



IKEJA HOTEL PLC

(RC. 10845)

...Service par Excellence

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IKEJA HOTEL PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS 31 DECEMBER 2017

IKEJA HOTEL PLC IS THE OWNER OF SHERATON LAGOS HOTEL, IKEJA

DIRECTORS: Chief Anthony Idigbe, SAN (Chairman), Mr. Abatcha Bulama, Mr. Ufuoma Ibru, Mr. Toke Alex-Ibru,
Mr. Kunle Aluko, Dr. Alex Thomopoulos, Mrs. Fadeke Alamutu, Mr. Waheed Olagunju

IKEJA HOTEL PLC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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Corporate Information

Country of Incorporation and Domicile:

Nigeria
RC 10845

Directors:

Chief Anthony Idigbe, SAN (Chairman) - Wef 15/5/17
Mr. Toke Alex Ibru - Wef 15/5/17
Mr. Ufuoma Ibru - Wef 15/5/17
Mr. Alexander Thomopulos - Wef 15/5/17
Mr. Kunle Aluko - Wef 15/5/17
Alhaji Abatcha Bulama - Wef 15/5/17
Mr. Waheed Olagunju - Wef 15/5/17
Mrs. Fadeke Alamutu - Wef 15/5/17

Retired Directors

Mr. Goodie M. Ibru- Up to 15/5/17
Dr. Oba Otudeko - Up to 15/5/17
Mr. Rasheed Olaoluwa - Up to 15/5/17
Mr. Yakubu A. Disu - Up to 19/6/17

Company Secretaries:

Punuka Nominees Limited
Plot 45 Oyibo Adjorho Street
Off Ayinde Akinmade Street
Off Admiralty Way
Lekki Peninsula Phase 1, Lagos.

Bankers:

Diamond Bank Plc
Zenith Bank Plc
Union Bank Plc
Sterling Bank Plc

Registered Office:

84, Opebi Road
Ikeja
Lagos.

Joint Auditors:

Messrs Ugochukwu Nwankwo & Co
(Chartered Accountants)
1, Obalodu Street
Ilupeju - Lagos.

Ahmed Zakari & Co
22B, Oladipo Diya Crescent
2nd Avenue Estate
Ikoyi-Lagos

Registrar:

GTL Registrars
274, Murtala Muhammed Way
Yaba
Lagos

IKEJA HOTEL PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

In accordance with the provisions of the Companies and Allied Matters Act, the Directors are responsible for the preparation of consolidated financial statements which give a true and fair view of the state of affairs of the group at the end of the year and its profit or loss and other comprehensive income.

The responsibilities include ensuring that:

- i. The Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the group and comply with the requirements of the Companies and Allied Matters Act;
- ii. Appropriate and adequate internal controls are established to safeguard its assets and to prevent and detect fraud and other irregularities;
- iii. The Group prepares its consolidated financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and
- iv. It is appropriate for the consolidated financial statements to be prepared on a going concern basis.

The Directors accept responsibility for the consolidated financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in accordance with the International Financial Reporting Standards; in compliance with Financial Reporting Council of Nigeria Act, No 6, 2011 and in the manner required by the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Group and of its profit for the year ended 31 December 2017.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of consolidated financial statements, as well as adequate systems of internal financial control.

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

Signed on behalf of the Board of Directors by:



Chief Anthony Idigbe, SAN
Director
FRC/2014/NBA/00000010414

Dated: 26 March 2018



Mr. Abatcha Bulama
Director
FRC/2014/ICAN/00000006535

Dated: 26 March 2018

REPORT OF THE DIRECTORS
For The Year Ended 31 December 2017

The directors are pleased to submit to the members of the Ikeja Hotel Plc (the “Company”), its report together with the audited financial statements for the year ended 31 December 2017.

1. Legal Status and principal activities

The Company was incorporated as Properties Development Limited on November 18, 1972 with a view to provide world class hotel and catering services to meet the needs of an ever-increasing number of local and international business and leisure travelers visiting the city of Lagos. The company’s name was later changed to Ikeja Hotel Limited in 1980 and though it became a public company in 1983, it assumed its present name in February 5, 1991.

The company’s principal activity remains the development of hotel leisure facilities, operations of hotels and provision of catering services.

The company also owns majority shareholding in Hans Gremlin Limited and the financial statements of Hans Gremlin has been consolidated with the Company’s Group financial statements.

2. State of Affairs

The directors have assessed the Company’s ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the years ahead.

Resulting from the above, the directors have reasonable expectation that the Company possesses adequate resources to continue operations for the foreseeable future. Thus, the directors have continued the adoption of the going concern basis of accounting in preparing the annual financial statements.

3. Operating Result

	The Group		The Company	
	2017	2016	2017	2016
Turnover	12,122,014	10,865,037	6,317,460	5,463,967
Operating Profit	1,690,611	2,338,949	946,642	777,506
Finance Cost	(681,762)	(674,006)	(681,762)	(674,006)
Profit before taxation	747,528	1,607,431	264,881	103,500
Tax charge	(130,205)	(500,979)	(129,230)	(12,554)
Profit after taxation	617,323	1,106,452	135,650	90,946

4. Non-Current Assets

Additions to non-current assets during the year ended 31st December 2017 amounted to ₦ 457,539,000
 Details of movements in non-current assets are shown on Note 8.1 (pg. 32)

5. Directors

The directors who served during the year under review are;

Chief Anthony Idigbe SAN

Mrs. Fadeke Alamutu

Mr. Toke Alex- Ibru

Mr. Ufuoma Ibru

Dr. Thomopulos Alexander

Mr. Kunle Aluko

Mr. Waheed Olagunju

Mr. Bulama Abatcha

6. Dividend

The company has not declared or paid any dividend for the year under review, and no dividend is proposed.

7. Directors and Their Interest

The directors who held office during the period under review, together with their direct and indirect interests in the issued share capital of the Company as recorded in the Register of Director's shareholding and/or as notified by the directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirement of the Nigerian Stock Exchange are noted below:

	Direct	Indirect
Mr Kunle Aluko (Aluko Moses) Olakunle & Aluko Olakunle	60,000	

8. Substantial Shareholdings

As at 31st January 2017, no shareholder held more than 5% of the issued capital of the Company, except as stated below

Name	No. of 50k shares	%
Bank of Industry Limited	279,050,078	13.42
Wagmest Nigeria Limited	180,148,768	8.67
Oma Investments Ltd	204,610,376	9.84
RFC Limited	152,410,464	7.33
Alurum Investment Limited	112,914,212	5.43
Dr. Obafoluke Otudeko, MFR, OFR	105,840,000	5.09
Associated Ventures International Limited	155,183,927	7.47

9. Directors Responsibilities

In accordance with the post-listings rules of the Nigerian Stock Exchange, Ikeja Hotel Plc has in place a share dealing policy which regulates securities transactions by its Directors, Employees and other insiders on terms which are no less exacting than the required standard set out in the Nigerian Stock Exchange rules.

The policy are to be communicated periodically to drive compliance. In respect of the year ended 31

* A code of conduct regarding securities transactions by all Directors has been adopted by the Company

* Specific enquiry of all Directors has been made during the reporting period and there is no incidence of non-compliance with the listing rules of the Nigerian Stock Exchange, and Ikeja Hotel's code of conduct regarding securities transactions by Directors.

10 Directors Responsibilities

The directors accept responsibility for the preparation of the financial statements that gives a true and fair view in accordance with requirements of the International Financial Reporting Standards.

The directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error

11. Human Resources Policy

(a.) Recruitment

The Company conformed with all regulatory requirements in the employment of staff, whilst also ensuring that only fit and proper persons are approved for appointment to the Board or top management positions. All prescribed pre-employment screening for prospective employees and other requirements for regulatory confirmation of top management appointment were duly implemented.

(b.) Diversity and Inclusion

The Company treats all employees, prospective employees and customers fairly and equally, regardless of their gender, sexual orientation, family status, race, color, nationality, ethnic or national origin, religious belief, age, physical or mental disability, or any such factor.

(c.) Employment of Physically Challenged Persons

The Company operates a non-discriminatory policy in the consideration of applications for employment, including those received from physically challenged persons.

In the event that an employee becoming physically challenged in the course of employment, where possible, the Company is in a position to arrange appropriate training to ensure the continuous employment of such person without subjecting him/her to any disadvantage in his/her career development.

(d.) Employees' Involvement and Training

Employees are regularly provided with information on matters concerning the Company and their welfare. Management holds regular formal and informal meetings with Staff Unions resulting in cordial industrial relations throughout the year. Employees are given regular training on the job or in other hotels in the Sheraton group to equip them with the skills and knowledge required for the efficient performance of their

12. Board Committees

The board for the year under review had three committees, Finance, Risk and General Purpose Committee, Nominations Establishment Governance Committee and Audit Committee. The members of the committees

Finance, Risk and General-Purpose Committee

Mr Bulama Abatcha
Mrs Fadeke Alamutu
Mr Toke Alex- Ibru
Mr Ufuoma Ibru
Dr. Thomopulos Alexander

Nominations Establishment Governance Committee

Mrs. Fadeke Alamutu
Mr. Toke Alex- Ibru
Mr. Ufuoma Ibru
Mr. Kunle Aluko
Mr. Bulama Abatcha

Audit Committee

In accordance with Section 359(3) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the Company has an Audit Committee comprising three directors and three representatives of the shareholders carrying out its function as set out in Section 359(6) of the Companies and Allied Matters Act, CAP C20 LFN 2004. Those who served on the Audit Committee during the year under review are:

Chief Victor C.N. Oyolu, FCA (Chairman)
Alhaji Wahab A. Ajani
Mr. Christopher A. Ezennadili
Mr. Ufuoma Ibru
Dr. Thomopulos Alexander
Mr. Bulama Abatcha

13 Company Distributors

The company has no distributors

14 Auditors

Ahmed Zakari & Co and Ugochukwu Nwankwo & Co being joint auditors have indicated their willingness to continue in offices as Company's auditors.

