**	**161,506**	**50,253**	**-**	**1,461,346**
At 1 January 2018	576,320	252,823	420,444	161,506	50,253	-	1,461,346
Additions	4,124	24,490	14,506	182,059	18,559	-	243,737
Disposals	-	(7,432)	(6,415)	(95,285)	(1,885)	-	(111,017)
Transfers*	-	-	(899)	(25,000)	-	-	(25,899)
Write Off**	-	-	(278)	-	-	-	(278)
At 30 September 2018	**580,444**	**269,881**	**427,357**	**223,281**	**66,927**	**-**	**1,567,889**
Accumulated depreciation and impairment							
At 1 January 2017	151,288	165,458	284,767	112,381	60,622	-	774,515
Charge for the year	12,813	38,693	69,399	38,586	4,593	-	164,084
Disposals	-	(435)	(5,289)	(34,690)	(2,003)	-	(42,416)
Write Off	-	(19,773)	(27,895)	(22,207)	(25,315)	-	(95,190)
Reclassifications	(315)	-	-	-	315	-	-
At 31 December 2017	**163,786**	**183,943**	**320,982**	**94,070**	**38,211**	**-**	**800,993**
At 1 January 2018	163,786	183,943	320,982	94,070	38,211	-	800,993
Charge for the year	15,985	30,523	49,391	41,746	4,426	-	142,073
Disposals	-	(7,427)	(5,509)	(74,742)	(544)	-	(88,221)
Transfers*	-	-	(343)	(469)	-	-	(811)
Write Off**	-	-	(255)	-	-	-	(255)
At 30 September 2018	**179,771**	**207,040**	**364,267**	**60,606**	**42,094**	**-**	**853,778**
Net book values							
At 30 September 2018	**400,673**	**62,841**	**63,090**	**162,675**	**24,833**	**-**	**714,112**
At 31 December 2017	**412,535**	**68,879**	**99,462**	**67,436**	**12,042**	**-**	**660,353**

*Transfers relate to the value of assets transferred to subsidiaries.
**Assets written off include fully depreciated assets no longer in use and damaged assets identified during the period.

The non-current assets are not pledged as security by the company.

13. Intangible assets and goodwill

	Group					Company		
Cost	Goodwill N'000	Brands & Trade Marks N'000	Software N'000	Capital Work in progress N'000	Total N'000	Software N'000	Capital Work in progress N'000	Total N'000
At 1 January 2017	548,747	1,070,185	1,113,175	-	2,732,108	179,797	-	**179,797**
Additions - externally acquired during the year	-	-	105,084	-	105,084	5,819		**5,819**
Assets held for sales	-	-	(60,047)	-	(60,047)	-		-
At 31 December 2017	**548,747**	**1,070,185**	**1,158,213**	**-**	**2,777,145**	**185,617**	**-**	**185,617**
At 1 January 2018	548,747	1,070,185	1,158,213	-	2,777,145	185,617	-	**185,617**
Additions - externally acquired during the year	-	-	28,493	4,620	33,113	2,410	4,620	**7,030**
Transfers	-	-	(666)	-	(666)	-		-
At 31 December 2018	**548,747**	**1,070,185**	**1,186,039**	**4,620**	**2,809,592**	**188,027**	**4,620**	**192,647**
Accumulated amortisation and impairment								
At 1 January 2017	-	288,439	767,734	-	1,056,173	130,629		**130,629**
Amortisation for the year	-	-	160,262	-	160,262	24,741		**24,741**
Assets held for sales	-	-	(45,313)	-	(45,313)	-		-
At 31 December 2017	**-**	**288,439**	**882,683**	**-**	**1,171,123**	**155,370**	**-**	**155,370**
At 1 January 2018	-	288,439	882,683	-	1,171,123	155,370	-	**155,370**
Amortisation for the period	-	-	125,504	-	125,504	15,554		**15,554**
Transfer	-	-	(12,690)	-	(12,690)	-		-
At 31 December 2018	**-**	**288,439**	**995,497**	**-**	**1,283,937**	**170,925**	**-**	**170,925**
Net book values								
At 31 December 2018	**548,747**	**781,746**	**190,542**	**4,620**	**1,525,655**	**17,102**	**4,620**	**21,722**
At 31 December 2017	**548,747**	**781,746**	**275,530**	**-**	**1,606,023**	**30,246**	**-**	**30,246**

Impairment Test for Goodwill

Goodwill acquired through business combination is allocated to each of the Cash-Generating Unit (CGU) that are expected to benefit from the synergies of the combination. For the purpose of allocation, the individual entities were regarded as single cash generating unit.

The following is a summary of goodwill allocation for each operating segment:

2018	Opening N'000	Addition N'000	Disposal N'000	Impairment N'000	Other Adjustments N'000	Closing N'000
Livestock Feeds	209,705	-	-	-	-	209,705
Portland Paints	339,042	-	-	-	-	339,042
	548,747	**-**	**-**	**-**	**-**	**548,747**

2017	Opening N'000	Addition N'000	Disposal N'000	Impairment N'000	Other Adjustments N'000	Closing N'000
Livestock Feeds	209,705	-	-	-	-	209,705
Portland Paints	339,042	-	-	-	-	339,042
	548,747	**-**	**-**	**-**	**-**	**548,747**

The company performed its annual impairment test on November 29 2018. The company considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2018, the market capitalisation of the Company was above the book value of its equity.

Animal Feeds CGU under Livestock Feeds

The recoverable amount of Animal Feeds which is the only segment under Livestock Feeds CGU is ₦3.7 billion as at 31 December 2018, it has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increase demand for services. The pre-tax discount rate applied to cash flow projections is 16.47%. The discount rate was estimated based on industry weighted average cost of capital which considers projected growth rate in revenue and cost as derived from UACN specific investment evaluation policy and dividend growth rate. The revenue growth rate used in the cash flow projection is based on the trend of foreseeable growth in the business segment. It was concluded that the value in use exceeds the carrying value of the CGU of N1.9 billion. As a result of this analysis, management has concluded that there was no impairment charged as at 31 December 2018.

Paints CGU under Portland Paints

The recoverable amount of Paints which is the only segment under Portland Paints CGU is ₦ 5.7 billion as at 31 December 2018, it has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the increase demand for services. The pre-tax discount rate applied to cash flow projections is 16.25%. The discount rate was estimated based on industry weighted average cost of capital which considers projected growth rate in revenue and cost as derived from UACN specific investment evaluation policy and dividend growth rate. The revenue growth rate used in the cash flow projection was 9% for the years 2019 – 2023 and is based on the trend of foreseeable growth in the business segment. It was concluded that the value in use exceed the carrying value of the CGU of N1.4 billion. As a result of this analysis, management has concluded that there was no impairment charged as at 31 December 2018.

Key assumptions used in value in use

The calculation of value in use for Livestock Feeds and Portland Paints CGUs is most sensitive to the following assumptions:

• Gross margins growth rates
• Discount rates
• Growth rates used to extrapolate cash flows beyond

Gross margins growth rates - Gross margins growth rates are based on expected effeciency gains resulting from improved inventory management systems in both entities. The forecast gross margin growth rates amounted to Compound Annual Growth Rates (CAGR) of 16% and 14% for Livestock Feeds and Portland Paints respectively.

Decreased demand can lead to a decline in the gross margin growth rates. A decrease in the Gross Margin CAGR of 1% would result in impairment in Livestock Feeds CGU, while a decrease in the Gross Margin CAGR of 3% would result in impairment in Portland Paint CGU.

13. Intangible assets and goodwill - Continued

Discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and its operating segments and is derived from its weighted average cost of capital (WACC).

The WACC takes into account equity. The cost of equity is derived from the expected return on investment by the Company's investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate to 30.0% and 16.0% (i.e. +13.59% and +1.2%) in Livestock Feeds CGU and Portland Paint CGU respectively would result in impairment.

Growth rate estimates – Subjective estimates based on Market trends

Management recognises that the speed of technological change and the possibility of new entrants can have a significant impact on growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate of 5.5% for Portland Paints CGU and 5.3% for Livestock Feeds CGU. A reduction of 1.3% in the long-term growth rate in Livestock Feeds CGU would result in impairment while a reduction of 7.5% in the long term growth rate in Portland Paints CGU would result in impairment.

Other Intangible Assets - Software represents the Group's investment on license and technical agreement for its accounting and operations software. It is being amortised to the income statement over a period of five years, in accordance with the Group's policy.

The Group acquired trademark of N49 million through its business combination with Portland Paints. Portland Paints purchased the trademark from Blue Circle Industries Plc for the company's decorative paints' business. The intangible asset has been adjudged to have an indefinite life span. It was tested for impairment on 1st December and no impairment was deemed required. In carrying out the impairment test, the company conducted a "value-in-use" fair valuation exercise of the asset by applying the "Relief From Royalty" methodology, using a 5 year Cash Flow Forecast for the asset specific revenue, a Royalty Rate of 3% and a Weighted Average Cost of Capital (or Discount Rate) of 17.5%. The recoverable amount of the asset was estimated at N355.6 million as against the carrying amount of N49 million, thereby resulting in a nil impairment for the asset.

14. Investment property

	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 2017	720,735	19,149,499	19,870,234	-	3,032,200	3,032,200
Additions during the year	120,000	25,502	145,502	-	8,396	8,396
Disposals	-	(6,196,098)	(6,196,098)	-	(95,000)	(95,000)
Net gain from fair value adjustments on investment property	-	(333,601)	(333,601)	-	(186,946)	(186,946)
At 31 December 2017	**840,735**	**12,645,302**	**13,486,037**	**-**	**2,758,650**	**2,758,650**
At 1 January 2018	840,735	12,645,302	13,486,037	-	2,758,650	2,758,650
Additions during the period	-	2,560	2,560	-	2,559	2,559
Reclassification from property stocks held as inventories	140,000	-	140,000	-	-	-
Disposals	(297,000)	(4,912,997)	(5,209,997)	-	(118,497)	(118,497)
Impairment of investment properties	-	(632,000)	(632,000)	-	-	-
Net gain from fair value adjustments on investment property	6,300.00	(596,236)	(589,936)	-	51,939	51,939
At 31 December 2018	**690,035**	**6,506,628**	**7,196,663**	**-**	**2,694,651**	**2,694,651**

Fair value of investment properties is categorised as follows:

	The Group			The Company		
31-Dec-18	**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	690,035	6,506,628	7,196,663	-	2,694,651	2,694,651
	690,035	6,506,628	7,196,663	-	2,694,651	2,694,651

Fair value of investment properties is categorised as follows:

	The Group			The Company		
31-Dec-17	**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	840,735	12,645,302	13,486,037	-	2,758,650	2,758,650
	840,735	12,645,302	13,486,037	-	2,758,650	2,758,650

Significant unobservable valuation input:
Price per square metre N20,000 - N85,000
Significant increases/ (decreases) in estimated price per square meter in isolation would result in significantly higher/ (lower) fair value.

