



**UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 JUNE 2018**

uacn property development company plc RC.3211582

uac house: 1 – 5 odunlami street, p.o. box 156, lagos, Nigeria.

tel: +234 (01) 7919010 fax: (01) 2702202

email: careline@updcplc.com, care line: +234 1 7389363

website: www.updcplc.com

Directors: L.E. Ettah (Chairman), A.F. Taiwo (Mrs.) (Ag. Managing), Arc. H.T. Alao (Mrs.), A.A. Bello, A.O. Awojobi, Prof. O.A. Ansa

TABLE OF CONTENT

PAGE

Consolidated statement of comprehensive income	1
Consolidated statement of financial position	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Notes to the consolidated financial statements	5 - 16

UACN PROPERTY DEVELOPMENT COMPANY PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30TH JUNE 2018

The Group					
	Notes	3 months ended 30/06/18 N'000	6 months ended 30/06/18 N'000	3 months ended 30/06/17 N'000	6 months ended 30/06/17 N'000
Revenue	3	599,848	1,200,109	665,906	2,225,557
Cost of sales	5	(547,005)	(1,122,986)	(674,708)	(2,110,376)
Gross profit		52,842	77,123	(8,802)	115,182
Gain on disposal of investment properties		22,982	22,982	481,433	481,433
Selling and distribution expenses	5	(1,227)	(2,489)	(5,718)	(9,595)
Administrative expenses	5	(185,231)	(323,157)	(150,922)	(315,013)
Other operating income	4i	379,715	456,783	276,240	297,940
Other project losses	4iii	(3,500)	(3,500)	(110,606)	(110,606)
Operating (loss)/ profit		265,581	227,742	481,626	459,341
Finance income	6	(65,967)	8,912	107,339	301,918
Finance cost	6	(1,250,505)	(2,222,795)	(1,537,960)	(3,054,828)
Net finance cost		(1,316,471)	(2,213,883)	(1,430,621)	(2,752,910)
Share of profit of associates	4ii	331,122	578,305	250,193	642,857
Share of Loss of Joint Ventures		(59,790)	(117,189)	(106,590)	(213,179)
Loss before taxation		(779,558)	(1,525,025)	(805,391)	(1,863,892)
Taxation	7	(37,969)	(80,205)	(2,071)	(43,307)
Loss from continuing operations		(817,527)	(1,605,230)	(807,462)	(1,907,199)
Discontinued operations					
Loss from discontinued operations	24	(115,835)	(227,747)	(63,319)	(156,185)
Loss for the period		(933,361)	(1,832,978)	(870,781)	(2,063,383)
Other comprehensive income for the period net of taxation		-	-	-	-
Total comprehensive income/(Loss) for the period		(933,361)	(1,832,978)	(870,781)	(2,063,383)
Profit/ (Loss) attributable to:					
Equity holders of the parent		(927,222)	(1,820,907)	(867,425)	(2,055,105)
Non controlling interest		(6,139)	(12,071)	(3,356)	(8,278)
Total Profit/(Loss)		(933,361)	(1,832,978)	(870,781)	(2,063,383)
Total comprehensive income/(Loss) attributable to:					
Equity holders of the parent		(927,222)	(1,820,907)	(867,425)	(2,055,105)
Non controlling interests		(6,139)	(12,071)	(3,356)	(8,278)
Total comprehensive income/(Loss)		(933,361)	(1,832,978)	(870,781)	(2,063,383)
Earnings per share for profit attributable to the equity holders of the group:					
Basic Earnings Per Share (Kobo)	8	(36)	(70)	(50)	(120)
Diluted Earnings Per Share (Kobo)	8	(36)	(70)	(50)	(120)

The notes on pages 5 to 16 are an integral part of these consolidated financial statements.