BY ORDER OF THE BOARD



Oluwabunmi Adeboyejo
Punuka Nominees Ltd
Secretary
March 26, 2018

Independent Auditor's Report
To the Shareholders of Ikeja Hotel Plc
Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Ikeja Hotel Plc. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a) Information technology (IT) systems and control over financial reporting

Processing of information with regards to financial reporting and daily routine activities of the entity's primary business are significantly reliant on the use of electronic processing systems which are also integrated. Controls are in place to ensure access rights to applications, operating systems and data used for financial information are significantly monitored, restricted and segregated. The significance of the use of electronic processing systems has its inherent complexities which would require tailored audit programs. Also failure of the IT systems could have severe impact on operations and compilation and integrity of financial information. The Company commenced the process of migrating from SAP, an application used for its core operations general ledger and financial reporting to People Soft. An IT migration project of this type presents inherent risks including the loss of integrity of key financial data being migrated, and the breakdown in operation or monitoring of IT dependent controls within critical business processes, which could lead to financial errors or misstatements and inaccurate financial reporting.

Our responses in this area were covered by our in-house IT specialist. They include:

- Tested access rights over the various aspects of technology relied upon for financial reporting.
- Checked that new access requests for joiners were properly reviewed and authorized.
- Checked that application user access rights were removed on a timely basis when an individual left or moved role.
- Checked that access rights to applications were periodically monitored for appropriateness.
- Reviewed password policies.
- Reviewed disaster recovery policies and procedures.
- Tested controls over the implementation process and migration of key financial data from the legacy to the new single operating system.

b) Trade receivables impairment allowances:

A 30 day credit period is allowed for trade receivables. Trade receivables are assessed for recoverability on an individual basis. Hence impairment allowances are only made when there are conditions indicating impairment of the carrying amount of the trade receivable as at the reporting date. The impairment of trade receivables involves significant judgment by management resulting in trade receivables included in KAM. Disclosures on Trade receivables impairment allowance are on Note 18.

We focused our testing of impairment of trade and other receivables on the key assumptions made by the management. Our audit procedures includes:

- Reviewed revenue recognition policies & controls.
- Reviewed events after the reporting period to identify circumstances of trade receivables indicative of impairment.
- Reviewed receivables aging analysis & adequacy of credit loss policies.
- Sent out third party confirmation requests.

c) Valuation of long term employee benefits liability

The Company implements a defined benefit plan in addition to a defined contribution plan imposed by the Pension Reform Act 2014. The carrying amount of the defined benefit plan is significant. Management contracts experts to carry out actuarial valuation of the defined benefit plan as required by IFRS 19. The valuation methods and assumptions therein adopted by the experts involves significant judgment resulting in the defined benefit plan included In KAM. Further disclosures on the retirement benefit plan are on Note 26.2

Assessed competence, qualification, experience and objectivity of the expert/valuer.

Reviewed basis of valuation for reasonableness by evaluating the underlying assumptions, estimates. Checked that basis of valuation is permissible under IFRS 19.

Carried out independent review of data inputs for consistency with the assumptions and estimates applied.

Assessed the adequacy of the disclosures pertaining the long term employee benefits liability in the consolidated and separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report, Audit Committee's Report, Corporate Governance Report and Company Secretary's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated 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 financial statements or our knowledge obtained in the audit, or otherwise appeared to be materially misstated.

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

Responsibilities of the Directors and those charged with Governance for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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'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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditor's report are Ikechukwu Jonas Ogugofor and Tajudeen Adetokunbo Oni.

Oguofor J. I, FCA
FRC/2013/ICAN/00000003423
For: Ugochukwu Nwankwo & Co.
(Chartered Accountants)
Lagos, Nigeria

Dated: 26 March 2018



Tajudeen Adetokunbo Oni, FCA
FRC/2013/ICAN/00000000749
For: Ahmed Zakari & Co.
(Chartered Accountants)
Lagos, Nigeria

Dated: 26 March 2018



**REPORT OF THE STATUTORY AUDIT COMMITTEE
For the year ended 31 December 2017**

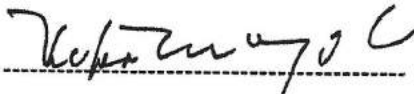
To the members of Ikeja Hotel Plc

In accordance with the provision of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Ikeja Hotel Plc hereby report on the financial statements for the year ended December 31, 2017 as follows:

We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the co operations of management and staff in the conduct of these responsibilities.

We are of the opinion that the accounting and reporting policies of the Company and Group are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the period ended December 31, 2017 was satisfactory and reinforce the Group's internal control systems.

We have deliberated on the findings of the external auditors and have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses to the external auditors' recommendations thereon and with the effectiveness of the Company's system of accounting and internal control.



**Chief Victor C. N. Oyolu, FCA
FRC/2013/ICAN/00000003347
Chairman, Audit Committee
22 March 2018**

Members of the Audit Committee are:

Chief Victor C.N.Oyolu	Chairman/Shareholder
Alhaji Wahab A. Ajani	Shareholder
Mr. Christopher A. Ezennadili	Shareholder
Alhaji Bulama Abatcha	Director
Mr. Kunle Aluko	Director
Dr. Alexander Thomopulos	Director

IKEJA HOTEL PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Notes	The Group		The Company	
		2017 N'000	2016 N'000	2017 N'000	2016 N'000
Assets					
Non current assets					
Property, plant and equipment	8	6,230,649	6,485,634	3,976,576	4,101,120
Investment Property	9	4,630,087	-	-	-
Capital work in progress	10	6,320,396	4,267,914	4,111,841	3,744,111
Intangible asset	11	5,982,181	32,031	10,184	12,209
Investment in subsidiary	12	-	-	4,440,919	4,440,919
Investment accounted for using the equity method	13	315,023	576,344	798,722	798,722
Loan to related party	14	6,151,565	5,914,936	6,151,565	5,914,936
Due from related parties	15	113,939	113,188	485,328	484,579
		<u>29,743,840</u>	<u>17,390,047</u>	<u>19,975,135</u>	<u>19,496,596</u>
Current assets					
Inventories	17	1,051,658	549,289	266,695	271,643
Trade and other receivables	18	1,162,538	1,037,217	671,750	380,590
Other assets	19	967,589	1,060,372	722,715	836,177
Cash and cash equivalents	20	4,366,577	4,637,285	955,338	643,933
		<u>7,548,362</u>	<u>7,284,163</u>	<u>2,616,498</u>	<u>2,132,343</u>
Total assets		<u><u>37,292,202</u></u>	<u><u>24,674,210</u></u>	<u><u>22,591,633</u></u>	<u><u>21,628,939</u></u>
Equity and liabilities					
Ordinary shares	28.2	1,039,398	1,039,398	1,039,398	1,039,398
Share premium	29	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	30	6,864,084	2,605,832	5,005,439	4,888,328
Revaluation reserve	31	4,135,571	-	-	-
Equity attributable to equity holders of the Parent		<u>13,420,125</u>	<u>5,026,302</u>	<u>7,425,909</u>	<u>7,308,798</u>
Non-controlling interest	32	5,509,575	2,539,359	-	-
Total equity		<u>18,929,700</u>	<u>7,565,661</u>	<u>7,425,909</u>	<u>7,308,798</u>
Non-current liabilities					
Due to related parties	24	5,613,550	5,020,443	7,151,695	6,699,777
Retirement benefit obligations	26	2,532,920	2,389,499	1,636,723	1,334,987
Deferred tax	25.2	926,690	937,326	228,628	239,264
		<u>9,073,160</u>	<u>8,347,268</u>	<u>9,017,046</u>	<u>8,274,028</u>
Current liabilities					
Trade and other payables	21	3,666,839	3,076,616	1,113,699	852,939
Deferred income	22	4,978,414	4,591,065	4,781,753	4,545,124
Dividend payable	23	109,845	115,070	16,691	16,691
Deposit for shares		93,600	93,600	93,600	93,600
Current borrowings	27	-	350,352	-	350,352
Current tax payables	25.1	440,644	534,578	142,935	187,407
		<u>9,289,342</u>	<u>8,761,281</u>	<u>6,148,678</u>	<u>6,046,113</u>
Total liabilities		<u>18,362,502</u>	<u>17,108,549</u>	<u>15,165,724</u>	<u>14,320,141</u>
Total equity and liabilities		<u><u>37,292,202</u></u>	<u><u>24,674,210</u></u>	<u><u>22,591,633</u></u>	<u><u>21,628,939</u></u>

These consolidated financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 26 March 2018.



Chief Anthony Idigbe, SAN
Chairman
FRC/2014/NBA/00000010414



Mr. Abatcha Bulama
Director
FRC/2014/ICAN/00000006535



Mr. Theophilus E. Netufo
Chief Operating Officer
FRC/2014/ICAN/00000004775

The accompanying explanatory notes and statement of significant accounting policies form an integral part of these consolidated financial statements.