The Group's investment properties were revalued at 31 December 2018 by an independent professionally qualified valuer who holds recognised relevant professional qualifications and has recent experience in the locations and categories of the investment properties valued. The latest valuation was performed by the external Surveyor- Messrs Steve Akhigbemidu & Co. (FRC/2013/NIESV/000000001442).

Internal and inter-group valuation are performed by UAC Property Development Company Plc which has employees that hold recognised relevant professional qualifications and have recent experience in the locations and categories of the investment properties valued.

	The Group		The Company	
Rental income schedule	**31 Dec 2018 N'000**	**31 Dec 2017 N'000**	**31 Dec 2018 N'000**	**31 Dec 2017 N'000**
Rental income derived from investment properties	309,862	648,421	75,508	87,461
Direct operating expenses (including repairs and maintenance) on investment property generating rental income	(65,039)	(77,340)	(11,326)	(13,282)
Profit arising from investment properties carried at fair value	**244,823**	**571,081**	**64,182**	**74,179**

The above rental income was included in the revenue

Operating lease commitments - Group and Company as leasors

UAC 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, but typically range between one year and five 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 as classified as Investment Properties and faired valued annually based on the group's accounting policy and in line with the requirements of IAS 40"

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows :

	The Group		The Company	
	2018 N'000	**2017 N'000**	**2018 N'000**	**2017 N'000**
0-1 year	308,687	303,101	99,558	82,965
1-5 years	479,137	400,239	474,767	395,639
Above 5 years	-	-	-	-
Total	**787,824**	**703,340**	**574,324**	**478,604**

"The minimum lease payments under non-cancellable operating leases in aggregate is N788 million (N703 million: 2017), of which approximately N309 million (2017: N303 million) is expected within one year and N479 million (2017: N400 million) within the next one to five years. The group has not recognised any contingent rents in income for the years ended December 31 2018 and 2017.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

15. Investments in subsidiaries

Company

	31 Dec 2018	31 Dec 2017
	N'000	N'000
Opening balance	15,815,152	11,759,874
Additions - Acquisitions in Subsidiaries	5,392,384	4,231,753
Impairment of Investments in Warm Spring Waters Nigeria Limited	-	(46,475)
Net assets held for sale - UNICO CPFA	-	(130,000)
Closing Balance	**21,207,536**	**15,815,152**

	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	N'000	N'000	% ownership	% ownership
Quoted shares:				
Chemical and Allied Products Plc 361,034,361 ordinary shares of 50k each	494,684	114,461	51.58	50.18
UACN Property Development Company Plc 1,667,187,500 ordinary shares of 50k each	4,851,897	4,851,897	64.16	64.16
Livestock Feeds Plc 2,198,745,272 ordinary shares of 50k each	2,246,401	2,246,401	73.00	73.00
Portland Paints Plc 677,093,500 ordinary shares of 50k each	1,938,283	1,938,283	85.50	85.50
Unquoted shares:				
Grand Cereals Limited 1,359,888,000 ordinary shares of N1 each	7,259,495	2,247,333	67.15	64.93
UAC Foods Limited 102,000,000 ordinary shares of 50k each	2,414,414	2,414,414	51.00	51.00
MDS Logistics Ltd 51,000,000 ordinary shares of 50k each	1,861,233	1,861,233	51.00	51.00
UAC Restaurants Limited 510,000 ordinary shares of N1 each	141,130	141,130	51.00	51.00
	21,207,536	**15,815,152**		

Investments in subsidiaries are measured at cost

	The Company			
	2018	2017	%	
15(i) Net Asset Held for Sale - UNICO CPFA	N'000	N'000	2018	2017
UNICO CPFA Limited				
130,005,000 ordinary shares of N1 each	130,000	130,000	86.67	86.67
	130,000	**130,000**		

16. Available for Sale financial assets

The details and carrying amount of available for sale financial assets are as follows:

	The Group		The Company	
	2018	2017	2018	2017
	N'000	N'000	N'000	N'000
Opening Balance as at 1 January	-	19,197	-	1,001
Fair value loss on available-for-sale financial assets	-	-	-	-
Fair value gain on available-for-sale financial assets	-	7,002	-	
	-	**26,199**	**-**	**1,001**

16(i). Equity instrument at fair value through other comprehensive income

The details and carrying amount of available for sale financial assets are as follows:

	The Group		The Company	
	2018	2017	2018	2017
	N'000	N'000	N'000	N'000
Opening Balance as at 1 January	26,199	-	1,001	-
Fair value gain on available-for-sale financial assets	28,999	-	28,999	-
Disposal of available-for-sale financial assets*	(15,198)	-	-	-
	40,000	**-**	**30,000**	**-**

***Disposal of available-for-sale financial assets**

During the period, available for sale financial assets previously held by Livestock Feeds Plc in some quoted companies - First Bank Holdings Plc, United Bank for Africa Plc, Zenith Bank Plc, Africa Prudential Registrars Plc, AFRIPRUD and UBA Capital Plc - were disposed off at the prevailing market rate and the sum of **N16.78**million was realised.

The Group

This represents UPDC Plc 6.7% holding in the ordinary share capital of UNICO CPFA Limited and UAC's investments in unquoted equities of the following companies: Industrial Investments Ltd, LACOM Communications Ltd, Trade Investment Ltd - CSCS, Lagos Stock Exchange and Panasonic Nigeria Ltd.

17. Investments in associates and equity accounted joint ventures

	The Group		The Company	
	2018	2017	2018	2017
	N'000	N'000	N'000	N'000
Associate				
UPDC's Investment in UPDC REIT	20,017,860	18,918,826	-	-
Joint Ventures				
First Festival Mall Limited	-	117,189	-	-
Transit Village Dev. Co. Ltd*	73,606	73,606	-	-
At 31 December	**20,091,466**	**19,109,621**	**-**	**-**

*Transit Village JV is not yet operational. The company's investment represents the seed capital contributed towards acquiring the land for the project.

17.1 Investments in Associate

Investments in Associate above represents UPDC's investment in REIT as at 31 December 2018. The associate as stated above have share capital consisting solely of ordinary shares, which are directly held by the group. The country of incorporation or registration is also their principal place of business.

The UPDC Real Estate Investment Trust (REIT) is a close-ended real estate investment trust which is listed on the Nigerian Stock Exchange. As at 31 December 2018, the fair value of each unit holders' contribution in UPDC REIT is N10.

The movement in the investment in associate during the year is stated below:

	The Group	
	2018	2017
	N'000	N'000
At 1 January	18,918,826	19,214,990
Share of profit (Note 17.3)	1,923,492	829,385
Dividend received	(824,458)	(1,125,550)
At 31 December	**20,017,860**	**18,918,826**

17.2 Investments in Joint Ventures

All joint ventures are primarily set up for projects. The investments in Joint Venture were measured at cost.

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

	The Group	
	2018	2017
	N'000	N'000
At 1 January	190,795	481,289
Share of loss of First Festival Mall Limited (Note 13.3)	(117,189)	(290,283)
Impairment of investment in First Festival Mall Limited	-	(210)
At 31 December	**73,606**	**190,795**

The unrecognised share of loss from other Joint Ventures are:

	The Group	
	2018	2017
	N'000	N'000
First Restoration Dev. Coy Limited	(307,635)	(189,704)
Pinnacle Apartment Dev. Limited	(357,395)	(127,418)
Calabar Golf Estate Limited	(94,428)	(77,573)
UPDC Metro City Ltd	(535,633)	(1,490,669)

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

Name	Country of incorporation	Non current assets	Current assets	Non current liabilities	Current liabilities	Cash & Cash Equivalent	Net Asset	Carrying value	% Interest held
31 Dec 2018		N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Associate									
UPDC REITS	Nigeria	29,374,974	4,031,969	-	857,577	34,287	32,549,366	20,017,860	61.5%
Joint Ventures									
First Festival Mall Limited	Nigeria	13,446,215	(293,385)	9,523,245	3,152,100	(819,435)	477,485	-	45%
First Restoration Dev. Coy Limited	Nigeria	-	611,744	-	1,214,950	24,791	(603,206)	-	51%
Pinnacle Apartment Dev. Limited	Nigeria	-	263,576	-	964,351	(919)	(700,775)	-	51%
Calabar Golf Estate Limited	Nigeria	-	1,257,315	-	1,442,467	-	(185,152)	-	51%
UPDC Metrocity Ltd	Nigeria	1,485,745	1,499,097	2,306,044	3,877,564	(27,611)	(892,721)	-	60%
Transit Village	Nigeria	184,015	-	-	-	-	184,015	73,606	40%

Name	Revenue	Depreciation	Interest Income	Interest Expense	Tax Expense	Profit/ (Loss)
31 Dec 2018	N'000	N'000	N'000	N'000	N'000	N'000
Associate						
UPDC REITS	1,324,867	81,195	837,418	-	-	2,644,763
Joint Ventures						
First Festival Mall Limited	684,483	27,913	1,102	1,040,088	-	(504,033)
First Restoration Dev. Coy Limited	(7,800)	-	-	236,171	-	(234,420)
Pinnacle Apartment Dev. Limited	400,262	-	72	236,462	-	(216,650)
Calabar Golf Estate Limited	-	-	-	30,102	-	(31,948)
UPDC Metrocity Ltd	192,784	-	-	272,082	-	(369,320)

17. Investments in associates and equity accounted joint ventures - Continued

	Country of incorporation	Non current assets	Current assets	Non current liabilities	Current liabilities	Cash & Cash Equivalent	Net Asset	Carrying value	% Interest held
31 Dec 2017		N'000	N'000	N'000	N'000	N'000	N'000	N'000	
Associate									
UPDC REITS	Nigeria	24,411,875	6,644,132	-	293,688	-	30,762,318	18,918,826	61.5%
Joint Ventures									
First Festival Mall Limited	Nigeria	11,871,196	702,170	11,068,487	1,244,458	(9,539)	260,421	117,189	45%
First Restoration Dev. Coy Limited	Nigeria	-	597,203	-	969,172	(829)	(371,969)	-	51%
Pinnacle Apartment Dev. Limited	Nigeria	-	1,096,731	848,137	498,434	(732)	(249,840)	-	51%
Calabar Golf Estate Limited	Nigeria	-	1,220,665	1,311,563	61,205	-	(152,103)	-	51%
UPDC Metrocity Ltd	Nigeria	1,841,990	1,821,160	2,306,044	3,841,554	63,279	(2,484,448)	-	60%
Transit Village	Nigeria	184,015	-	-	-	-	184,015	73,606	40%

Name	Revenue	Depreciation	Interest Income	Interest Expense	Tax Expense	Profit/ (Loss)
31 Dec 2017		N'000	N'000	N'000	N'000	N'000
Associate						
UPDC REITS	1,079,881		1,024,608	-	-	1,707,297
Joint Ventures						
First Festival Mall Limited	717,155	29,567	435	1,801,849	-	(645,074)
First Restoration Dev. Coy Limited	205,200	-	-	31,512	-	(39,867)
Pinnacle Apartment Dev. Limited	686,875	-	129	254,700	-	(243,778)
Calabar Golf Estate Limited	77,000	-	-	22,117	-	(21,275)
UPDC Metrocity Ltd	324,580	-	-	86,141	-	(60,395)

Investments in associates and Joint Ventures are measured at cost.