UACN PROPERTY DEVELOPMENT COMPANY PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2018

	Notes	The Group	
		30 June 2018 N'000	31 Dec. 2017 N'000
Assets			
Non-current assets			
Property, plant and equipment	9	60,590	76,063
Intangible assets	10	33,180	37,894
Investment properties	11	9,952,175	10,423,675
Investments in joint ventures	12	73,606	190,795
Investments in associates	12	18,918,826	18,918,826
Available-for-sale financial assets	13	10,000	10,000
Investments in subsidiaries	14	-	-
Deferred taxation assets		621,756	621,756
		29,670,133	30,279,010
Current assets			
Inventories	15	10,778,145	11,539,283
Trade and other receivables	16	9,681,663	9,605,741
Cash at bank and in hand	17	215,311	860,025
		20,675,119	22,005,048
Assets of disposal group classified as held for sale/distribution to owners	24	12,076,838	12,294,007
Total assets		62,422,090	64,578,063
Equity			
Share capital		1,299,198	1,299,198
Share premium		6,065,397	6,065,397
Retained earnings		24,618,771	26,439,679
Equity attributable to equity holders of the Company		31,983,366	33,804,273
Non controlling interest		(177,920)	(165,849)
Total equity		31,805,446	33,638,424
Liabilities			
Non-current liabilities			
Interest bearing Loans and Borrowings	18	4,355,000	666,667
Deferred revenue	20	3,123	3,192
		4,358,123	669,859
Current liabilities			
Trade and other payables	19	8,621,890	9,432,689
Current income tax liabilities		1,102,303	1,022,098
Interest bearing Loans and Borrowings	18	15,333,245	18,623,866
Dividend Payable		339,920	359,688
Deferred revenue	20	153,434	156,823
		25,550,792	29,595,163
Liabilities of disposal group classified as held for sale/distribution to owners	24	707,729	674,617
Total liabilities		30,616,644	30,939,639
Total equity and liabilities		62,422,090	64,578,063

The financial statements on pages 1 to 4 were approved and authorised for issue by the board of directors on 18 July 2018 and were signed on its behalf by:



Larry E. Ettah
Chairman
FRC/2013/IODN/00000002692



Adeniyun F. Taiwo
Ag. Managing Director
FRC/2013/ICAN/0000000723



Olugbenga E. Fagbami
Financial Accountant
FRC/2018/ICAN/00000018050

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UACN PROPERTY DEVELOPMENT COMPANY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30TH JUNE 2018

THE GROUP

Attributable to owners of the Company

	Share Capital N'000	Share Premium N'000	Retained Earnings N'000	Total N'000	Non Controlling interest N'000	Total N'000
Balance at 1 January 2017	859,375	3,943,273	29,371,754	34,174,401	(150,287)	34,024,114
Loss for the period	-	-	(2,055,105)	(2,055,105)	(8,278)	(2,063,383)
Balance at 30 June 2017	859,375	3,943,273	27,316,649	32,119,296	(158,565)	31,960,731
Balance at 1 January 2018	1,299,198	6,065,397	26,439,679	33,804,272	(165,849)	33,638,423
Loss for the period	-	-	(1,820,907)	(1,820,907)	(12,071)	(1,832,978)
Balance at 30 June 2018	1,299,198	6,065,397	24,618,771	31,983,366	(177,920)	31,805,445

The notes on pages 5 to 16 are an integral part of these consolidated financial statements.

UACN PROPERTY DEVELOPMENT COMPANY PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30TH JUNE 2018

	The Group	
	2018	2017
	June	June
	N'000	N'000
Cash flow from operating activities (Note 21)	731,561	2,018,376
VAT paid	(213,122)	(29,258)
Net Cash inflow from operating activities	518,440	1,989,118
Cash flow from investing activities		
Proceeds from sale of investment property	649,405	1,482,333
Purchase of property, plant & equipment	(1,025)	(25,255)
Purchase of intangible asset	(2,930)	(6,010)
Proceeds from sale of property, plant and equipment	7,582	50
Additions of investment properties	-	(5,586)
Interest received	8,912	301,918
Net cash flow from investing activities	661,943	1,747,450
Cash flow from financing activities		
Proceeds from borrowings - Note 18 (iii)	1,321,365	145,179
Repayment of borrowings - Note 18 (iii)	(929,467)	(1,166,665)
Interest paid	(2,222,795)	(3,054,828)
Recovery of excess bank charges	-	264,435
Net cash flow from financing activities	(1,830,897)	(3,811,879)
Net increase/(decrease) in cash and cash equivalents	(650,514)	(75,311)
Net foreign exchange difference	(15)	-
Cash and cash equivalents at the beginning of the period	526,509	(863,383)
Cash and cash equivalents at the end of the period (Note 17)	(124,019)	(938,694)

The notes on pages 5 to 16 are an integral part of these consolidated financial statements.