IKEJA HOTEL PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	The Group		The Company	
		2017 N'000	2016 N'000	2017 N'000	2016 N'000
Continuing operations					
Revenue	36.2	12,122,014	10,865,037	6,317,460	5,463,967
Cost of sales	36.3	(8,416,675)	(7,503,823)	(4,119,632)	(3,427,896)
Gross profit		3,705,339	3,361,213	2,197,828	2,036,071
Other income	33	504,309	1,745,237	64,519	125,712
Sales and marketing expenses		(519,592)	(542,895)	(228,097)	(267,967)
Administrative expenses	35	(1,999,446)	(2,224,607)	(1,087,609)	(1,116,310)
Operating profit		1,690,611	2,338,949	946,642	777,506
Finance costs	34	(681,762)	(674,006)	(681,762)	(674,006)
Share of loss in investment accounted for using the equity method		(261,321)	(57,512)	-	-
Profit before tax		747,528	1,607,431	264,881	103,500
Income tax expense	25.3	(130,205)	(500,979)	(129,230)	(12,554)
Profit for the year from continuing operations		617,323	1,106,452	135,650	90,946
Profit attributable to:					
Equity holders of the parent		136,643	482,189	-	-
Non-controlling interest		480,680	624,263	-	-
Profit for the year		617,323	1,106,452	135,650	90,946
Other comprehensive income:					
Re-measurement gain/(Loss) of defined benefit plan	26.2	(18,539)	27,607	(18,539)	27,607
Other comprehensive income for the year		(18,539)	27,607	(18,539)	27,607
Total comprehensive income for the year		598,784	1,134,059	117,111	118,553
Total comprehensive income for the year attributable to:					
Equity holders of the parent		118,104	509,796	-	-
Non-controlling interest		480,680	624,263	-	-
		598,784	1,134,059	117,111	118,553
Earnings per share (Kobo)	38	30	53	7	4

The accompanying explanatory notes and statement of significant accounting policies form an integral part of these consolidated financial statements.

IKEJA HOTEL PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	The Group				Non				The Company			
	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Revaluation reserve	Total N'000	controlling interest N'000	Total equity N'000	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Total equity N'000	
Attributable to equity holders of the parent												
At 1 January 2016	1,039,398	1,381,072	2,096,037		4,516,507	1,915,096	6,431,603	1,039,398	1,381,072	4,769,775	7,190,245	
Changes in equity for 2016												
Profit for the year	-	-	482,189		482,189	624,263	1,106,452	-	-	90,946	90,946	
Items that will not be reclassified subsequent to profit or loss												
Re-measurement gain on defined benefit plans	-	-	27,607		27,607	-	27,607	-	-	27,607	27,607	
Total comprehensive income for the year	-	-	509,796		509,796	624,263	1,134,059	-	-	118,553	118,553	
Dividends declared during the year	-	-	-		-	-	-	-	-	-	-	
Contributions by and to owners of the business	-	-	-		-	-	-	-	-	-	-	
At 31 December 2016	1,039,398	1,381,072	2,605,833		5,026,303	2,539,359	7,565,662	1,039,398	1,381,072	4,888,328	7,308,798	
Attributable to equity holders of the Parent												
At 1 January 2017	1,039,398	1,381,072	2,605,833		5,026,303	2,539,359	7,565,662	1,039,398	1,381,072	4,888,328	7,308,798	
Changes in equity for 2017												
Profit for the year	-	-	136,643		136,643	480,680	617,323	-	-	135,650	135,650	
Effect of reversal of impairment on subsidiary	-	-	4,140,147		4,140,147	2,024,917	6,165,064	-	-	-	-	
Re-measurement Loss on defined benefit plans	-	-	(18,539)		(18,539)	-	(18,539)	-	-	-	-	
Share of revaluation reserve in Subsidiary	-	-	-		-	464,619	464,619	-	-	-	-	
Revaluation reserve-	-	-	4,135,571		4,135,571	-	4,135,571	-	-	-	-	
Total comprehensive income for the year	-	-	4,258,251		4,258,251	2,970,216	11,364,038	-	-	135,650	135,650	
Dividends declared during the year	-	-	-		-	-	-	-	-	-	-	
Contributions by and to owners of the business	-	-	-		-	-	-	-	-	-	-	
At 31 December 2017	1,039,398	1,381,072	6,864,084		9,284,553	5,509,575	18,929,700	1,039,398	1,381,072	5,023,978	7,444,448	

The accompanying notes and statement of significant accounting policies form an integral part of these consolidated financial statements.

IKEJA HOTEL PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	The Group		The Company	
		2017 N'000	2016 N'000	2017 N'000	2016 N'000
Profit after tax		598,784	1,134,059	117,111	118,553
Adjustment for:					
Depreciation of property, plant and equipment	8	766,458	775,796	344,223	420,652
Amortisation of intangible asset	10	6,926	4,183	2,024	2,023
Share of loss in investment accounted for using the equity method		261,321	57,512	-	-
Prior Period adjustment: income tax		15,000		15,000	
Finance costs	32	681,762	674,006	681,762	674,006
Loss/(profit) on disposal of property, plant and equipment	31	(18,139)	937	(15,228)	(220)
Income tax expense	24.3	130,205	500,979	129,230	12,554
Net cash from operating activities before changes in working capital		2,442,317	3,147,472	1,274,122	1,227,568
Changes in:					
(Increase)/decrease in inventories		(502,369)	(44,142)	4,948	(86)
(Increase)/decrease in trade and other receivables		(125,321)	(158,055)	(291,160)	60,965
Decrease in other assets		92,783	1,577,101	113,462	1,402,211
Increase in loans and receivables		(236,629)	(2,261,008)	(236,629)	(2,261,008)
Decrease in due from related party		(751)	214,301	(750)	14,764
Decrease in due from unquoted investment		-	26,496	-	-
Decrease/(increase) in trade and other payables		590,922	(74,203)	260,759	(242,479)
Post employment benefits		442,810	(394,752)	301,736	(93,382)
Increase in deferred income		387,349	2,226,336	236,629	2,261,008
Increase in due to related parties		593,107	471,148	451,918	312,609
Cash generated from operating activities		3,684,218	4,730,694	2,115,035	2,682,170
Income tax paid	25.1	(253,584)	(285,141)	(199,339)	(123,906)
Net cash from operating activities		3,430,634	4,445,553	1,915,696	2,558,264
Cash flows from investing activities					
Purchase of property plant and equipment	8	(457,539)	(670,300)	(219,679)	(133,567)
Purchase of intangible assets	11	(23,174)	(12,813)	0	-
Adjustment in property plant and equipment		(1,527)	866	-	-
Proceed on disposal of property, plant and equipment		18,139	3,220	15,228	220
Additions to capital work in progress	10	(2,052,482)	(2,014,968)	(367,730)	(2,014,968)
Net cash used in investing activities		(2,516,584)	(2,693,995)	(572,181)	(2,148,315)
Cash flows from financing activities					
Finance costs	34	(681,762)	(674,006)	(681,762)	(674,006)
Dividend paid	23	(5,226)	-	-	-
Net cash used in financing activities		(686,988)	(674,006)	(681,762)	(674,006)
Net increase/(decrease) in cash and cash equivalents		227,062	1,077,552	661,754	(264,057)
Cash and cash equivalents at 1 January		4,286,933	3,209,381	293,581	557,638
Cash and cash equivalents at 31 December	37	4,513,995	4,286,933	955,335	293,581

The accompanying notes and statement of significant accounting policies form an integral part of these consolidated financial statements.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. The Group

1.1 The reporting entity

1.1.1 The Group

The group comprise Ikeja Hotel Plc. and its subsidiary - Hans Gremlin Limited, a special purpose vehicle which holds 51% of the ordinary shares in Capital Hotels Plc and IHL Services Limited with 100% shareholdings.

1.2 The Company

These financial statements comprise the consolidated financial statements of Ikeja Hotel Plc., formerly Properties Development Limited, was incorporated on 18 November, 1972. It owns the Sheraton Lagos Hotel, a core investor in Hans Gremlin Nigeria Limited and a shareholder in the Tourist Company of Nigeria Plc. (Owners of Federal Palace Hotel & Casino, Lagos).

The Hotel was managed and operated by Starwood Eame License and Services Company BVBA up to June 2017 under an agreement dated 31 October 1980 and renewed 1 April 2008. Subsequently Marriot Internation took over the management of the Sheraton brand from June 2017 due to acquisition of Starwood Eame License and Services Company BVBA.

1.3 Corporate office

The registered office of the company is at 84, Opebi Road, Ikeja, Lagos, Nigeria.

1.4 Principal activities

The principal activities of the group are operation of hotels and restaurants, apartment letting, recreational facilities, night clubs and a business centre, advisory and consultancy services to undertakes advisory management on all type of businesses.

2. Basis of preparation

2.1 The financial statements have been prepared under the historical cost basis except for financial instruments and including other items as indicated below:

- Investment properties: measured at fair value.
- Available for sale financial assets: measured at fair value.
- Defined benefit plan: recognised as the net total of the plan assets plus unrecognised past service cost and unrecognised actuarial loss, less unrecognised actuarial gains and the present value of the defined benefit obligation.
- Financial instruments: measured at fair value.
- Loans and advances: measured at amortized cost.
- Inventory: measured at net realisable value.

2.2 Functional and presentation currency

The consolidated financial statements are presented in naira, which is the group's functional and presentational currency. The consolidated financial statements are presented in the currency of the primary economic environment in which the group operates (its functional currency). For the purpose of the consolidated financial statements, the consolidated results and financial position are expressed in naira, which is the functional currency of the group and the presentational currency for the financial statements.

2.3 Going concern status

The consolidated financial statements have been prepared on a going concern basis, which assumes that the entity will be able to meet its financial obligations as at when they fall due. There are no significant financial obligations that will impact on the entity's resources which will affect the going concern of the entity. Management is satisfied that the entity has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the consolidated financial statements.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December, 2017.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using the same accounting policies.

All inter-group balances, transactions, dividends, unrealised gains on transactions within the Group are eliminated on consolidation.