The associate and joint venture companies noted above are Special Purpose Vehicles (SPVs) set up between UPDC and other parties (including land owners, private equity firms and other financiers) for real estate development. UPDC has equity contributions in First Festival Mall Limited, UPDC Metro City Limited and Transit Village as designated. The company had no commitment or contingent liabilities to the associate and joint ventures as at December 31, 2018, beyond the equity contributions held and outstanding working capital advances.

UPDC has no direct equity contribution in the Pinnacle Apartments Development Ltd, First Restoration Development Co. Ltd and Calabar Golf Estate Ltd. These three SPVs have nominal share capital designated for the purpose of profit sharing only. The joint ventures are not equity backed; the land contribution by the JV partners are treated as interest-free loans to the ventures which will be deducted from sales proceeds as part of project development costs and paid back to the partners before profits are shared. The nominal share holding by UPDC and the other parties entitles them only to a share of the net profit which is determinable at the project closure.

With the exception of the associate (UPDC REIT) all the SPV companies are nominal companies and will be wound up once the projects are completed and developed house units are fully sold.

UPDC plans to hold 40% of the REIT for the long term. The surplus stake of 21.5% is to be disposed for cash.

Summarised statement of financial position of Joint Venture:

	31-Dec-18				31-Dec-17			
	First Restoration Dev. Coy. Ltd N'000	*Pinnacle Apartment Dev. Ltd N'000*	*Calabar Golf Estate Ltd N'000*	*UPDC Metrocity Ltd N'000*	*First Restoration Dev. Coy. Ltd N'000*	*Pinnacle Apartment Dev. Ltd N'000*	*Calabar Golf Estate Ltd N'000*	*UPDC Metrocity Ltd N'000*
Interest held	*51%*	*51%*	*51%*	*60%*	*51%*	*51%*	*51%*	*60%*
Net asset	(603,206)	(700,775)	(185,152)	(892,721)	(371,969)	(249,840)	(152,103)	(2,484,448)
Group's share	(307,635)	(357,395)	(94,428)	(535,633)	(189,704)	(127,418)	(77,573)	(1,490,669)
Share of unrecognised loss	307,635	357,395	94,428	535,633	189,704	127,418	77,573	1,490,669
Carrying value in statement of financial position	-	-	-	-	-	-	-	-

17.3 Share of profit of Associates and Joint Ventures using the equity method

	The Group		The Company	
	2018 N'000	2017 N'000	**2018** N'000	2017 N'000
Share of profit in REIT (Associate)*	1,923,492	829,385	-	-
Share of loss of First Festival Mall Limited (Joint Venture)**	(117,189)	(290,283)	-	-
Total	**1,806,303**	**539,102**	**-**	**-**

***Share of profit in REIT (Associate)**
UPDC diversified its portfolio in 2013 through the floating of the UPDC Real Estate Investment Trust (REIT) at a capital value of N26.7 billion listed on the Nigerian Stock Exchange (NSE) on 1 July, 2013. The REIT is a property fund backed by five (5) major investment properties located in Lagos, Abuja and Aba. The REIT's income comprises of rental income from the property assets and interest earned from short term investments in money market instruments and other real estate related assets. UPDC held 61.5% of the fund at 31 December 2018. The share of profit recognised in the group financial statements relates to UPDC's share of the REIT's profit for the period ended 31 December 2018.

The revaluation gain is not distributable until the affected investment properties are disposed.

****Share of loss of First Festival Mall Limited (Joint Venture)**

First Festival Mall reported a loss after tax of N260 million for the period ended 31 December 2018. The share of the Group of this based on UPDC's 45% share holding is N117 million.

18. Inventories

	The Group		The Company	
	2018 N'000	2017 N'000	**2018** N'000	2017 N'000
Raw materials and consumables	18,829,760	15,078,757	3,123	2,669
Technical stocks and spares	1,878,575	1,640,851	-	-
Properties under construction (Note 19)	8,275,382	11,523,468	-	-
Finished goods and goods for resale	1,541,918	2,148,879	-	-
	30,525,636	**30,391,954**	**3,123**	**2,669**

The impact of production yield variance on Livestock stock feed inventories of N45.9million have been considered and adjusted for in the inventory balance during the year. This arises from the losses incurred during the production process.

All inventory above are carried at cost at all the periods reported.

No borrowing cost was capitalised during the year

The Group
During the period ended 31 December 2018 **N214 million** (2017: **N387 million**) was charged to the profit or loss for damages, obsolescence and write downs.

19. Properties under construction included in inventories

Cost/Valuation	The Group 2018 N'000	The Group 2017 N'000
Balance 1 January	11,523,468	12,672,131
Additions	410,123	1,282,531
Disposals	(1,502,307)	(2,348,246)
Transfer to Invesment Properties	(140,000)	-
Reclassifications	(698,286)	-
Write down of VMP3B, Parkview & Awoyaya Land	(1,317,616)	-
Write down of inventory	-	(82,948)
Balance 31 December	**8,275,382**	**11,523,468**

During the year, UACN Property Development Company Plc's inventory (assets under construction) was written down by N1.36 billion to its net realisable value following the review of all ongoing projects against the expected selling price and other incidental costs to sell.

20. Trade and other receivables

Receivables due within one year	The Group 2018 N'000	The Group 2017 N'000	The Company 2018 N'000	The Company 2017 N'000
Trade receivables	4,085,850	4,444,237	-	-
Less: allowance for impairment of trade receivables	(1,693,208)	(1,429,318)	-	-
Net trade receivables	**2,392,642**	**3,014,919**	**-**	**-**
Receivables from group companies (Note 31)	-	-	4,795,033	6,166,309
Receivables from related companies	3,230,152	6,928,259	-	-
Allowance for expected credit losses on group companies	(442,457)	-	(111,436)	-
Other receivables	2,489,873	1,590,219	481,085	206,335
Advance payments	796,497	2,553,985	-	-
WHT receivable	664,600	1,124,690	211,448	550,897
Prepayments - staff grants	265,992	253,607	48,537	55,035
Prepayments- Other	836,393	893,318	39,202	17,994
	10,233,691	**16,358,997**	**5,463,870**	**6,996,571**

Trade receivables are non-interest bearing and are generally due for settlement within 30 days and therefore are all classified as current.They are amounts due from customers for goods sold or services performed in the ordinary course of business.

Other receivables are amounts that generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Advance payments are mobilisation fees made to contractors for the supply of goods and services.

	The Group 2018 N'000	The Group 2017 N'000	The Company 2018 N'000	The Company 2017 N'000
Prepayments - Current	1,102,384	1,146,925	87,740	73,029
Prepayments - Non-current	8,706	3,245	-	-
Total prepayments	**1,111,090**	**1,150,170**	**87,740**	**73,029**

The balance on prepayment represent rent and insurance paid in advance which will be charged against earnings in the periods they relate to.

Movements in the allowance for impairment of trade receivables are as follows:

	The Group 2018 N'000	The Group 2017 N'000	The Company 2018 N'000	The Company 2017 N'000
At 1 January	1,429,318	1,444,698	-	-
Allowance for /(recovery from) receivables impairment	263,890	(15,379)	-	-
At 31 December	**1,693,208**	**1,429,318**	**-**	**-**

21. Cash and cash equivalents

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Cash at bank and in hand	1,958,000	1,407,607	142,848	42,607
Short-term deposits	28,372,476	12,718,367	18,689,159	5,737,384
Expected credit losses on short term deposit	(55,226)	-	(55,128)	-
Cash and short-term deposits	**30,275,249**	**14,125,974**	**18,776,880**	**5,779,991**

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.

In 2015, Securities and Exchange Commission directed all Registrars to return all unclaimed dividends, which have been in their custody for fifteen months and above, to the paying companies.Included in the cash and short-term deposits is **N4.6b** which represents unclaimed dividends received from Africa Prudential Registrars as at December 2018.

(i) Reconciliation to statement of cash flow

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Cash and short-term deposits	30,275,249	14,125,974	18,776,880	5,779,991
Bank Overdrafts (Note 22)	-	(2,985,402)	-	-
Balances per statement of cash flow	**30,275,249**	**11,140,572**	**18,776,880**	**5,779,991**

22. Borrowings

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Current borrowings				
Overdrafts due within one year	-	2,985,402	-	-
Commercial papers due within one year	19,671,568	20,795,008	-	-
	19,671,568	**23,780,410**	-	-
Non-current borrowings				
Loans due after one year (i)	**4,500,793**	**1,329,037**	-	-
Total borrowings	**24,172,361**	**25,109,447**	-	-

The above borrowings are denominated in Naira

The borrowings are repayable as follows:

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Within one year	19,671,568	23,780,410	-	-
Between one to two years	4,500,793	1,329,037	-	-
More than three years	-	-	-	-
	24,172,361	**25,109,447**	-	-

(i) Loans due within one year

Bank	Effective Interest Rate	The Group 2018 N'000	The Group 2017 N'000	Maturity date	Security
First Bank of Nigeria Ltd	21.0%	-	148,002	Jan-18	Equitable mortgage
Zenith Bank Plc	24.0%	-	185,514	Jun-18	No security
Diamond Bank Plc	21.0%	-	262,800	May-18	Equitable mortgage
FSDH Merchant Bank Ltd	22.9%	-	1,333,333	Nov-18	Equitable mortgage
First Bank of Nigeria Ltd	21.0%	-	270,500	Jan-18	Equitable mortgage
FBN Merchant Bank	19.5%	243,861	7,458,101	Mar-19	Equitable mortgage
Coronation Merchant Bank	19.5%	341,035	8,965,615	Mar-19	Equitable mortgage
Bank of Industry	10.0%	-	77,631	Dec-18	Bank Guarantee from Stanbic IBTC
Bank of Industry	6.0%	-	43,742	Dec-18	Debenture on fixed and floating assets
Union Bank of Nigeria Plc	8.0%	1,500,000	2,000,000	Oct-19	No security
FSDH Merchant Bank Ltd	16.0%	2,174,916	-	Mar-19	No security
Sterling Bank Plc - Agric Loan	8.5%	-	383,285	Dec-18	No security
Sterling Bank Plc - Agric Loan	9.0%	379,712	-	Dec-19	No security
First Bank of Nigeria Ltd	16.0%	1,322,696	-	Mar-19	No security
Access Bank Plc	17.0%	-	970,954	Aug-18	No security
Diamond Bank Plc	17.0%	-	845,231	Aug-18	No security
First Bank of Nigeria Ltd	17.0%	-	835,701	Aug-18	No security
Issued CP	14.4%	13,709,349	-	May-19	Equitable mortgage
		19,671,568	**23,780,410**		

The above borrowings are denominated in Naira

(ii) Loans due after one year

Details of the loan maturities due after one year are as follows:	Effective Interest Rate	The Group 2018 N'000	The Group 2017 N'000	Maturity date
Facility				
Grand Cereals Ltd - Sterling Bank Plc and Stanbic IBTC Bank Plc	17%	245,040	662,370	July, 2020
		245,040	**662,370**	
Term Loan:				
UPDC - First Securities Discount House	NIBOR + 3%	-0	666,667	May, 2019
UPDC 5-Year Bond	16%	4,255,753	-	May, 2023
		4,500,793	**1,329,037**	

The average interest rate for facilities from local banks during the period was 23.1% (2017 was 21.6%).