UACN PROPERTY DEVELOPMENT COMPANY PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE PERIOD ENDED 30TH JUNE 2018

1. General information

UAC Property Development Company Plc ('the Company') and its subsidiaries (together 'the Group') is a company incorporated in the Nigeria. The Group has business with activities in the following principal sectors: real estate and hotel management. The address of the registered office is 1-5 Odunlami Street, Lagos.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with IAS 34. The financial statements have been prepared on a historical cost basis except for investment property, held for trading and available for sale financial instruments which are carried at fair value.

(All amounts are in Naira thousands unless otherwise stated)

2.2 Accounting Policies

The accounting policies adopted are consistent with those for the year ended 31 December, 2017.

2.3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

2.4 Financial Risk Management

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.

This interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the company's annual financial statements as at 31 December 2017. There have been no changes in the risk management structure since year end or in any risk management policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Segment Analysis

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

Nigeria is the Company's primary geographical segment as the operations of the Company are entirely carried out in Nigeria. As at June 30, 2018, UPDC Plc operations comprised one main business segments which is Property development, sales and management.

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

The following measures are reviewed by Exco:

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

	30 June 2018 N'000	30 June 2017 N'000
Total Revenue	1,200,109	2,225,557
Earnings before interest and tax	227,742	459,341
Loss before tax	(1,525,025)	(1,863,892)
Net current assets	(4,875,673)	(11,633,329)
Property, plant and equipment	60,590	98,932

Entity wide information

Analysis of revenue by category:

	30 June 2018 N'000	30 June 2017 N'000
Sale of property stock	807,566	1,599,001
Share of James Pinnock sale of property stock	145,641	288,596
Rental income	143,799	258,102
Project and Management Surcharge Income	103,103	79,858
	1,200,109	2,225,557

Analysis of revenue by geographical location:

	30 June 2018 N'000	30 June 2017 N'000
Nigeria	1,200,109	2,225,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 (i). Other Income

	The Group	
	June 2018 N'000	June 2017 N'000
Sales commission	23,551	2,242
Legal and Documentation Fee	112,952	26,849
Profit on sale of PPE	4,138	41
Exchange Gain	(15)	-
Service charge income from UHL	6,158	4,374
Recovery from property sold/excess bank charges	310,000	264,435
Total other income	456,783	297,940

4 (ii) Share of profit of associate

578,305 **642,857**

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 as at 31 March 2018. The share of profit recognised in the group financial statements relates to UPDC's share of the REIT's profit.

4 (iii) Other Project Losses

	The Group	
	June 2018 N'000	June 2017 N'000
Losses on Projects	3,500	110,606
	3,500	110,606

These are additional expenses post project completion.

5 (i) Expenses by nature

	The Group	
	June 2018 N'000	June 2017 N'000
Change in inventories of finished goods and other direct costs of inventories	1,016,089	2,015,219
Direct operating expenses for Investment properties	69,559	50,496
Personnel expenses	228,008	232,566
Depreciation & Amortization	22,097	23,633
Professional fees	41,703	8,892
Directors' emoluments	30,474	36,022
UACN management fee	11,072	20,338
Information Technology	20,802	29,865
Insurance	6,339	8,358
Marketing & Communication	2,489	9,595
	1,448,633	2,434,982

5 (ii) Expenses by function

Cost of sales	1,122,986	2,110,376
Selling and distribution expenses	2,489	9,595
Administrative expenses	323,157	315,013
	1,448,633	2,434,982

6. Net finance income/(cost)

	The Group	
	June 2018 N'000	June 2017 N'000
Finance Income	8,912	301,918
Interest payable on borrowings	(2,174,625)	(2,980,372)
Interest payable on bank overdraft	(48,170)	(74,457)
Finance Costs	(2,222,795)	(3,054,828)
Net finance cost	(2,213,883)	(2,752,910)

7. Taxation

	The Group	
	June 2018 N'000	June 2017 N'000
<i>Current tax</i>		
Nigeria corporation tax charge for the period	80,205	43,307
Total current tax charge	80,205	43,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. 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 excluding ordinary shares purchased by the company and held as treasury shares.