Unrealised losses resulting from inter-group transactions are eliminated, but only to the extent that there is no evidence of impairment.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.5 Critical accounting estimates and judgement

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a. Asset useful lives and residual values:

Property, plant and equipment are depreciated over their useful lives, taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the assets and projected disposal values.

b. Taxes

Uncertainties exist with respect to the amount and timing of future taxable income. Given the complexities of existing contractual agreement, differences arising between the actual results and the assumptions made could necessitate future adjustment to tax income and expenses already recorded. The Company establishes provisions based on reasonable estimates.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

ii Deferred taxes are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

c. Provisions/contingencies

Provisions are liabilities of uncertain timing and are recognised when the entity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount that has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

d. Impairment of financial assets

In assessing collective impairment, the group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in income statement and reflected in an allowance account against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

e. Retirement benefit obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using various assumptions that may differ from actual developments in future. The assumptions used include the discount rate, future salary increases, mortality rates and future pension increases. Changes in these assumptions will impact the carrying amount of the pension obligation. The Group determines the appropriate discount rate at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the expected term of the related pension obligation.

f. Investment property

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss. Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replacement components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

g. Allowances on trade receivables

The debtor's age analysis is evaluated on a regular basis. Allowance for doubtful accounts is based on a periodic review of all outstanding amount, where significant doubt about collectibility exists, including an analysis of historical bad debts, customers creditworthiness, current economic trends and changes in customers payment terms. Debtors balances are provided for based on the criteria mentioned above. Bad debts are written off when identified as uncollectible and are included in other operating expenses.

h. Inventory provisions

The inventory provision is based on average loss rates of inventory in recent months. The provision makes use of inventory counts performed which is considered to be representative of all inventory items held.

3. Standards and interpretations issued/amended but not yet effective.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

3.1 Amendments effective from annual periods beginning 1 January 2018

a) Amendments to IFRS 2 Share-based Payment

Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled

b) Amendments to IFRS 4 Insurance Contracts

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising
- An optional temporary exemption from applying IFRS 9 for entities whose pre-dominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.
- The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

c) Amendments to IFRS 15 'Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.
- Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Amends IFRS 15 Revenue from Contracts with Customers also clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

d) Amendments to IFRS 9 Financial Instruments

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition.** The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

e) Amendments to IAS 40 Investment Property

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

f) Amendments to IAS 28 Investments in Associates and Joint Ventures

This amendment Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment by investment basis, upon initial recognition.

4. Amendments effective from annual periods beginning on or after 1 January 2019

a) IFRS 16 'Leases' - Effective for an annual periods beginning on or after 1 January 2019

- New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows;

- IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that lease;

- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently;

- IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk;

- IFRS 16 supersedes the following Standards and Interpretations:

- a) IAS 17 Leases;
- b) IFRIC 4 Determining whether an Arrangement contains a Lease;
- c) SIC-15 Operating Leases—Incentives; and
- d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5 Summary of significant accounting policies

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

a) Investments in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries where it is determined that there is a capacity to control.

Control means the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. All the facts of a particular situation are considered when determining whether control exists.

Control is usually present when an entity has:

- power over more than one-half of the voting rights of the other entity;
- power to govern the financial and operating policies of the other entity;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body; or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body of the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners).

In its separate accounts, the Company accounts for its investment in subsidiaries at cost.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Consistent accounting policies are used throughout the Group for consolidation.

b) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment in an associate is initially recognized at cost in the separate financial statements, however in its consolidated financial statements; it is recognized at cost and adjusted for in the Group's share of changes in the net assets of the investee after the date of acquisition, and for any impairment in value. If the Group's share of losses of an associate exceeds its interest in the associate, the group discontinues recognizing its share of further losses.

c) Investments in joint ventures

A joint venture is an entity over which the Group has joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. The investment in a joint venture is initially recognized at cost and adjusted for in the Group's share of the changes in the net assets of the joint venture after the date of acquisition, and for any impairment in value. If the Group's share of losses of a joint venture exceeds its interest in the joint venture, the company discontinues recognizing its share of further losses.

d) Investments in special purpose entities (SPEs)

SPEs are entities that are created to accomplish a narrow and well-defined objective. The financial statements of the SPE is included in the consolidated financial statements where on the substance of the relationship with the Group and the SPE's risk and reward, the Group concludes that it controls the SPE.

e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in order to obtain control of the acquiree (at the date of exchange). Costs incurred in connection with the acquisition are recognised in profit or loss as incurred. Where a business combination is achieved in stages, previously held interests in the acquiree are re-measured to fair value at the acquisition date (date the Group obtains control) and the resulting gain or loss, is recognised in profit or loss. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition profit or loss. If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognised when new information about its existence is obtained during this period. Non-measurement period adjustments to contingent consideration(s) classified as equity are not remeasured. Non-measurement period adjustments to other contingent considerations are remeasured at fair value with changes in fair value recognised in profit or loss. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

f) Goodwill

Goodwill on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

g) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The executive committee of the group has been identified as the chief operating decision makers and are responsible for assessing the financial performance and position of the group.

h) Intangible assets

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

- Intangible assets acquired separately

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. These charges are included in other expenses in profit or loss. Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The useful lives is as follows:

- Computer Software - 10 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

- Intangible assets acquired separately

Intangible assets acquired separately are shown at historical cost less accumulated amortisation and impairment losses.

- Intangible assets generated internally

Expenditures on research or on the research phase of an internal project are recognised as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognised if, and only if, the following conditions apply:

it is technically feasible to complete the asset for use by the Group

- the Group has the intention of completing the asset for either use or resale
- the Group has the ability to either use or sell the asset
- it is possible to estimate how the asset will generate income
- the Group has adequate financial, technical and other resources to develop and use the asset; and
- the expenditure incurred to develop the asset is measurable.

If no intangible asset can be recognised based on the above, then development costs are recognised in profit and loss in the period in which they are incurred.

i) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its costs is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

j) Subsequent costs

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

k) Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement in the year the asset is derecognised.

l) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated over the depreciable amount which is the cost of an asset or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives are as follows:

Class of assets	%
Freehold land	NIL
Building	5
Hotel equipment	20
Office equipment, furniture and fittings	10
Computer equipment	33 ¹ / ₃
Motor vehicles	33 ¹ / ₃

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

Land and assets under construction (work in progress) are not depreciated.

m) Non current assets held for sale

Items of property, plant and equipment (PPE) are classified as non current assets held for sale when it is highly probable that the item of PPE is available for immediate sale in its present condition, management has committed to the sale and the sale is expected to be completed within one year from the date of classification. Non current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

Items of PPE and intangible assets classified as held for sale are not depreciated or amortised. Impairment losses are recognised for any initial or subsequent write down of the asset to fair value less cost to sell. Gains are recognised on any subsequent increase in fair value less cost to sell, up to the cumulative impairment loss that has been recognised.

n) Reclassifications

When the use of a property changes from owner-occupier to investment property, the property is re-measured to fair value and

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reclassified as investment property. Any gain arising on re-measurement is recognized in income statement to the extent that it reverses a previous impairment loss on the specific property, with any remaining recognized in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized immediately in income statement.

5.1 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets and liabilities in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments;
- Available-for-sale financial assets;
- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost.

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs (which is recognised in profit or loss).

Equity instruments for which fair value is not determinable, are measured at cost and are classified as available-for-sale financial assets.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

5.2 Available-for-sale financial assets

Available-for-sale financial assets comprise equity investments. Subsequent to initial recognition, available-for-sale financial assets are stated at fair value. Movements in fair values are taken directly to equity, with the exception of impairment losses and foreign exchange gains or losses which are recognised in profit or loss. Fair values are based on prices quoted in an active market if such a market is available. If an active market is not available, the Group establishes the fair value of financial instruments by using a valuation technique, usually discounted cash flow analysis. When an investment is disposed of, any cumulative gains and losses previously recognised in equity are recognised in profit or loss. Dividends are recognised in profit or loss when the right to receive payments is established.

5.3 Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial assets at fair value through profit and loss comprise derivative financial instruments, namely interest rate swaps and forward exchange contracts. Subsequent to initial recognition, financial assets at fair value through profit and loss are stated at fair value. Movements in fair values are recognised in profit or loss, unless they relate to derivatives designated and effective as hedging instruments, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The Group designates certain derivatives as hedging instruments in fair value hedges of recognised assets and liabilities and firm commitments, and in cash flow hedges of highly probable forecast transactions and foreign currency risks relating to firm commitments. The effective portion of fluctuations in the fair value of interest rate swaps used to hedge interest rate risk and that qualify as fair value hedges are recognised together with finance costs. The ineffective portion of the gain or loss is recognised in other expenses or other income. Fluctuations in the fair value of forward exchange contracts used to hedge currency risk of future cash flows, and the fair value of foreign currency monetary items on the statement of financial position, are recognised directly in other expenses or other income. This policy has been adopted as the relationship between the forward exchange contracts and the item being hedged does not meet certain conditions in order to qualify as a hedging relationship.

5.4 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables.

5.5 Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

- those that the Group upon initial recognition designates as at fair value through profit or loss;
- those that the Group designates as available for sale; and
- those that meet the definition of loans and receivables.

Interests on held-to-maturity investments are included in the income statement and are reported as 'Interest and similar income'. In the case of an impairment, it is been reported as a deduction from the carrying value of the investment and recognised in the income statement as 'Net gains/(losses) on investment securities'.

5.6 Recognition and measurement

Regular-way purchases and sales of financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or losses are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from them have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership.

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Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement 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.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in other comprehensive income are included in the income statement as net realised gains on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established. Both are included in the investment income line.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

5.7 Reclassifications

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

5.8 Impairment of financial assets

a) Financial assets carried at amortised cost

The Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or 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 have 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. Objective evidence that a financial asset or Group of assets is impaired includes observable data that comes to the attention of the Group about the following events:

- Significant financial difficulty of the issuer or debtor;
 - A breach of contract, such as a default or delinquency in payments;
 - It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
 - The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flow from a Group of financial assets since the initial recognition of those assets,
 - i) adverse changes in the payment status of issuers or debtors in the Group; or
 - ii) national or local economic conditions that correlate with defaults on the asset of the Group
- The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

b) Assets classified as available for sale

The Group assesses at each date of the statement of financial position whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. In this respect, a decline of 20% or more is regarded as significant, and a period of 12 months or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial assets, the asset is considered for impairment, taking qualitative evidence into account.