(iii) Movement in total borrowing during the period is as follows:

	The Group		The Company	
	31 Dec 2018 N'000	31 Dec 2017 N'000	31 Dec 2018 N'000	31 Dec 2017 N'000
Balance as at 1 January	25,109,447	29,796,434	-	-
Proceeds from borrowings	4,096,791	1,372,242	-	-
Interest expense	4,984,670	6,184,184		
Repayment of borrowings	(1,499,193)	(6,059,229)	-	-
Interest paid	(4,984,670)	(6,184,184)	-	
Balance as at 31 December	**27,707,045**	**25,109,447**	-	-

23. Trade and other payables

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	N'000	N'000	N'000	N'000
Trade payables	6,843,729	6,884,745	-	-
Amount owed to related companies (Note 31)	32,359	1,195,130	-	-
Provision for employee leave	14,485	6,664	7,930	3,370
Other payables	3,444,840	2,554,663	87,142	82,802
WHT payable	122,668	255,061	1,850	218
VAT payable	328,853	494,533	5,050	3,476
PAYE payable	4,711	2,130	4,365	-
Advance from customers	1,267,324	774,439	-	-
Accruals	3,378,727	4,071,618	949,774	1,260,978
Total	**15,437,697**	**16,238,983**	**1,056,112**	**1,350,845**

Terms and conditions of the above financial liabilities

Trade payables are non-interest bearing and are normally settled between 30 and 60-day terms.
Other payables are non-interest bearing and have an average term of six months. It also includes amount received in respect of litigation against liquidated GM Nigeria Ltd (a former subsidiary of UACN Plc).

Advance from customers are deposits or down-payments received from customers for products.

Accruals relates to accrued professional fees, accrued consultants fees, accrued audit fees and other accrued expenses.

24. Government grant

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	N'000	N'000	N'000	N'000
At 1 January	**9,226**	**235,866**	**-**	**-**
Amount received during the year	-	-	-	-
Released to the statement of profit or loss	(9,226)	(226,640)	-	-
At 31 December	**-**	**9,226**	**-**	**-**
Current	-	9,226	-	-
Non-current	-	-	-	-
	-	9,226	-	-

Government grant relates to government facilities received by two entities – Livestock Feeds PLC and Portland Paints and Products Nigeria PLC, at below-market rates of interest. The facilities are meant to assist in the procurement of certain items of plant and machinery. In both entities, the grants are recognised as deferred income and amortised to profit or loss on a systematic basis over the useful life of the asset in line with their respective accounting policies.

25. Deferred revenue

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	N'000	N'000	N'000	N'000
At 1 January	**216,654**	**305,378**	**56,640**	**80,642**
Deferred during the period	383,887	595,035	191,702	172,031
Released to the statement of profit or loss	(387,229)	(683,759)	(114,066)	(196,033)
At 31 December	**213,312**	**216,654**	**134,276**	**56,640**
Current	211,736	213,463	134,276	56,640
Non-current	1,577	3,192	-	-
	213,313	216,654	134,276	56,640

Deferred revenue are rentals received in advance which are recognized as revenue in the statement of profit or loss when earned.

The Group and Company lease a number of premises. These are subject to review dates ranging from 1 year to 2 years.

26. Dividend payable

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	N'000	N'000	N'000	N'000
As at 1 January	4,655,045	3,682,512	4,655,045	3,682,512
Dividend declared	1,872,843	1,920,864	1,872,843	1,920,864
Dividend paid during the year	(1,830,540)	(1,859,531)	(1,830,540)	(1,859,531)
Unclaimed dividend refunded	202,615	911,200	202,615	911,200
At 31 December	**4,899,963**	**4,655,045**	**4,899,963**	**4,655,045**

27. Provisions

The Group	Contingent Liabilities N'000	Legal claim N'000	Decommisioning liability N'000	Total N'000
At 1 January 2018	3,000	89,456	17,223	109,679
Unwinding of discount	-	-	3,439	3,439
Derecognised on payment	-	-	(9,787)	(9,787)
Exchange difference arising on litigation	-	629	-	629
31 December 2018	**3,000**	**90,085**	**10,875**	**103,960**
Current	3,000	90,085	-	93,085
Non-current	-	-	10,875	10,875
At 1 January 2017	50,000	74,757	22,123	146,880
Unwinding of discount	-	-	1,254	1,254
Derecognised on payment	(47,000)	(17,980)	(6,154)	(71,134)
Provision in respect of rent of property	-	25,000	-	25,000
Exchange difference arising from litigation	-	7,679	-	7,679
31 December 2017	**3,000**	**89,456**	**17,223**	**109,679**
Current	3,000	89,456	-	92,456
Non-current	-	-	17,223	17,223

Contingent liabilities

The contingent liability arose from the fair value of assets acquired, liabilities assumed and the non-controlling interest of Portland Paints Plc at the acquisition date. The contingent liability was a Garnishee order arising from legal claim. A judgement fees of N50 million was awarded by the lower court, but the Group challenged the judgement and it was reduced to N3 million on the 5th of July, 2017 by the court of appeal. The matter is now at the Supreme court for resolution.

Legal claim

The legal claim comprises of the following:

(i) In June 2014, an award was made against the group in respect of a legal claim made by a claimant. The award requires a payment of $136,805 rent and service charges to the claimant. A provision has been recognised for this amount. However, we have applied for stay of execution of the award and also filed an application for the setting aside of the award for being null and void. No payment has been made to the claimant pending outcome of the stay of execution. The Lagos high court is currently reviewing the case.

(ii) Provision was made for probable litigation liability in respect of one of our properties located in Lagos. This provision was made based on the assessment by our solicitor.

(iii) Judgment was delivered against the group in the sum of N14 million in 2010. He appealed and the court allowed the appeal on 11th of January, 2012 and set aside the judgement of the lower court. The said sum of N14 million was ordered to be released back to UACN, however, before we could collect the cheque an appeal was lodged to the Supreme Court, thus, stalling the release of the cheque.

Decommisioning liability

A subsidiary of the company (UAC Restaurants Limited) has a number of leasehold properties converted to Restaurants, which are required by agreements to be restored back to their original condition upon the expiry of the leases. Decommissioning Liability relates to the provisions made for decommissioning costs relating to these properties.Management has applied its best judgement in determining the amount of the liability that will be incurred at the end of each lease term. Variables such as inflation rate and currency exchange rates amongst others, were considered in this estimate. 18% discount rate for the unwinding of the discount on the liability was determined using the "Capital Asset Pricing Model". The obligation is expected to crystalise in 2030.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The discount rates did not reflect risks for which future cash flow estimates have been adjusted.

28. Deferred Tax

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

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	90,144	711,900	-	-
	90,144	711,900	-	-
Deferred tax liabilities:				
– Deferred tax liability to be recovered after more than 12 months	(4,707,053)	(4,890,082)	(73,699)	(152,842)
Deferred tax (liabilities) / assets	**(4,616,909)**	**(4,178,182)**	**(73,699)**	**(152,842)**

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

	Group		Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
At 1 January	(4,178,182)	(4,645,924)	(152,842)	(152,842)
(Charged)/credited to profit or loss	(438,728)	467,742	79,143	-
At 31 December 2018	**(4,616,909)**	**(4,178,182)**	**(73,699)**	**(152,842)**

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

The Group

Deferred tax assets	PPE	(i)Allowance for impairment on receivables	Tax losses	Exchange difference	Investment properties	Capital Gains to be reinvested	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2017	106,470	34,564	4,943	-	-	-	145,977
Credited to profit or loss	(34,961)	755	601,074	-	-	-	566,868
Deferred tax effect of asset held for sale	(945)	-	-	-	-	-	(945)
At 31 December 2017	**70,564**	**35,319**	**606,017**	**-**	**-**	**-**	**711,900**
At 1 January 2018	70,564	35,319	606,017	-	-	-	711,900
Charged to profit or loss	(76,134)	(87,490)	(458,132)	-	-	-	(621,756)
At 31 December 2018	**(5,571)**	**(52,171)**	**147,885**	**-**	**-**	**-**	**90,144**

The Group

Deferred tax liabilities	PPE	(i)Allowance for impairment on receivables	Tax losses	Exchange difference	Investment properties	Capital Gains to be reinvested	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2017	4,318,121	(70,911)	(1,151,605)	12,668	1,567,336	116,291	4,791,901
Charged/(credited) to profit or loss	31,648	13,009	(9,148)	(3,733)	68,607	(2,202)	98,181
At 31 December 2017	**4,349,769**	**(57,902)**	**(1,160,753)**	**8,935**	**1,635,944**	**114,089**	**4,890,082**
At 1 January 2018	4,349,769	(57,902)	(1,160,753)	8,935	1,635,944	114,089	4,890,082
Adjustment of opening balance- IFRS 9	310,877	(375,885)	-	-	-	-	(65,008)
(Charged)/credited to profit or loss	(32,591)	(99,701)	111,732	(23,835)	262,113	(335,739)	(118,021)
At 31 December 2018	**4,628,056**	**(533,488)**	**(1,049,021)**	**(14,900)**	**1,898,057**	**(221,650)**	**4,707,054**

The Company

Deferred tax liabilities	PPE	(i)Allowance for impairment on receivables	Tax losses	Exchange difference	Investment properties	Capital Gains to be reinvested	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2017	(75,902)	(17,032)	-	(2,414)	294,314	-	198,966
Charged/(credited) to profit or loss	(7,714)	(15,895)	-	1,797	(24,311)	-	(46,123)
At 31 December 2017	**(83,617)**	**(32,927)**	**-**	**(617)**	**270,003**	**-**	**152,842**
At 1 January 2018	(83,617)	(32,927)	-	(617)	270,003	-	152,842
Adjustment of opening balance- IFRS 9	-	(44,035)	-	-	-	-	(44,036)
(Credited)/charged to profit or loss	9,256	(51,802)	-	2,193	5,194	-	(35,159)
At 31 December 2018	**(74,361)**	**(128,764)**	**-**	**1,576**	**275,197**	**-**	**73,647**

29. Share Capital

Group and Company

	2018		2017	
	Number	Amount	Number	Amount
	000	N'000	000	N'000
Authorised:				
Ordinary Shares of 50k each	3,000,000	1,500,000	3,000,000	1,500,000
Preference Shares of 50k each	400,000	200,000	400,000	200,000
Total authorised share capital	**3,400,000**	**1,700,000**	**3,400,000**	**1,700,000**
Issued and fully paid:				
Ordinary shares of 50k each	2,881,296	1,440,648	1,920,864	960,432
Total called up share capital	**2,881,296**	**1,440,648**	**1,920,864**	**960,432**

Movements during the period:	Group and Company	
	Number of shares	Ordinary shares
	000	=N='000
At 31 December 2017	**1,920,864**	**960,432**
Capitalised during the period	960,432	480,216
At 31 December 2018	**2,881,296**	**1,440,648**

Nature and purpose of Other Reserves

Share Premium

Section 120.2 of Companies and Allied Matters Act 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. The Share premium is to be capitalised and issued as scrips as approved by shareholders from time to time.