	The Group	
	June 2018	June 2017
Loss attributable to ordinary equity shareholders (NGN'000)	(1,820,907)	(2,055,105)
Basic earnings per share (Kobo)	(70)	(120)
Diluted earnings per share (Kobo)	(70)	(120)

	The Group	
	June 2018 Number ('000)	June 2017 Number ('000)
Basic weighted average and Diluted weighted average number of shares	2,598,396	1,718,750

(b) Diluted

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

9. Property, plant and equipment

The Group

	Leasehold land and buildings	Motor vehicles	Plant and Machinery	Furniture & Fittings	Computer Equipment	Total
Cost	N'000	N'000	N'000	N'000	N'000	N'000
At 1 January 2017	14,515,138	255,098	810,762	1,514,953	131,179	17,227,129
Addition	-	-	24,123	1,541	935	26,598
Disposals	-	(10,023)	(11,188)	(2,668)	(4,164)	(28,043)
Assets held for sale	(14,515,138)	(72,506)	(683,765)	(1,456,848)	(70,892)	(16,799,150)
At 31 December 2017	-	172,568	139,932	56,977	57,057	426,534
At 1 January 2018	-	172,568	139,932	56,977	57,057	426,534
Addition	-	-	-	317	709	1,025
Disposals	-	(18,869)	(2,375)	(341)	(933)	(22,517)
At 30 June 2018	-	153,699	137,557	56,953	56,833	405,042

Accumulated depreciation and impairment

At 1 January 2017	2,565,861	197,654	803,845	1,294,391	119,135	4,980,886
Charge for the period	-	12,734	16,365	4,757	3,002	36,857
Disposals	-	(10,023)	(10,069)	(2,439)	(4,164)	(26,695)
Assets held for sale	(2,565,861)	(52,598)	(708,716)	(1,247,090)	(66,312)	(4,640,577)
At 31 December 2017	-	147,766	101,425	49,619	51,660	350,470
At 1 January 2018	-	147,766	101,425	49,619	51,660	350,470
Charge for the period	-	4,913	7,204	1,139	1,196	14,452
Disposals	-	(17,642)	(1,757)	(307)	(766)	(20,471)
At 30 June 2018	-	135,037	106,872	50,451	52,090	344,451

Net book values

At 30 June 2018	-	18,662	30,685	6,502	4,743	60,590
At 31 December 2017	-	24,802	38,507	7,358	5,397	76,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Intangible assets

Cost	The Group
	Software N'000
At 1 January 2017	318,909
Additions	6,010
Assets held for sale	(39,555)
At 31 December 2017	285,364
At 1 January 2018	285,364
Additions	2,930
At 30 June 2018	288,294

Amortisation

At 1 January 2017	267,507
Amortisation for the period	14,503
Disposals	
Assets held for sale	(34,540)
At 31 December 2017	247,470
At 1 January 2018	247,470
Amortisation for the period	7,645
At 30 June 2018	255,115

Net book values

At 30 June 2018	33,180
At 31 December 2017	37,894

11. Investment property

	The Group		
	Freehold building N'000	Leasehold building N'000	Total investment properties N'000
Fair value			
At 1 January 2017	441,050	16,213,270	16,654,320
Additions	1,286	15,819	17,104
Disposals	-	(6,101,095)	(6,101,095)
Net loss from fair value adjustments on investment properties	(19,336)	(127,319)	(146,654)
At 31 December 2017	423,000	10,000,675	10,423,675
At 1 January 2018	423,000	10,000,675	10,423,675
Additions	-	-	-
Transfer from properties under construction	140,000	-	140,000
Disposals	-	(611,500)	(611,500)
At 30 June 2018	563,000	9,389,175	9,952,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Investments in associates and equity accounted joint ventures

Principal investments	The Group		June 2018 % holding	Dec. 2017 % holding
	June 2018 N'000	Dec. 2017 N'000		
Quoted shares:				
UPDC REIT	18,918,826	18,918,826	61.5%	61.5%
Joint Ventures				
UPDC Metro City Limited	-	-	60.0%	60.0%
First Festival Mall Limited	-	117,189	45.0%	45.0%
Transit Village Dev. Co. Ltd	73,606	73,606	40.0%	40.0%
	73,606	190,796		
	18,992,432	19,109,621		