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 income statement on equity instruments) are not reversed through the income statement. 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 profit and loss, the impairment loss is reversed through the income statement.

5.9 Financial liabilities

The Group's financial liabilities at statement of financial position date include 'Borrowings' and payables (excluding VAT and employee

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related payables). These financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are included in current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

a) Interest bearing borrowings

Borrowings, inclusive of transaction costs, are recognised initially at fair value. Borrowings are subsequently stated at amortised costs using the effective interest rate method; any difference between proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

b) Offsetting financial instruments

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

c) Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are

d) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expires. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

e) Equity instruments

Equity instruments issued by the Group are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments. Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

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

5.10 Impairment of non-financial assets

The Group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognized immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognized as revaluation decrease.

5.10.1 Reversals

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.11 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

5.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Other borrowing costs are expensed in the period in which they are incurred.

5.13 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

5.14 Bank overdrafts and interest-bearing borrowings

Bank overdrafts and interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred, and are

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subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

5.15 Employee benefits

5.15.1 Defined contribution plans

In accordance with the provisions of the amended Pension Reform Act, 2014 the Company has instituted a Contributory Pension Scheme for its employees, where both the employees and the company contribute 8% and 10% of the employee total emoluments. The company's contribution under the scheme is charged to the profit and loss while employee contributions are funded through payroll deductions.

Obligations for contributions to the defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Contributions to a defined contribution plan that is due more than twelve months after the end of the period in which the employees render the service are discounted to their present value.

Payments to defined contribution plans are recognised as an expense as they fall due. Any contributions outstanding at the year end are included as an accrual in the statement of financial position.

5.15.2 Defined benefit plan

The terms of the defined benefit pension plan define the amount that employees will receive on retirement. These amounts are dependent on factors such as age, years of service and compensation, and are determined independently of the contributions payable or the investments of the scheme. The defined benefit liability recognised on the statement of financial position is the difference between the present value of the defined benefit obligations and the fair value of plan assets.

Past service cost is recognised immediately to the extent that the benefits are already vested, or is amortised on a straight-line basis over the average period until the benefits become vested. When a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income statement during the period in which the curtailment occurs.

The surplus or deficit on the entity's defined benefit plan is recognised in full in the statement of financial position. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

5.15.3 Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

5.15.4 Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

5.16 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

5.17 Restructuring

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

5.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Owner representative to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Owner's representative include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

5.19 Revenue recognition

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks

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and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

The Group engages in operation of hotels and the provision of catering services.

5.19.1 Sale of service

Revenue comprises sales and services to external customers (excluding VAT and other sales taxes). Consideration received from customers is only recorded as revenue to the extent that the Group has performed its contractual obligations in respect of that consideration.

Hotel and restaurant revenues are recognized when the rooms are occupied and the services are rendered. Deferred revenue consisting of deposits paid in advance is recognized as revenue when the services are rendered for hotels and restaurants. Revenues under management contracts are recognized based upon the attainment of certain financial results, primarily revenue and operating earnings, in each contract as defined.

Full revenue is recognised (usually one night's room charge plus tax) on customers deposit made on room reservation in which reservation was not cancelled within the allotted cancellation period/policy; while 40% of customers' deposit is recognised as revenue on banquette booking in which the reservation was not cancelled two weeks to the date of the event.

5.20 Investment return

Investment return comprises of dividend, interest and rent receivable, movement in amortized cost on debt securities and other loan and receivables, realized gains and losses, and unrealized gains and losses on fair value assets. Dividends on ordinary shares are appropriated from revenue reserve in the period they are approved by the Group's Shareholders.

5.21 Dividend

5.21.1 Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the Group's financial statements in the period in which the dividend are declared.

5.21.2 Unclaimed dividend

Unclaimed dividends are amounts payable to shareholders in respect of dividend previously declared by the Group, which have remained unclaimed by the shareholders. In compliance with Section 385 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria, unclaimed dividends after twelve years are transferred to retained earnings.

5.22 Taxation

Income tax for the period is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods. Income tax for the period is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Current and deferred 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 also recognised in other comprehensive income or directly in equity, respectively.

5.22.1 Deferred tax

Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control of the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Group's policy to reinvest undistributed profits arising in group companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position 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 asset to be recovered.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and liabilities are offset where the entity has a legal enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.23 Finance income and finance costs

5.23.1 Finance income

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Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in consolidated income statement using the effective interest method.

5.23.2 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognized on financial assets, and losses on hedging instruments that are recognized in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

5.24 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group by the number of shares outstanding during the year.

Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shareholders adjusted for the bonus shares issued.

5.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects and costs directly attributable to the issue of the instruments.

6 Risk Management Framework

The Board of Directors at the apex exercise and assume ultimate authority and responsibility for the corporate risk management.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. Ikeja Hotel Plc., through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group has exposure to the following risks:

- Strategic risk
- Credit risk
- Financial risk
- Operational risk

Strategic risk

This specifically focuses on the economic environment, the products offered and the market. The strategic risks arise from a Group's ability to make appropriate decisions or implement appropriate business plans, strategies, decision making, resource allocation and its inability to adapt to changes in its business environment.

Capital Management Policies, Objectives and Approach

The following capital management objectives, policies and approach to managing the risks which affect its capital position are adopted by the Group.

- To maintain the required level of financial stability thereby providing a degree of security to stakeholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the contributors, regulators and stakeholders

Ikeja Hotel Plc.'s operations are also subject to regulatory requirements within Nigeria where it operates.

Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and customers.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis.

The Group's primary source of capital used is equity shareholders' funds.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from loans and receivables, accounts receivables (excluding prepayments and VAT), and cash and cash equivalent.

Exposure to credit risk is monitored on an ongoing basis, with credit checks performed on all clients requiring credit over certain amounts. Credit is authorized beyond the credit limits established where appropriate. Credit granted is subject to regular review, to ensure it remains consistent with the client's creditworthiness and appropriate to the anticipated volume of business.

The Group limits its exposure to credit risk by investing only in liquid securities and only with counterparties that have a credit rating. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

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Exposure to risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
Financial assets				
Loans and receivables	6,151,565	5,914,936	6,151,565	5,914,936
Investments accounted for using the equity method	315,023	576,344	798,722	798,722
Trade and other receivables	1,162,538	1,037,217	671,750	380,590
Cash and cash equivalents	4,366,577	4,637,285	955,338	643,933
	<u>11,995,703</u>	<u>12,165,782</u>	<u>8,577,375</u>	<u>7,738,182</u>

An analysis of trade receivables - Group

Note	Carrying amount N'000	Neither N'000	Past due but not impaired					
			31-60 days N'000	61-90 days N'000	91-120 days N'000	121-180 N'000	Over 181 N'000	
2017	14	1,370,814	683,217	387,492	51,675	11,931	146,501	77,876
2016	14	1,138,732	800,801	163,930	42,366	32,637	85,978	13,020

An analysis of trade receivables - Company

Note	Carrying amount N'000	Neither N'000	Past due but not impaired					
			31-60 days N'000	61-90 days N'000	91-120 days N'000	121-180 N'000	Over 181 N'000	
2017	14	733,074	359,627	287,923	11,552	3,274	70,698	-
2016	14	433,146	229,986	110,191	21,010	22,521	39,474	9,964

The Group allows an average debtors period of 30 days after invoice date. It is the Group's policy to assess trade receivables for recoverability on an individual basis and to make provision where it is considered necessary. In assessing recoverability the Group takes into account any indicators of impairment up until the reporting date. The application of this policy generally results in debts between 31 and 60 days not being provided for unless individual circumstances indicate that a debt is impaired. While 50% and 100% provision is made for debtors balances between 61 and 90 days and above 90 days respectively.

Trade receivables that are neither impaired nor past due are made up of 70% of debtors balances (2015 : 58%). The average age of these debtors is days 38 days (2015 : 34 days). No debtors balances have been renegotiated during the year or in the prior year.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each unit. This responsibility is supported by the development of operational standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- training and professional development
- Ethical and business standards

Financial risk

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The group at all times maintains adequate committed credit facilities in order to meet all its commitments as and when they fall due. Repayment of borrowings are structured to match the expected cash flows from operations to which they relate.

The Group's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation

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The Group finances its operations through cash generated by the business and short-term investments with a range of maturity dates. In this way, the Group ensures that it is not overly reliant on any particular liquidity sources.

Liquidity risk faced by the Group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilized banking facilities and reserve borrowing capacity (where necessary).

Contractual maturity analysis for financial liabilities - Group

	Due within one year N'000	Due after one year N'000	Total N'000
At 31 December 2017			
Financial liabilities			
Other liabilities	11,126,208	-	11,126,208
Trade and other payables	3,666,839	-	3,666,839
Dividend payable	109,845	-	109,845
	<u>14,902,890</u>	<u>-</u>	<u>14,902,890</u>
At 31 December 2016			
Financial liabilities			
Other liabilities	10,590,038	-	10,590,038
Trade and other payables	3,076,616	-	3,076,616
Dividend payable	115,070	-	115,070
	<u>13,781,723</u>	<u>-</u>	<u>13,781,723</u>

Contractual maturity analysis for financial liabilities - Company

	Due within one year N'000	Due after one year N'000	Total N'000
At 31 December 2017			
Financial liabilities			
Other liabilities	12,169,982	-	12,169,982
Trade and other payables	1,113,699	-	1,113,699
Dividend payable	16,691	-	16,691
	<u>13,300,372</u>	<u>-</u>	<u>13,300,372</u>
At 31 December 2016			
Financial liabilities			
Other liabilities	11,876,260	-	11,876,260
Trade and other payables	852,939	-	852,939
Dividend payable	16,691	-	16,691
	<u>12,745,890</u>	<u>-</u>	<u>12,745,890</u>

The Group's focus on the maturity of its financial liabilities is as highlighted above, classified as due or due within one year and due after one year.