Contingency Reserve

The contingency reserve covers an appropriation of surplus or retained earnings that may or may not be funded, indicating a reservation against a specific or general contingency. The contingency reserve represents the transfer to statutory reserve of 12.5% of the profit after tax of UNICO CPFA Limited in line with section 69 of the Pension Reform Act 2004 (2014 as amended).

Fair value/available for sale reserve

The available for sale reserve relates to the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

30. Reconciliation of profit before tax to cash generated from operations

	Group		Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Profit before tax from continuing operations	(5,512,401)	3,246,120	4,195,547	3,368,714
Loss before tax from discontinued operations	(104,241)	(356,063)	-	-
Adjustment for net finance (income)/costs	2,007,506	4,324,087	(2,917,806)	(1,817,233)
Operating profit	**(3,609,136)**	**7,214,143**	**1,277,741**	**1,551,480**
Amortisation of intangible assets	125,504	160,262	15,554	24,741
Share of associate and joint ventures' profit	(1,806,303)	(539,102)	-	-
Dividend income	-	-	(2,046,400)	(2,719,313)
Depreciation	2,137,598	2,508,817	142,073	164,084
Recovery of excess bank charges	-	(265,244)	-	-
Effects of exchange rate changes	(382)	13,477	(2,882)	7,523
Net fair value losses/(gains) on investment properties	1,273,875	333,601	(51,939)	186,946
Losses on completed projects	42,443	150,463	-	-
Impairment of receivable in UPDC Joint Ventures	3,113,201	428,140	-	-
Impairment of assets of disposal group held for sale	4,029,237	-	-	-
Impairment of investment properties	632,000	-	-	-
Impairment of Inventories (AUC)	1,317,616	-	-	-
Impairment charges on PPE	394,907	-	-	-
Impairment of investments in Warm Spring Waters	-	-	-	46,475
Impairment of intercompany receivables arising from IFRS transition	-	-	(181,908)	-
Profit on sale of financial assets	(1,591)	-	-	-
Net changes in fair value of financial assets	(28,999)	-	(28,999)	
Profit on sale of tangible PPE	(19,991)	(85,371)	(1,341)	-
Loss on sale of tangible PPE	15,494	617	-	617
Loss on sale of Investment Properties	434,399	-	-	
Profit on sale of Investment Properties	(15,352)	(1,956,939)	(15,352)	(6,462)
Operating cash flows before movements in	**8,034,519**	**7,962,864**	**(893,454)**	**(743,909)**
Movements in working capital:				
Changes in inventories	(133,681)	6,413,238	(453)	(6)
Changes in trade and other receivables and prepayments	(1,607,290)	(1,171,912)	1,532,700	13,601
Changes in trade and other payables	403,414	684,748	35,094	1,467,064
Changes in provisions	(5,720)	(37,201)	629	32,679
Changes in right of return asset	(7,916)	-	-	-
Changes in refund liability	9,167	-	-	-
Net cash from/(used in) operations - continuing operations	**6,692,492**	**13,851,738**	**674,517**	**769,429**
Changes in inventories	(14,247)	(25,480)	-	-
Changes in trade and other receivables and prepayments	(47,761)	127,174	-	-
Changes in trade and other payables	64,870	35,512	-	-
Net cash from/(used in) operations - discontinued operations	**2,861**	**137,206**	**-**	**-**
Net cash from/(used in) operations	**6,695,354**	**13,988,944**	**674,517**	**769,429**

31. Related party transactions

The Company

The company's related parties consist of companies in whom the company has shareholding and similar interests (it's subsidiaries, associates & joint venture partners), the key management personnel of the company and their close family members and all other entities that are directly or indirectly controlled by the company.

The following transactions were carried out with the subsidiaries:

(a) Sales of goods and services

The Company has commercial service agreements with its subsidiaries for support services. Income from commercial services fees(representing 0.75-1% of revenue of the subsidiaries) **N467 million** (2017: **N627 million**).

This has been included in the revenue of the Company.

	Company	
	2018	**2017**
	N'000	**N'000**
UACN Property Development Co. Plc	21,128	35,811
Grand Cereals Limited	262,177	355,521
Chemical & Allied Products Plc	77,641	71,140
Warm Spring Waters Nigeria Limited	-	3,328
UAC Foods Ltd	-	34,590
UNICO Closed PFA Ltd	-	1,708
Portland Paints & Products Plc	28,032	23,286
Livestock Feeds Plc	78,372	101,917
	467,349	**627,299**

(b) Period-end net balances arising from sales/purchases of goods/services with subsidiaries

	Company	
	2018	**2017**
Receivable:	**N'000**	**N'000**
UACN Property Development Co. Plc	1,426,131	1,507,072
Chemical & Allied Products Plc	23,071	9,148
Grand Cereals Limited	3,168,457	3,709,495
UNICO CPFA Ltd	3,121	5,165
UAC Restaurants Limited	6,905	10,288
Portland Paints Plc	87,207	115,853
Livestock Feeds Plc	17,011	746,779
MDS Logistics Plc	7,936	5,408
UAC Foods Ltd	55,327	62,266
	4,795,165	**6,184,521**

All trading balances will be settled in cash.

	Group	
(c) Receivables from related companies	**2018**	**2017**
	N'000	**N'000**
UPDC Metrocity Limited	1,681,460	2,417,530
First Festival Mall Limited	-	2,566,018
First Restoration Dev. Co. Limited	360,084	390,825
Calabar Golf Estate Limited	237,055	538,893
Pinnacle Apartment Development Limited	-	98,326
Imani and Sons	496,734	843,353
Galaxy Mall Current Account	-	73,314
UPDC REIT	12,363	-
	2,787,695	**6,928,259**

There were no allowance for doubtful debt relating to related party receivables as at 31 December 2018 (2017: nil) and no charges to the profit or loss in respect of doubtful related party receivables.

	Group	
(d) Amount owed to related companies	**2018**	**2017**
	N'000	**N'000**
UPDC REIT	-	129,005
James Pinnock current account	32,359	1,066,125
	32,359	**1,195,130**

(e) Key Management Personnel

Total transactions with key management personnel amounted to **Nil** during the year (2017:Nil).

Intra-group and other related party transactions are carried out at normal commercial terms and conditions.

32. Capital commitments and contingent liabilities

	Group		Company	
	2018	**2017**	**2018**	**2017**
	N'000	**N'000**	**N'000**	**N'000**
Capital expenditure authorised	1,248,396	13,905,512	165,942	122,260
Capital expenditure authorised & contracted	1,077,829	5,536,727	219,420	33,620

32. Capital commitments and contingent liabilities (continued)

In 2006, UPDC acquired a parcel of land in Ikoyi from Wema Bank. The property was originally owned by the Federal Ministry of Works and Housing (FMWH). Subsequently, Parkview Estate was developed on the property at a carrying value of N1.5billion.

However, County & City Bricks Limited (CCBL) had taken the Federal Government and UPDC to court claiming that the land was leased to it in 1998 and therefore any subsequent dealing on the portion of land adverse to its interest is null and of no effect.

Judgment was delivered in June 2009 to the effect that there was indeed a contract between the FMWH and CCBL which the Ministry breached and that they were entitled to the parcel of land (including the UPDC acquired area). The court further declared that the certificates of UPDC and other parties to the suits were null and void. CCBL, with the help of police officers, but without a writ of execution from the Court and any bailiff of Court, forcefully took over the premises and ejected UPDC's contractors and workers therefrom.

UPDC has appealed the judgment. The lawyer's opine that UPDC has a high chance of succeeding in its appeal because of inconsistencies in the judgment of the High Court and that the company is a bonafide purchaser of value without notice of any encumbrance on the property before acquiring a legal title.

Steve Akhigbemidu & Co. (Estate Surveyors & Valuers) assessed and valued the property in 2014 - fair market: N1.8billion, forced sale: N1.2billion, following which the directors wrote down the property to its forced sale value of N1.2 billion.

The directors have written down the property to its forced sale value of N1.2 billion in 2014.
In an event the company loses the case the carrying value of the property in its books is N1.2 billion.

There were other litigations as at the reporting date in the ordinary course of business which involved land acquisition, contractual claims and recovery of overdue rents and service charges. In the opinion of the directors, no material loss is expected to arise from these. However, those evaluated to likely result in loss were provided for.

33. Technical support agreements

a) A subsidiary (CAP Plc) has a royalty agreement with AkzoNobel, United Kingdom in respect of paints produced and sold by the subsidiary. Amount charged for the period (representing 3% of turnover of Dulux Brand) is **N139.83 million** (2017: **N123.24 million**)

34. Disposal group held for sale and discontinued operations

Disposal group held for sale

UPDC Hotels Ltd (UHL)
The Board of UPDC Plc decided on 24th October 2017 to sell its investment in UPDC Hotels (UHL). The sale is expected to be completed within a year from the reporting date. Consequently, UHL has been classified as a disposal group held for sale and as a discountinued operation in accordance with IFRS 5.

Disposal group held for distribution to owners

UNICO CPFA Limited (UNICO)
The Board of UNICO CPFA Limited with the concurence of shareholders of the company resolved on 24th November 2017 to discontinue pension business and dissolve the company. Hence, this entity was classified as a disposal group held for distribution to owners in the year ended 31 December 2017.

Warm Spring Waters Nigeria Limited (WSWNL)
The Board of Warm Spring Waters Nigeria Limited agreed to voluntarily wind up the Company in the foreseeable future. This decision was sanctioned by the shareholders at the extra ordinary meeting held on 5 February 2018.