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

	The Group	
	June 2018 N'000	Dec. 2017 N'000
At 1 January	190,795	481,289
Share of (loss)/ profit of First Festival Mall Limited	(117,189)	(290,283)
Impairment of investment in First Festival Mall Limited	-	(210)
	73,606	190,795

13. Available for sale financial asset

	The Group	
	June 2018 N'000	Dec. 2017 N'000
Investment in UNICO CPFA Limited	10,000	10,000

This represents 6.7% holding in the ordinary share capital of UNICO CPFA Limited, a company incorporated and operating Investments in unquoted equity is classified as Available for sale instrument and is carried at cost. The fair value cannot be determined as the company is not listed in an active market and there are no reliable data or input to calculate the fair value.

14. Investments in subsidiaries

	The Group		% Shareholding	
	June 2018 N'000	Dec. 2017 N'000	June 2018 N'000	Dec. 2017 N'000
UPDC Hotels Limited 2,082,500,000 Shares of =N=1.00 each	2,082,500	2,082,500	94.70	94.70
Manor Gardens 53,810,000 Ordinary Shares of =N=1.00 each	53,810	53,810	67.50	67.50
	2,136,310	2,136,310		
Impairment of investments	(2,136,310)	(2,136,310)		
	-	-		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15(i). Inventories

	The Group	
	June 2018 N'000	Dec. 2017 N'000
Non trade stock	12,041	15,813
Properties under construction (note 15ii)	10,766,104	11,523,469
	10,778,145	11,539,283

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

15(ii). Properties under construction

Cost	The Group	
	June 2018 N'000	Dec. 2017 N'000
Balance 1 January	11,523,469	12,672,132
Additions	283,796	1,282,531
Transfer to Investment Properties	(140,000)	-
Disposal	(901,161)	(2,348,246)
Impairment of Vintage Gardens	-	(82,948)
	10,766,104	11,523,469

16. Trade and other receivables

	The Group	
	June 2018 N'000	Dec. 2017 N'000
Trade receivables	1,813,857	2,130,288
Less: provision for impairment of trade receivables	(128,000)	(133,254)
Net trade receivables	1,685,857	1,997,034
Receivables from group companies (Note 22)	7,445,758	7,024,575
Other receivables	456,821	544,194
Advances to staff	93,227	39,937
	9,681,663	9,605,741

Analysis of other receivables

Mobilization payments to contractors	138,851	172,038
Prepayments and accrued income	7,273	14,566
WHT Receivables	58,940	121,531
Unutilised WHT credit notes	169,738	103,847
VAT Receivables	40,249	75,769
Other Debtors	41,770	56,442
	456,821	544,194

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

	The Group	
	June 2018 N'000	Dec. 2017 N'000
At 1 January	133,254	128,507
Provision for receivables impairment	-	4,747
Bad debt written off	(5,254)	-
	128,000	133,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Cash and cash equivalents

	The Group	
	June 2018 N'000	Dec. 2017 N'000
Cash at bank and in hand	215,311	222,063
Short term investment	-	637,961
	215,311	860,025
Less: bank overdrafts (included in borrowings, note 18)	(339,330)	(333,516)
Cash and cash equivalents	(124,019)	526,508

Offsetting of bank overdraft against cash at bank and in hand is only for the purpose of the statement of cash flow.

18. Interest bearing Loans and Borrowings

	The Group	
	June 2018 N'000	Dec. 2017 N'000
Current borrowings		
Bank Overdrafts	339,330	333,516
Commercial papers dues within one year	13,660,581	16,694,216
Loans due within one year (i)	1,333,333	1,596,134
	15,333,245	18,623,866

Non-current borrowings

Term Loans due after one year (i)	-	666,667
5-year bond	4,355,000	-
	4,355,000	666,667
Total borrowings	19,688,245	19,290,533

(i) Loans

The Group	Amount due		Tenor	Repayment terms	Security
	June 2018 N'000	Dec. 2017 N'000			
Details of the loan maturities are as follows:					
FSDH Merchant Bank Ltd	1,333,333	2,000,000	23 months	Quarterly	Equitable mortgage
Diamond Bank Plc	-	262,800	6 months	Monthly	
	1,333,333	2,262,800			

The average interest rate for facilities during the period was 17.56% (2017 was 23.5%).