Market risk

This is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the income or value of its holdings of financial instruments.

The primary objectives of the treasury function are to provide secure and competitively priced funding for the activities of the Group and to identify and manage financial risks, including exposure to movement in interest and foreign exchange rates arising from those activities. The components of the market risk are highlighted below.

Foreign exchange risk

The Group is exposed to transactional currency risk on sale and purchases that are denominated in a currency other than the functional currency. This exposure is managed through a domiciliary account maintained to effect transactions denominated in foreign currencies.

Price risk

The Group is exposed to variability in the prices of commodities used in running its operations especially those relating to food and beverages and housekeeping functions. Commodity price risk is managed within minimum and maximum guardrails principally through multi-year fixed price contract with suppliers.

7 Fair value determination

Fair value is the amount at which an asset or liability is exchanged between knowledgeable willing parties in an arms length transaction.

The carrying values of the Group's financial assets and liabilities are a reasonable approximation of fair values as at the applicable reporting periods.

Fair values of equity securities with active markets were derived with reference to their markets prices as at the reporting period.

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7.1 Financial instruments and fair values

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, such changes in fair value are recognized in the statement of comprehensive income either through the statement of profit or loss or other comprehensive income. For items measured at amortised cost, changes in value are recognised in the statement of profit or loss.

The carrying amounts of financial instruments shown on the statement of financial position in terms of their measurement basis are shown as follows:

The Group

	Fair value N'000	Amortised cost N'000	Carrying amount N'000
At 31 December 2017			
Assets			
Cash and cash equivalents	4,366,577	-	4,366,577
Trade and other receivables	-	1,162,538	1,162,538
Loans and receivables	-	6,151,565	6,151,565
Investments accounted for using the equity method	315,023	-	315,023
	<u>4,681,600</u>	<u>7,314,103</u>	<u>11,995,703</u>

Liabilities

Trade and other payables	3,666,839	-	3,666,839
Bank overdrafts	-	-	-
Other liabilities	11,126,208	-	11,126,208
	<u>14,793,047</u>	<u>-</u>	<u>14,793,047</u>

	Fair value N'000	Amortised cost N'000	Carrying amount N'000
--	---------------------	-------------------------	--------------------------

At 31 December 2016

Assets

Cash and cash equivalents	4,637,285	-	4,637,285
Trade and other receivables	-	1,037,217	1,037,217
Loans and receivables	-	5,914,936	5,914,936
Investments accounted for using the equity method	576,344	-	576,344
	<u>5,213,629</u>	<u>6,952,153</u>	<u>12,165,782</u>

Liabilities

Trade and other payables	3,076,616	-	3,076,616
Bank overdrafts	350,352	-	350,352
Other liabilities	10,590,038	-	10,590,038
	<u>14,017,006</u>	<u>-</u>	<u>14,017,006</u>

The Company

At 31 December 2017

Assets

Cash and cash equivalents	955,338	-	955,338
Trade and other receivables	-	671,750	671,750
Loans and receivables	-	6,151,565	6,151,565
Investments accounted for using the equity method	798,722	-	798,722
	<u>1,754,060</u>	<u>6,823,314</u>	<u>8,577,374</u>

Liabilities

Trade and other payables	1,113,699	-	1,113,699
Bank overdrafts	-	-	-
Other liabilities	12,169,982	-	12,169,982
	<u>13,283,682</u>	<u>-</u>	<u>13,283,682</u>

	Fair value N'000	Amortised cost N'000	Carrying amount N'000
--	---------------------	-------------------------	--------------------------

At 31 December 2016

Assets

Cash and cash equivalents	643,933	-	643,933
Trade and other receivables	-	380,590	380,590
Loans and receivables	-	5,914,936	5,914,936
Investments accounted for using the equity method	798,722	-	798,722
	<u>1,442,655</u>	<u>6,295,526</u>	<u>7,738,181</u>

Liabilities

Trade and other payables	852,939	-	852,939
Bank overdraft	350,352	-	350,352
Other liabilities	11,876,260	-	11,876,260
	<u>13,079,551</u>	<u>-</u>	<u>13,079,551</u>

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7.2 Fair valuation methods and assumptions

Cash and cash equivalents, trade receivables, trade payables and short term borrowings are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.
The fair value of publicly traded financial instruments is generally based on quoted market prices, with unrealised gains in a separate component of equity at the end of the reporting year.

7.3 Fair value measurements recognised in the statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: for equity securities not listed on an active market and for which observable market data exist that the Group can use in order to estimate the fair value;

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

8. Property, plant and equipment

	Land N'000	Building N'000	Hotel equipment N'000	Office equipment furniture and fittings N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
8.1 The Group							
Cost							
At 1 January 2016	3,440,742	1,524,741	2,123,921	5,166,388	166,830	455,283	12,877,905
Additions in the year	-	66,125	177,374	373,244	23,207	30,350	670,300
Reclassification	-	-	-	(1,083)	-	-	(1,083)
Disposals in the year	-	-	(8,752)	-	-	(3,540)	(12,292)
At 1 January 2017	3,440,742	1,590,866	2,292,543	5,538,549	190,037	482,093	13,534,830
Additions in the year	-	96,632	276,237	51,764	32,905	-	457,539
Reclassification	-	-	3,276,684	(3,275,157)	-	-	1,527
Disposals in the year	-	-	(9,860)	-	-	(191,249)	(201,109)
At 31 December 2017	3,440,742	1,688,231	5,835,805	2,315,156	224,594	290,844	13,795,172
Depreciation							
At 1 January 2016	-	685,761	1,693,591	3,319,356	150,375	432,669	6,281,751
Disposals during the year	-	-	(4,595)	-	-	(3,540)	(8,135)
Adjustment	-	-	-	(217)	-	-	(217)
Charge for the year	-	48,593	232,840	450,262	20,403	23,698	775,796
At 1 January 2017	-	734,354	1,921,836	3,769,401	170,778	452,827	7,049,195
Disposals during the year	-	-	(9,860)	-	-	(191,249)	(201,109)
Reclassification	-	-	-	-	-	-	-
Charge for the year	-	50,725	290,011	217,501	196,365	11,856	766,458
At 31 December 2017	-	785,813	1,848,313	4,468,675	196,365	265,357	7,564,523
Carrying amount							
At 31 December 2017	3,440,742	902,418	3,987,292	(2,153,518)	28,229	25,487	6,230,649
At 31 December 2016	3,440,742	856,512	370,707	1,769,148	19,259	29,266	6,485,634

Depreciation charged is included in the cost of sales and administrative expenses in the statement of profit or loss and other comprehensive income.

Adjustment represents difference in opening balances.

There is no impairment charge during the year.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8.2 The Company

	Land N'000	Building N'000	Hotel equipment N'000	Office Furniture fittings and equipment N'000	computer equipment	Motor vehicles N'000	Total N'000
Cost							
At 1 January 2016	3,084,350	745,849	2,160,091	71,580	166,830	233,714	6,462,414
Additions in the year	-	-	93,496	1,363	23,207	15,500	133,566
Adjustment	-	-	(1,083)	-	-	-	(1,083)
Disposals in the year	-	-	-	-	-	(3,540)	(3,540)
At 1 January 2017	3,084,350	745,849	2,252,504	72,943	190,037	245,674	6,591,357
Additions in the year	-	19,721	160,964	6,088	32,905	-	219,679
Adjustment	-	-	-	-	-	-	-
Disposals in the year	-	-	(9,860)	-	-	(191,249)	(201,109)
At 31 December 2017	3,084,350	765,570	2,403,610	79,031	222,942	54,425	6,609,927
Depreciation							
At 1 January 2016	-	431,929	1,208,828	52,725	150,375	229,485	2,073,342
Disposals in the year	-	-	(217)	-	-	(3,540)	(3,540)
Adjustment	-	-	-	-	-	-	(217)
Charge for the year	-	28,346	357,719	4,784	20,403	9,400	420,652
At 1 January 2017	-	460,275	1,566,330	57,509	170,778	235,345	2,490,237
Disposals in the year	-	-	(9,860)	-	-	(191,249)	(201,109)
Adjustment	-	-	-	-	-	-	-
Charge for the year	-	28,733	290,011	4,997	15,316	5,167	344,223
At 31 December 2017	-	489,009	1,846,481	62,505	186,094	49,263	2,633,351
Carrying amount							
At 31 December 2017	3,084,350	276,562	557,129	16,526	36,848	5,162	3,976,576
At 31 December 2016	3,084,350	285,574	686,174	15,434	19,259	10,329	4,101,120

Depreciation charged is included in the cost of sales and administrative expenses in the statement of profit or loss and other comprehensive income.

Adjustment represents adjustment in opening balances.

There is no impairment charge during the year.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
9 Investment Property	4,630,087	-	-	-
Investment property disclosed in the group financial statements relates to its subsidiary, Charles Hampton & Company Limited in which it has 89.9% interest and was consolidated with the Group for the first time in the current year. The property comprise land held for future development. Investment property are measured using the fair value model.				
The revaluation surplus arising therefrom is disclosed in equity.				
10. Capital work in progress				
At 1 January	4,267,914	2,252,946	3,744,111	1,729,143
Additions in the year	2,052,482	2,014,968	367,730	2,014,968
At 31 December	6,320,396	4,267,914	4,111,841	3,744,111

This represents on going renovation work on the Group's property.