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. These factors include but are not limited to slow down in business activities in view of the upcoming elections. Management however, remains committed to concluding the sale within a reasonable time frame

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

	UHL 31-Dec-18 N'000	UNICO 31-Dec-18 N'000	WSWNL 31-Dec-18 N'000	TOTAL 31-Dec-18 N'000
Assets				
Non-current assets:				
Property, plant and equipment	11,814,513	2,920	606,150	12,423,583
Intangible assets	4,726	-	-	4,726
Deferred tax asset	-	945	-	945
	11,819,239	3,865	606,150	12,429,254
Current assets				
Inventories	152,603	-	25,403	178,006
Trade and other receivables	162,044	-	21,936	183,980
Statutory Reserve Fund Account	-	66,096	-	66,096
Held to maturity- Treasury bills	-	184,266	-	184,266
Cash and short-term deposits	128,775	42,256	3,769	174,800
	443,423	292,618	51,108	787,148
Assets of disposal group classified as held for sale/ distribution to owners	**12,262,662**	**296,482**	**657,258**	**13,216,402**
Less: Impairment of assets of disposal group held for sale	**(3,942,488)**	**-**	**-**	**(3,942,488)**
Total	**8,320,174**	**296,482**	**657,258**	**9,273,914**
Liabilities				
Non-current liabilities				
Borrowings	-	-	-	-
Deferred taxation liabilities	-	-		-
	-	-	-	-
Current liabilities				
Trade and other payables	749,058	23,871	151,329	924,258
Current income tax liabilities	-	8,004	17,120	25,124
	749,058	31,876	168,449	949,382
Total	**749,058**	**31,876**	**168,449**	**949,382**

Warm Spring Waters owes UACN Plc N652 million (2017: N652 million), this amount was treated as intragroup transaction on consolidation.

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

	UHL 31-Dec-18 N'000	UNICO 31-Dec-18 N'000	WSWNL 31-Dec-18 N'000	TOTAL 31-Dec-18 N'000	UHL 31-Dec-17 N'000	UNICO 31-Dec-17 N'000	WSWNL 31-Dec-17 N'000	TOTAL 31-Dec-17 N'000
Revenue	1,364,051	106,928	-	1,470,979	1,622,069	170,750	460,748	2,253,567
Cost of sales	(1,252,737)	-	-	(1,252,737)	(1,307,137)	-	(373,638)	(1,680,775)
Gross profit	111,314	106,928	-	218,242	314,931	170,750	87,110	572,791
Other income	27,002	14,182	-	41,184	8,696	12,142	301	21,139
Selling and distribution expenses	(85,668)	-	-	(85,668)	(91,604)	-	(109,232)	(200,836)
Administrative expenses	(200,301)	(111,588)	-	(311,889)	(525,658)	(184,477)	(84,790)	(794,925)
Operating profit	(147,652)	9,522	-	(138,131)	(293,635)	(1,585)	(106,611)	(401,831)
Finance income	-	33,889	-	33,889	-	46,639	-	46,639
Finance cost	-	-	-	-	-	-	(871)	(871)
(Loss)/Profit before tax from discontinued operations	(147,652)	43,411	-	(104,241)	(293,635)	45,054	(107,482)	(356,063)
Tax expense:								
Related to pre-tax profit/(loss) from the ordinary activities for the period	-	(8,003)	-	(8,003)	-	(2,329)	(3,171)	(5,500)
(Loss)/profit from discontinued operations	**(147,652)**	**35,408**	**-**	**(112,244)**	**(293,635)**	**42,726**	**(110,653)**	**(361,562)**

The assets are carried at carrying value since this is lower than the fair value less cost to sell.

Cashflows from discontinued operations:

The net cash flows incurred are, as follows:

	UHL 31-Dec-18 N'000	UNICO 31-Dec-18 N'000	WSWNL 31-Dec-18 N'000	UHL 31-Dec-17 N'000	UNICO 31-Dec-17 N'000	WSWNL 31-Dec-17 N'000
Operating	54,108	36,388	-	145,875	219	18,289
Investing	(42,779)	22,660	-	(22,176)	(126,498)	(17,386)
Financing	-	(37,500)	-	(41,396)	(19,500)	(3,104)
Net cash (outflows)/inflows	**11,328**	**21,547**	**-**	**82,303**	**(145,779)**	**(2,201)**

35. Disclosure of Interests in Other Entities

35.1 Composition of the group

UAC of Nigeria Plc is a diversified conglomerate with interests in six primary verticals - Animal Feeds (2 entities), Packaged Foods (1 entity), Quick Service Restaurant (1 entity), Real Estate (1 entity), Paints (2 entities) and Logistics (1 entity). The group comprises of a corporate centre (the Company) holding controlling interests in 8 entities.

35.2 Subsidiaries with significant non-controlling interests

MDS Logistics Limited (MDS) – MDS Logistics Limited is a company which provides warehousing, distribution and redistribution services to clients in Nigeria. The company's principal place of business is Lagos, Nigeria. In 2013, UAC divested 49% of its 100% stake in the company to Imperial Mobility International BV ("Imperial"), thereby retaining 51%. Imperial held a 49% stake in the company as at 31 December 2018 (2017: 49%). The profit allocated to Non-Controlling Interest (NCI) for the year 2018 is N403 million (2017:N287 million) and total dividend paid amounts to N550 million (2017: N1.2 billion). As at the 31 December 2018, the accumulated NCI in the subsidiary was N2.49 billion (2017: N2.37 billion).

UAC Restaurants Limited (UACR) – UAC Restaurants Limited is a quick service restaurant company that operates through the Mr Biggs' chain of restaurants, using the franchise model. The company's principal place of business is Lagos, Nigeria. In 2013, UAC divested 49% of its 100% stake in the company to Famous Brands, thereby retaining 51%. Famous Brands held a 49% stake in the company as at 31 December 2018. The profit allocated to Non-Controlling Interest (NCI) for the year 2018 is N14.20 million (2017: Loss of N3.23 million) and no dividend was paid. As at 31 December 2018, the accumulated NCI in the subsidiary was N192 million (2017: N195 million).

UAC Foods Limited (UFL) – UAC Foods Limited is a company involved in the manufacture of packaged snacks, fruit juice, ice-cream and bottled spring water. The company's principal place of business is Lagos, Nigeria. In 2011, UAC divested 49% of its 100% stake in the company to Tiger Brands, thereby retaining 51%. Tiger Brands held a 49% stake in the company as at 31 December 2018 (2017: 49%). The profit allocated to Non-Controlling Interest (NCI) for the year 2018 is N479 million (2017:N473 million) and total dividend paid amounts to N700 million (2017: N600 million). As at 31 December 2018, the accumulated NCI in the subsidiary was N2.95 billion (2016: N2.86 billion).

Summarised financial information	MDS	UACR	UFL
31-Dec-18	N'000	N'000	N'000
Non-current assets	3,388,885	358,211	3,030,459
Current assets	3,419,864	629,222	6,753,623
Current liabilities	1,185,925	600,108	3,144,334
Non-current liabilities	533,709	10,874	532,671
Revenue	5,971,060	1,277,917	16,202,326
Profit before tax	1,220,209	59,236	1,361,871
Total comprehensive income	821,726	12,729	992,455

	MDS	UACR	UFL
31-Dec-17	N'000	N'000	N'000
Non-current assets	3,563,181	422,816	3,681,734
Current assets	2,707,390	481,242	6,089,891
Current liabilities	839,164	489,231	3,120,228
Non-current liabilities	599,787	17,223	745,465
Revenue	5,039,851	1,242,561	14,379,348
Profit before tax	840,405	51,102	1,353,713
Total comprehensive income	586,389	(6,589)	964,070

Acquisition of additional interest in subsidiaries

i. Grand Cereals Limited (GCL)

In January 2018, the company subscribed for rights issue made by Grand Cereals Limited. In addition, the Company took additional rights not taken by some other shareholders. Thus, the total additional shares acquired by the group is 483 million shares. While the total consideration of N5.01 billion was paid to Grand Cereals Limited by UAC of Nigeria Plc, no consideration was paid to non-controlling shareholders for the rights not taken by them. The group now holds 67.15% of the equity share capital of Grand Cereals Limited. This represents an increase of 2.2% arising from rights not taken by non controlling shareholders which was acquired by UAC of Nigeria Plc. The carrying value of the net asset of Grand Cereals Limited (including goodwill on the original acquisition) on the date of acquisition was N8.9 billion.
The effect of changes in the ownership interest of UACN Group on the equity attributable to owners of the company during the year is summarised as follows:

	N'000
Cash consideration paid to non-controlling shareholders	-
Carrying value of the additional interest in Grand Cereals Limited	(227,276)
Difference recognised in retained earnings	(227,276)

ii. Chemical and Allied Products Plc (CAP Plc)

In May 2018, the company acquired additional 1.4% of the share capital of Chemical and Allied Products Plc for N380 million via secondary market trade. Thus, the total additional shares acquired by the group is 9.8 million shares. While the total consideration of N380 million was paid to Chemical and Allied Products Plc, no consideration was paid to non-controlling shareholders for the shares taken by them. The group now holds 51.58% of the equity share capital of Chemical and Allied Products Plc. The carrying value of the net asset of Chemical and Allied Products Plc (including goodwill on the original acquisition) on the date of acquisition was N2.8 billion.
The effect of changes in the ownership interest of UACN Group on the equity attributable to owners of the company during the year is summarised as follows:

	N'000
Cash consideration paid to non-controlling shareholders	-
Carrying value of the additional interest in Chemical and Allied Products Plc	(49,474)
Difference recognised in retained earnings	(49,474)

36. Fair Value Measurements

Fair value of investment property

An independent valuation of the group's investment property was performed by valuers to determine the fair value of investment properties as at 31 December 2018. The gain on fair valuation was credited to profit or loss and is shown in "other gains" (Note 6). The following table analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:
- Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The valuation of investment property results in a level 3 fair value

Valuation techniques used to derive level 3 fair values
Investment Property
Level 3 fair values for investment property has been derived using the open market value. To obtain the open market value, the following were considered, a willing buyer, a willing seller, the property is freely exposed to the market, a reasonable period within which to negotiate sale, taking into account the nature of the property and state of the market.The open market value methodology falls within the "market approach" as stipulated by IFRS 13.