All covenants attached to borrowings have been complied with throughout the period.

Total borrowing cost of N47.3 million (2017: N319 million) have been capitalised into various projects using weighted average rate of 18.5%.

(ii) Commercial papers

	The Group	
	June 2018 N'000	Dec. 2017 N'000
First Bank of Nigeria Limited	-	270,500
Commercial Paper	13,660,581	16,423,716
Total Commercial Papers	13,660,581	16,694,216

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

	The Group	
	June 2018 N'000	Dec. 2017 N'000
Balance as at 1 January	19,290,533	22,607,800
Proceeds from borrowings	1,321,365	1,372,242
Repayment of borrowings	(929,467)	(4,070,533)
Repayment of bank overdrafts	5,814	(618,977)
	19,688,245	19,290,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Trade and other payables

	The Group	
	June 2018 N'000	Dec. 2017 N'000
Trade payables	3,708,052	3,843,929
Amounts owed to other related parties (Note 22)	3,584,131	3,829,750
	7,292,183	7,673,679
Provision for employee leave	596	3,293
VAT/WHT Payables	207,453	330,782
Other payables	479,613	444,726
Provisions/Accruals	642,044	980,209
Total	8,621,890	9,432,689

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

20. Deferred revenue

Deferred revenue are rentals received in advance which are recognized in the income statement when earned.

	The Group	
	June 2018 N'000	Dec. 2017 N'000
Within one year	153,434	156,823
Greater than one year	3,123	3,192
	156,557	160,015

The Group as lessor enters into operating leases for its investment properties under non-cancellable basis, as the lessee does not have the power to cancel the contract without the permission of the lessor. The tenure of the lease arrangements vary from 1 year to 2 years. The group as lessor does not have any lease arrangements under finance lease basis it does not typically transfer substantially all the risks and rewards incidental to ownership of leased assets to the lessee. All leased assets under operating leases 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".

Movement in the deferred revenue is as follows:

	The Group	
	June 2018 N'000	Dec. 2017 N'000
Opening balance	160,015	224,735
Rental received in the period	140,341	423,006
Less amount released to Comprehensive Income	(143,799)	(487,727)
Balance carried forward	156,557	160,015

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

	The Group	
	June 2018 N'000	June 2017 N'000
Profit before tax	(1,525,025)	(1,863,892)
Adjustment for non cash items:		
Depreciation	14,452	13,614
Other project losses	3,500	110,606
Amortization of intangible asset	7,645	6,678
(Gain)/ Loss on disposal of investment properties	(22,982)	(481,433)
(Profit)/ Loss on disposal of property, plant and equipment	(4,138)	(41)
Finance cost	2,222,795	3,054,828
Finance income	(8,912)	(301,918)
Exchange (gain)/ Loss	15	-
Share of profit of UPDC REIT	(578,305)	(642,857)
Share of loss of Joint Ventures	117,189	213,179
	226,234	108,766
Changes in working capital:		
(Increase)/decrease in inventories	761,138	1,458,245
Decrease/(increase) in receivables	(75,923)	852,231
Increase/(decrease) in payables	(287,563)	(471,991)
Cash generated from continued operations	623,886	1,947,251
(Increase)/decrease in inventories	57,577	17,415
Decrease/(increase) in receivables	53,605	31,240
Increase/(decrease) in payables	(3,506)	22,469
Cash generated from discontinued operations	107,675	71,125
Net cash from/(used in) operations	731,561	2,018,376

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Related party transactions

The ultimate parent and controlling party of the company is UAC of Nigeria Plc incorporated in Nigeria. There are other companies that are related to UPDC through common shareholdings.