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
11. Intangible asset				
11.1 Computer software				
Cost				
At 1 January	46,079	33,266	20,236	20,236
Additions in the year	23,174	12,813	0	-
At 31 December	69,253	46,079	20,236	20,236
Amortization				
At 1 January	14,048	9,865	8,027	6,004
Charge for the year	6,926	4,183	2,024	2,023
At 31 December	20,974	14,048	10,052	8,027
Carrying amount	48,279	32,031	10,184	12,209
11.2 Goodwill	5,933,902	-	-	-
	5,982,181	32,031	10,184	12,209

Goodwill arises from the consolidation of the financial statements of Capital Hotel Plc with Ikeja Hotel Plc. It represents the excess of the cost of acquiring interest in Capital Hotel Plc over the fair value of its identifiable net assets. Interest in Capital Hotel was acquired indirectly through the Company's 75% interest in Hans Gremlin Nigeria Limited, which has 51% interest in Capital Hotels Plc. The Company had previously consolidated the financial statements of Capital Hotels Plc using the fair value of the acquisition cost. In the current financial statements, the Consolidation of Capital Hotels Plc was revised to apply the actual acquisition cost in accordance with IAS 27 and IFRS 10. The comparative financial information have not been restated. The Directors have assessed and tested the carry amount of goodwill for impairment and are of opinion that it was

12. Investment in subsidiary				
Hans Gremlin Nigeria Limited	-	-	4,440,919	4,440,919

The Company holds 75% of the issued share capital of Hans Gremlin Nigeria Limited, a special purpose vehicle used in acquiring 51% of the issued share capital of Capital Hotels Plc.

12.1 Subsidiaries undertakings

All shares in subsidiaries undertakings are ordinary shares

Subsidiaries	Country of incorporation	Proportion of ownership	Principal activities
• Hans Gremlin Nigeria Limited	Nigeria	75%	Special purpose vehicle.
• Capital Hotels Plc	Nigeria	38.25%	Operation of hotels and restaurants, apartment letting, recreational facilities, night clubs and a business center.
• IHL Services Limited	Nigeria	100%	Advisory and consultancy services to undertake advisory management on all types of businesses.

IKEJA HOTEL PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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- Charles Hampton Nigeria 89.9% To Carry on Business as an Investment company amongst others

12.2 The summary of the operational results of the subsidiary companies are as follows:

	Hans-Gremlin Nigeria Limited N'000	Capital Hotel Plc N'000	IHL Services Limited N'000
31 December 2017			
Revenue	-	5,622,013	182,541
(Loss)/profit after tax	(750)	780,510	(26,442)
Total assets	360,720	5,340,922	933,616
Total liabilities	477,153	3,819,331	86,435
Equity	<u>(116,434)</u>	<u>6,021,799</u>	<u>847,181</u>
31 December 2016			
Revenue	-	5,372,395	300,729
(Loss)/profit after tax	(870)	1,274,450	(2,997)
Total assets	360,720	9,043,043	1,054,603
Total liabilities	476,403	3,801,755	180,979
Equity	<u>(115,683)</u>	<u>5,241,289</u>	<u>871,186</u>

13. Investment accounted for using the equity method

The only significant joint venture is a 12.18% interest in The Tourist Company of Nigeria Plc., which operates in the gaming and hospitality sector. The Tourist Company of Nigeria Plc is jointly controlled by Ikeja Hotel Group (as defined by the Shareholders Agreement) and one other venturer as a result of a contractual agreement involving sharing of control over strategic, financial and operating decisions relating to The Tourist Company of Nigeria Plc. It is consolidated into the Group financial statements using the equity method.

Aggregate amounts relating to investment in joint venture include:

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
Current assets	215,748	236,880	-	-
Non current asset	991,031	1,024,053	-	-
Current liabilities	163,766	162,858	-	-
Non current liabilities	2,285,836	2,182,475	-	-
Income	398,446	194,395	-	-
Expenses	<u>659,767</u>	<u>251,907</u>	-	-
At 1 January	576,344	633,856	798,722	798,722
Share of loss of joint venture	<u>(261,321)</u>	<u>(57,512)</u>	-	-
At 31 December	<u>315,023</u>	<u>576,344</u>	<u>798,722</u>	<u>798,722</u>

	The Group			The Company		
	2017 US \$'000	2017 N'000	2016 N'000	2016 US \$'000	2017 N'000	2016 N'000
14 Loan to related party						
At 1 January	19,574	5,914,936	3,653,928	18,642	5,914,936	3,653,928
Interest capitalised	978	181,307	283,832	932	181,307	283,832
Exchange revaluation	-	55,322	1,977,176	-	55,322	1,977,176
At 31 December	<u>20,552</u>	<u>6,151,565</u>	<u>5,914,936</u>	<u>19,574</u>	<u>6,151,565</u>	<u>5,914,936</u>

Loan to related party relates to receivable from The Tourist Company of Nigeria Plc. The interest rate of 5% (2016 : 5%) has been set on the Company's fixed borrowing. Of these fixed borrowings 100% (2016 : 100%) is for periods longer than 12 months. The Company had no unutilised borrowing facilities at 31 December 2017 (2016 : Nil).

Terms of the above loan:

- They are unsecured.
- Repayment is subject to the board of director's discretion, taking into account the availability of funds and the company's working capital requirements.
- The loan is denominated in US Dollar.
- Interest is capitalised at 5% per annum.

IKEJA HOTEL PLC

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	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
15. Due from related parties				
Federal Palace/Sun current account	-	-	-	-
Hans Gremlin Nigeria Limited	-	-	484,578	484,579
Charles Hampton Limited	109,221	108,470	750	-
AVIS - Current Account	31,122	31,122	-	-
GMI & Co	113,188	113,188	-	-
Felfan Limited	59,074	59,074	-	-
	<u>312,605</u>	<u>311,854</u>	<u>485,328</u>	<u>484,579</u>
Impairment allowance (Note 15.1)	<u>(198,666)</u>	<u>(198,666)</u>	-	-
	<u>113,939</u>	<u>113,188</u>	<u>485,328</u>	<u>484,579</u>

15.1 This amount represent balance in Charles Hampton, AVIS- Current account and Felfan without movement for the past three years.

15.2 The carrying amount of loans and receivables and due from related party is considered to be in line with their fair value at the reporting date.

	The Group		The Company	
	2017 N'000	2016 N'000	2016 N'000	2015 N'000
16. Long term investments-Unquoted				
ICON Stockbroker	7,421	7,421	-	-
A. Savoia Ltd	2,571	2,571	-	-
Charles Hampton	3,499	3,499	-	-
Felfan	13,005	13,005	-	-
Long term Investment	-	-	-	-
Impairment allowance	-	-	-	-
	<u>26,496</u>	<u>26,496</u>	-	-
Impaired during the year	<u>(26,496)</u>	<u>(26,496)</u>	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

17. Inventories				
Food and beverage	135,533	113,572	70,090	61,377
Maintenance supplies	154,656	141,876	88,979	66,633
Operating supplies	194,025	207,657	94,390	92,972
General stores	33,711	86,184	13,236	50,661
Inventory WIP	533,733	-	-	-
	<u>1,051,658</u>	<u>549,289</u>	<u>266,695</u>	<u>271,643</u>

In the prior year, Inventory to the value of N579.9 million was carried at net realisable value. The amount charged to statement of profit or loss and other comprehensive income in respect of write down of inventory to net realisable value in that year was N30.6 million. There was no write down in the amount of inventory during

18. Trade and other receivables				
Trade receivables	1,370,814	1,138,732	733,074	433,146
Advance to employees	54,984	77,144	18,048	16,052
	<u>1,425,798</u>	<u>1,215,876</u>	<u>751,122</u>	<u>449,198</u>
Allowances for impairment losses	<u>(263,260)</u>	<u>(178,659)</u>	<u>(79,373)</u>	<u>(68,608)</u>
Net trade receivables	<u>1,162,538</u>	<u>1,037,217</u>	<u>671,750</u>	<u>380,590</u>

Trade and other receivables are stated at their original invoiced value as the interest that would be recognised from discounting future cash receipts over the short period is not considered to be material.

Allowances for impairment losses represents estimates of receivables balances which are expected to be irrecoverable in accordance with the Company's accounting policy.

19. Other assets				
Withholding tax receivable	578,638	722,194	464,636	623,634
Sheraton Brand Hotels	88,531	10,557	88,531	10,557
Prepayments (Note 19.1)	146,833	182,406	77,865	93,013
Advances to suppliers	153,585	225,985	91,682	108,973
	<u>967,587</u>	<u>1,141,142</u>	<u>722,715</u>	<u>836,177</u>
Allowances for impairment losses	<u>(80,770)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>967,587</u>	<u>1,060,372</u>	<u>722,715</u>	<u>836,177</u>

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	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
19.1 Prepayments				
P/P Hotel License	-	4,341	-	-
P/PM PC's Software	19,294	6,248	19,294	6,248
Prepaid rent	3,638	5,278	3,638	5,278
Prepaid maintenance	4,673	16,194	4,673	2,237
Prepaid maintenance system	-	381	-	-
Prepaid dues and subscription	4,052	5,593	4,052	1,571
Prepaid insurance	100,610	73,448	36,683	76,528
Prepaid others (Note 19.1.1)	14,566	70,923	9,525	1,151
	<u>146,833</u>	<u>182,406</u>	<u>77,865</u>	<u>93,013</u>
19.1.1 This represents prepayment made on workers compensation, Intranet and Human resources.				
20. Cash and cash equivalents				
Cash and cash equivalents consists of cash on hand, balances and fixed deposits with banks.				
Cash in hand	1,466	4,452	418	933
Cash at bank	1,607,162	639,096	924,480	365,919
	<u>1,608,628</u>	<u>643,548</u>	<u>924,899</u>	<u>366,852</u>
Allowance for doubtful balances (Note 20.1)	(267)	(639)	-	(372)
	<u>1,608,361</u>	<u>642,909</u>	<u>924,899</u>	<u>366,480</u>
Fixed deposits (Note 20.1)	2,758,216	3,017,644	30,439	641,630
Cash and cash equivalents as per statement of financial position	<u>4,366,577</u>	<u>3,660,553</u>	<u>955,338</u>	<u>1,008,110</u>
20.1 Allowances for doubtful balances relate to unconfirmed bank balances in a subsidiary.				
20.2 Fixed deposits				
This are placements with banks in Nigeria				
21. Trade and other payables				
Trade payables	1,003,682	333,658	124,942	122,876
Accrued expenses	612,460	801,713	245,590	345,287
CHP Hospitality and Tourism Limited	625,254	625,254	-	-
Advance deposits	526,719	774	281,544	222,370
Due to Starwood Eame License and Service Company	18,120	59,290	18,120	31,644
Service charge distribution	41,638	72,955	41,638	37,685
VAT Payable	302,061	362,369	17,460	16,348
Other liabilities (Note 21.1)	70,992	70,992	70,992	70,992
Other credit balances (Note 21.2)	313,269	749,611	313,413	5,737
	<u>3,514,195</u>	<u>3,076,616</u>	<u>1,113,698</u>	<u>852,939</u>
21.1 This amount represent difference in retained earnings due to configuration issues with the accounting package used by the company (SAGE) now provided for.				
21.2 This amount represent credit balance in trade receivables, outstanding consumption tax and other account payables.				