Fair value measurements as at 31 December 2018 using:

all figures in N'000 unless otherwise stated	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurements	N'000	N'000	N'000
Investment Property			
UAC Company	-	-	2,694,651
UPDC	-	-	5,134,012
Group			**7,828,663**
Financial assets fair valued through Other Comprehensive Income			
UPDC Ltd and company investment in financial assets	40,000	-	-

Fair value measurements as at 31 December 2017 using:

all figures in N'000 unless otherwise stated	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurements	N'000	N'000	N'000
Investment Property			
UAC Company	-	-	2,758,650
UPDC	-	-	10,727,387
Group			**13,486,037**
Available for sale financial assets			
Livestock Feeds Plc investment in financial assets for sale	-	-	-

Reconciliation of level 3 fair values	**2018** Investment Property (Company)	Investment Property (Group)
	N'000	N'000
Opening balance	2,758,650	13,486,037
Transfers to/(from) level 3	-	-
Additions	2,559	2,560
Reclassifications	-	140,000
Disposals	(118,497)	(5,209,997)
Profit/(Loss) recognised in profit or loss	51,939	(589,936)
Closing Balance	2,694,651	7,828,663

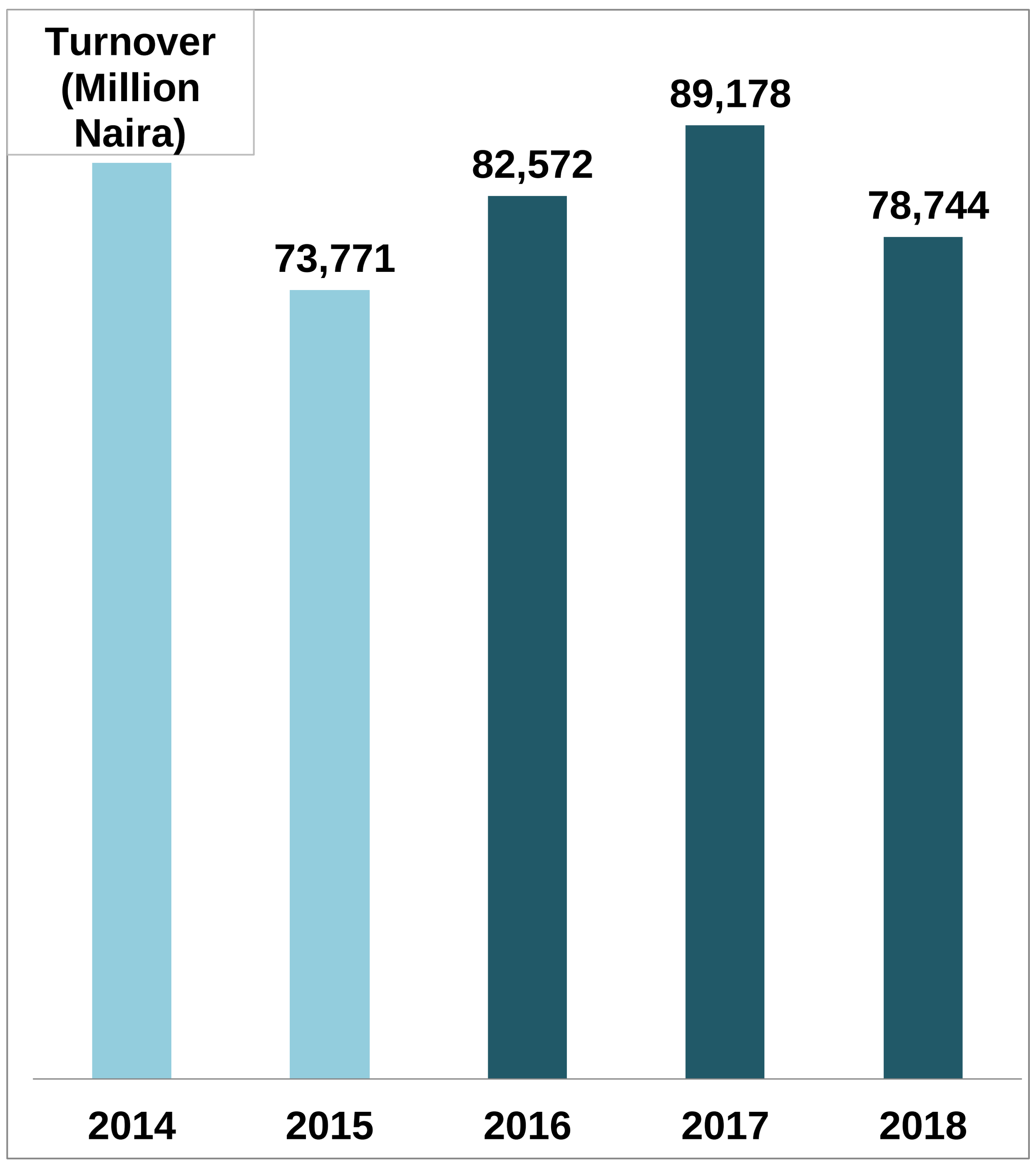
Reconciliation of level 3 fair values	**2017** Investment Property (Company)	Investment Property (Group)
	N'000	N'000
Opening balance	3,032,200	19,870,234
Transfers to/(from) level 3	-	-
Additions	8,396	145,502
Reclassifications	-	-
Disposals	(95,000)	(6,196,098)
Gains recognised in profit or loss	(186,946)	(333,601)
Closing Balance	2,758,650	13,486,037

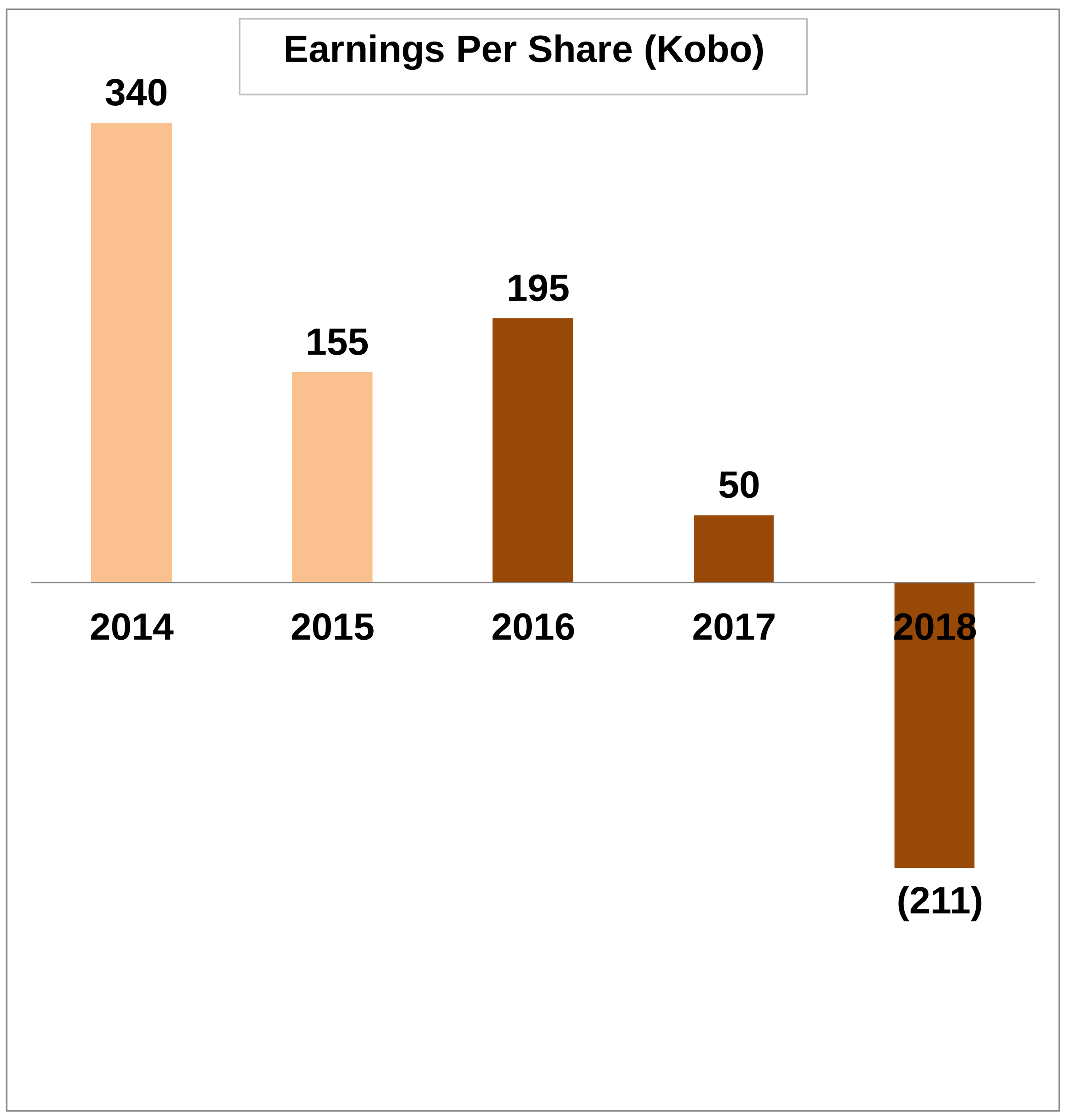
Valuation process for the group

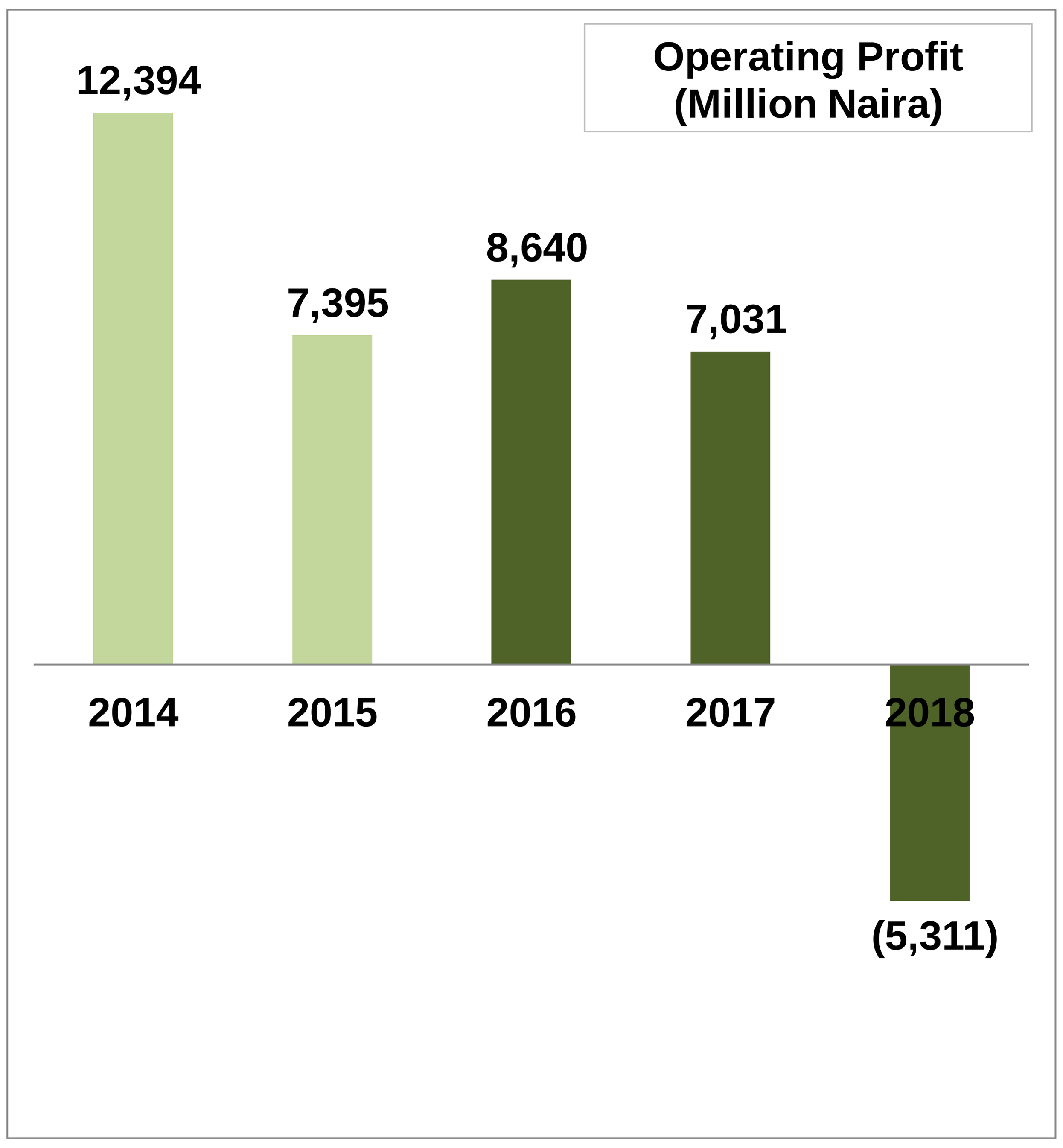
On an annual basis, the group engages external, qualified valuers to determine the fair value of the group's investment properties, using level 3 inputs. The firm of Messrs Steve Akhigbemidu & Co carried out the valuation exercise of investment properties as at 31 December 2018.
The external valuations of the level 3 investment properties have been performed using the Open Market Approach. The external valuers has determined these inputs based on the size, age, condition of the land and buildings, willing buyer, willing seller, the state of the local economy and a reasonable period within which to negotiate sale, taking into account the nature of the property and state of the market.