The following transactions were carried out with related parties:

		The Group	
		June 2018	June 2017
		N'000	N'000
	Relationship		
(a) Sales of goods and services			
UAC of Nigeria Plc	Parent	42,233	50,330
MDS Logistics Plc	Fellow Subsidiary	1,578	1,392

(b) Purchases of goods and services

		The Group	
		June 2018	June 2017
		N'000	N'000
	Relationship		
UAC of Nigeria Plc	Parent	17,472	26,750

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

		The Group	
		June 2018	Dec-17
		N'000	N'000
Receivable:	Relationship		
UPDC Metrocity Limited	Joint Venture	2,317,756	2,417,530
First Festival Mall Limited	Joint Venture	2,611,232	2,566,018
First Restoration Dev. Co. Limited	Joint Venture	390,168	390,825
Calabar Golf Estate Limited	Joint Venture	535,314	538,893
Pinnacle Apartment Development Limited	Joint Venture	-	98,326
Imani and Sons	JV Partner	843,353	843,353
Galaxy Mall Current Account	Joint Venture	73,314	73,314
UPDC REIT	Associate	578,305	-
Grand Cereals Limited	Fellow Subsidiary	96,316	96,316
		7,445,758	7,024,575

(i) Loan to First Festival Mall Limited attracts interest at MPR + 4% per annum and repayable after 2 years of operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Payable	Relationship	The Group	
		June 2018 N'000	Dec-17 N'000
UAC of Nigeria Plc.	Parent Company	1,599,065	1,514,745
Chemical and Allied Products Plc	Fellow Subsidiary	263	1,745
UPDC REIT	Associate	135,746	129,082
MDS Logistics Plc	Fellow Subsidiary	566,115	580,964
James Pinnock current account	Joint Venture	712,916	1,066,125
Portland Paints and Products Nig. Plc	Fellow Subsidiary	2,266	2,237
UAC Foods Limited	Fellow Subsidiary	537,016	534,689
Warm Spring Waters Nig. Ltd.	Fellow Subsidiary	-	147
Spring Waters Nig Ltd.	Fellow Subsidiary	15	15
Pinnacle Apartment Development Limited	Joint Venture	30,730	-
		3,584,131	3,829,750

All trading balances will be settled in cash.

There was no provision for doubtful related party receivables at 30 June 2018 for Group and the Company's (2017 - Group: N428.14 million and Company: N453.14 million).

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

23. Management service agreement

The company has a Management Service Agreement with UAC of Nigeria Plc. This agreement provides that the Company pays an annual fee of 1% of its turnover to UACN for services received under the agreement. The services provided include Business Strategy and Financial Advisory, Treasury, Secretarial & Legal, Human Resources Management, Insurance, Pensions & Gratuity Administration, Medical etc. The amount charged in these financial statements is N11.1 million (2017: N20 million). This does not include share of James Pinnock sales (Company's joint operation)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Disposal group held for sale and discontinued operations

UPDC Hotels Ltd.

The Board decided to sell its investment in UPDC Hotels (UHL) in 2017. 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 discontinued operation in accordance with IFRS 5

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

	UPDC Hotels Ltd	
	31 May 2018 N'000	31 Dec. 2017 N'000
<u>Assets</u>		
Non-current assets:		
Property, plant and equipment	11,690,467	11,814,513
Intangible assets	4,125	5,335
	11,694,592	11,819,848
Current assets:		
Inventories	153,439	166,850
Trade and other receivables	146,602	189,861
Cash and short-term deposits	82,205	117,447
	382,246	474,158
Total	12,076,838	12,294,007
<u>Liabilities</u>		
Current liabilities		
Trade and other payables	707,729	674,617
Total	707,729	674,617

UPDC Hotels owe UPDC Plc N13.9 billion, this amount was treated as intragroup transaction on consolidation.

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

	UPDC Hotels Ltd	
	6 months ended 30/06/18 N'000	6 months ended 30/06/17 N'000
Revenue	654,787	763,358
Cost of sales	(630,344)	(630,022)
Gross profit	24,442	133,336
Selling and distribution expenses	(40,639)	(47,205)
Administrative expenses	(213,092)	(249,662)
Other operating income	1,542	7,346
Loss from discontinued operations	(227,747)	(156,185)

Cashflows from discontinued operations:

The net cash flows incurred by UPDC Hotels Ltd. are as follows:

	2018 June N'000	2017 June N'000
Operating	5,860	43,422
Investing	(28,603)	(11,088)
Financing	(12,500)	(12,500)
Net cash (outflows)/inflows	(35,242)	19,834