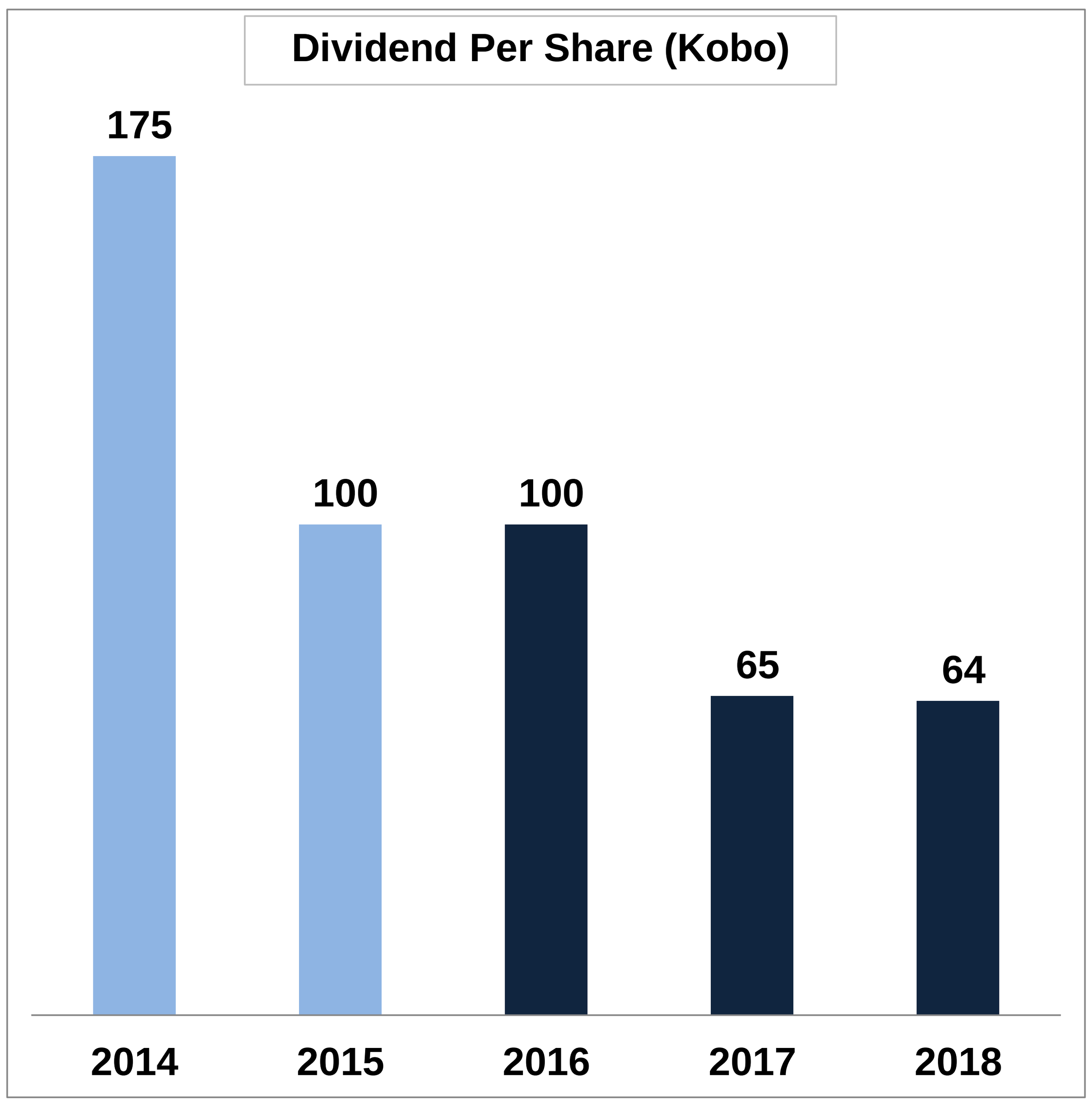
Information about fair value measurements using significant unobservable inputs (Level 3)

Description	**Fair value as at 31 December 2018**	**Fair value as at 31 December 2017**	**Valuation Technique**	**Unobservable inputs**	**Relationship of unobservable inputs to fair value**
Investment Property - UAC Company	2,694,651	2,758,650	Market Approach	The price range used per square metre are N20,000 – N75,000 which determined by demand and availability of property of that quality in that location	The higher the estimated price per square meter, the higher the value
Investment Property - UPDC	5,134,012	10,727,387	Market Approach	The price range used per square metre are N20,000 – N85,000 which determined by demand and availability of property of that quality in that location	The higher the estimated price per square meter, the higher the value









Figures are based on IFRS

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Group five-year financial summary
Year ended 31 December 2018

	IFRS				
Naira millions	2014	2015	2016	2017	2018
Funds Employed					
Equity attributable to equity holders of the Company	**44,965**	**44,588**	**46,418**	**51,749**	**58,129**
Non-controlling interest	**30,110**	**29,554**	**30,047**	**21,377**	**16,079**
Creditors due after one year	**13,296**	**13,174**	**10,067**	**6,219**	**9,208**
Provisions	**132**	**134**	**22**	**17**	**11**
	88,503	**87,449**	**86,555**	**79,363**	**83,427**
Employment of funds					
Property, plant and equipment	**59,305**	**58,260**	**56,995**	**37,371**	**30,685**
Long term investments	**19,091**	**21,198**	**19,696**	**19,110**	**20,091**
Net current (liabilities) / assets	**10,226**	**7,897**	**9,877**	**10,510**	**24,327**
	88,622	**87,355**	**86,569**	**66,991**	**75,104**
Capital expenditure	**3,029**	**1,809**	**1,839**	**1,313**	**2,924**
Depreciation	**2,629**	**2,495**	**2,611**	**2,669**	**2,263**

Results	IFRS				
Turnover	**85,654**	**73,771**	**82,572**	**89,178**	**78,744**
Profit from operations	**12,394**	**7,395**	**8,640**	**7,031**	**(5,311)**
Share of profit of associated companies	**2,979**	**1,787**	**1,090**	**539**	**1,806**
Taxation	**(3,370)**	**(2,570)**	**(2,074)**	**(1,922)**	**(3,960)**
Profit after tax and non-controlling interest	**6,532**	**2,983**	**3,751**	**956**	**(6,090)**
Dividend - proposed	**(3,362)**	**(1,921)**	**(1,921)**	**(1,249)**	**(1,844)**
Profit for the year retained	**3,171**	**(378)**	**1,830**	**(965)**	**(7,963)**
Share prices : High (kobo)	**7,120**	**4,274**	**2,200**	**1,672**	**985**
Low (kobo)	**3,400**	**1,875**	**1,681**	**1,672**	**975**
Market capitalisation (period-end)	**65,309**	**36,016**	**32,290**	**32,117**	**28,093**
Dividend per share (kobo)	**175**	**100**	**100**	**65**	**64**
Dividend per share (kobo) - adjusted	**175**	**100**	**100**	**65**	**64**
Earnings per share (kobo)	**340**	**155**	**195**	**50**	**(211)**
Earnings per share (kobo) - adjusted	**340**	**155**	**195**	**50**	**(211)**
Net assets per share (kobo)	**3,876**	**3,860**	**3,981**	**3,807**	**2,576**
Dividend cover (times)	**1.8**	**1.0**	**1.0**	**0.7**	**0.6**

UAC of Nigeria Plc

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Statement of Value Added
For the year ended 31 December 2018

	Group				Company			
	2018		2017		**2018**		2017	
	=N=Million	**%**	=N=Million	%	**=N=Million**	**%**	=N=Million	%
Turnover	78,744		89,178		681		821	
Share of associated companies' profits	1,806		539		-		-	
Interest received & other income	4,421		5,577		3,355		1,821	
Cost of materials and services:								
Imported	(374)		(369)		-		-	
Local	(75,157)		(75,549)		1,209		2,422	
Value Added	**9,441**	**100**	**19,377**	**100**	**5,245**	**100**	**5,064**	**100**
Applied as follows:								
To pay employees								
Salaries, wages and other benefits	7,785	82	7,636	39	892	17	706	14
To pay government								
Taxes	3,960	42	1,922	10	587	11	659	13
To pay providers of capital								
Interest charges	4,988	53	6,185	32	-	-	-	-
To pay shareholders								
Dividend	1,249	13	1,921	10	1,249	24	3,362	66
Retained for replacement of assets and business growth:								
Depreciation and Amortisation	2,263	24	2,664	14	158	3	195	4
Non-controlling interest	(3,487)	(37)	10	0	-	-	-	-
Future Investment	(7,317)	(78)	(961)	(5)	2,360	45	142	3
	9,441	**100**	**19,377**	**100**	**5,245**	**100**	**5,064**	**100**

Value added represents the additional wealth which the group has been able to 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 creations of more wealth.