The carrying value of accounts payable and accruals approximate their fair value.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
22. Deferred income				
Ikeja Hotel (Note 22.1)	4,978,414	4,545,124	4,781,753	4,545,124
Capital Hotel (Note 22.2)	-	45,941	-	-
	<u>4,978,414</u>	<u>4,591,065</u>	<u>4,781,753</u>	<u>4,545,124</u>
22.1	This relates to interest receivable from the loan granted to Tourist Company of Nigeria Plc, which are payable when cashflow allows.			
22.2	This relates to advance payment received for the use of hotel services ie swimming pool, spa and other health services.			
23. Dividend payable				
At 1 January	115,070	115,070	16,691	16,691
Declared during the year	-	-	-	-
Payment during the year	(5,226)	-	-	-
At 31 December	<u>109,845</u>	<u>115,070</u>	<u>16,691</u>	<u>16,691</u>
24. Due to related parties				
Capital Hotels Plc	-	-	984,351	1,115,540
IHL Services Limited	-	-	553,794	563,794
Federal Palace/Sun International	4,093	3,633	4,093	3,633
Alurum Investment Ltd/Omamo Trust Limited.	2,765,292	2,471,793	2,765,292	2,471,793
Minabo Limited	1,617,411	1,444,117	1,617,411	1,444,117
Associated Ventures International Limited	1,226,753	1,100,900	1,226,753	1,100,900
	<u>5,613,550</u>	<u>5,020,443</u>	<u>7,151,695</u>	<u>6,699,777</u>
25 Taxation Account				
25.1 Current tax payables				
At 1 January	534,578	579,818	187,407	242,188
Adjustment-Charles Hampton	3,813	-	-	-
Payment in the year	(253,584)	(285,141)	(199,339)	(123,906)
Charge for the year (Note 24.3)	140,842	239,901	130,372	69,125
Over/under provision	14,995	-	14,995	-
At 31 December	<u>440,644</u>	<u>534,578</u>	<u>142,935</u>	<u>187,407</u>
The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 and the Education Tax Act, CAP E4, LFN 2004 as amended.				
25.2. Deferred taxation				
At 1 January	937,326	676,248	239,264	295,835
Charge for the year (Note 25.3)	(10,636)	261,078	(10,636)	(56,571)
At 31 December	<u>926,690</u>	<u>937,326</u>	<u>228,628</u>	<u>239,264</u>
25.3 Income tax expense				
Income tax	125,483	209,203	125,483	60,060
Education tax	14,383	30,698	14,383	9,065
Minimum Tax	975	-	-	-
	<u>140,841</u>	<u>239,901</u>	<u>139,866</u>	<u>69,125</u>
Deferred taxation	(10,636)	261,078	(10,636)	(56,571)
	<u>130,205</u>	<u>500,979</u>	<u>129,230</u>	<u>12,554</u>

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
25.4 The tax expense for the year is reconciled to the profit/(loss) for the year as follows:				
Profit/(loss) before tax	747,528	1,607,431	264,881	103,500
Tax @ 30%	224,259	482,229	79,464	31,049
Deductible items	501,072	388,377	433,541	104,932
Balancing charge	15,228	66	15,228	66
Capital allowance	(316,106)	(661,468)	(316,106)	(75,987)
Education tax	14,383	30,697	14,383	9,065
Deferred tax effect	(308,632)	261,078	(97,281)	(56,571)
Tax expense for the year	130,205	500,979	129,230	12,554
Profit/(loss) after tax	617,324	1,106,452	135,650	90,946
25.5 The tax rate is reconciled to the effective tax rate as follows:				
	%	%	%	%
Tax rate	30	30	30	30
Deductible items	67	24	164	101
Capital allowance	(42)	(41)	(119)	(73)
Education tax	2	2	5	9
Deferred tax effect	(41)	16	(37)	(55)
Total effective tax rate	15	31	43	12

26. Retirement benefit obligation

- i The Company complies with the provisions of the Pension Reform Act 2014 whereby both employer and employees contributed 10% and 8% each of employee gross emolument on monthly basis. Both employer and employee contributions are remitted monthly to the employees' chosen Pension Fund Administrators (PFA). Employer contribution has been charged to the statement of profit or loss and other comprehensive income.
- ii The defined benefit scheme is unfunded with no assets specifically set aside to meet obligations as at when due. Funds are retained in the Company's business to meet due obligations.
- iii Under the defined benefit's scheme member's past service benefits have been assessed using the Projected Unit Credit Method (PUCM). This method calculates the actuarial liability (staff gratuity benefits and long service grants) as the discounted value of the benefits that have accrued over the past period of membership of the beneficiaries. In determining this value allowance is made for any future expected inflationary growth of the on-going benefits up to the exit date.

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
Defined contribution plan (Note 25.1)	-	-	-	-
Defined benefit plan (Note 25.2)	2,532,920	2,389,499	1,636,723	1,334,987
	2,532,920	2,389,499	1,636,723	1,334,987
26.1 Defined contribution plan				
At 1 January	-	-	-	-
Contribution in the year	198,642	191,602	118,608	111,568
Remittance during the year	(198,642)	(191,602)	(118,608)	(111,568)
At 31 December	-	-	-	-

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
26.2 Defined benefit plan				
At 1 January	2,389,499	2,784,251	1,334,987	1,428,370
Current service cost	355,406	294,768	171,044	149,326
Interest cost	154,966	139,661	154,966	139,661
Curtailment/settlement	(89,756)	-	(89,756)	-
Adjustments	46,943	(186,940)	46,943	(186,940)
Payments in the year	(342,677)	(614,634)	-	(167,823)
Re-measurement gain on defined benefit plan	18,539	(27,607)	18,539	(27,607)
At 31 December	<u>2,532,920</u>	<u>2,389,499</u>	<u>1,636,723</u>	<u>1,334,987</u>
Present value of defined benefit obligation	2,532,920	2,389,499	1,636,723	1,334,987
Fair value of plan assets	-	-	-	-
Unrecognised past service costs	-	-	-	-
Unrecognised actuarial gains/losses	-	-	-	-
Movement in defined benefit plans				
At 1 January	2,389,499	2,784,251	1,334,987	1,428,370
Current service cost	355,406	294,768	171,044	149,326
Interest costs	154,966	139,661	154,966	139,661
Actuarial gains recognised	18,539	(27,607)	18,539	(27,607)
Curtailment and settlement	(89,756)	-	(89,756)	-
Payment in the year	(342,677)	(614,634)	-	(167,823)
Plan amendments	46,943	(186,940)	46,943	(186,940)
	<u>2,532,920</u>	<u>2,389,499</u>	<u>1,636,723</u>	<u>1,334,987</u>

Defined benefit schemes

The principal actuarial assumptions used for estimating the Group's benefit obligations (IAS 19) are set out below:

Weighted average actuarial assumptions used at 31 December

Discount rate	10.71%	10.71%	10.71%	10.71%
Inflation rate	12.00%	12.00%	12.00%	12.00%
Future salary increases	10.00%	10.00%	10.00%	10.00%

Assumptions regarding future mortality experiences are set based on actuarial advices, published statistics and experience in each territory.

The Projected Unit Credit Method (PUCM) was applied to determine the present value of the Company's defined benefit obligations and the related current service cost and where applicable the past service costs in accordance with Guidance Note (GN 9) issued by the Institute and Faculty of Actuaries.

Defined benefit scheme are based upon independent actuarial valuation performed by B.A. Adigun and associates using the projected unit credit basis. This valuation was carried out as at 31 December 2017.

Defined benefit schemes expense is recognised in administrative expenses in the statement of profit or loss and other comprehensive income

The actuarial valuation report was signed in March 2018 by D.A. Agbelese (FRC/2014/IODN/00000008032).

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
27. Current borrowings				
Bank overdraft	-	350,352	-	350,352
Bank overdraft represent facilities obtained from one of the Nigeria Bank at an interest rate of 16%. The Bank facility was terminated during the year.				
28. Share capital				
28.1 Authorised				
4,000,000,000 Ordinary shares of 50 kobo each	<u>2,000,000</u>	2,000,000	<u>2,000,000</u>	2,000,000
28.2 Issued and fully paid				
2,078,796,399 ordinary shares of 50 kobo each	<u>1,039,398</u>	1,039,398	<u>1,039,398</u>	1,039,398
29. Share premium				
At 31 December	<u>1,381,072</u>	1,381,072	<u>1,381,072</u>	1,381,072
30. Retained earnings				
At 1 January	2,605,833	2,096,037	4,888,328	4,769,775
Profit attributable to the owners of the company	136,643	482,189	135,650	90,946
Re-measurement gain on defined benefit plan	(18,539)	27,607	(18,539)	27,607
Effect of reversal of impairment on subsidiary	4,140,147			
At 31 December	<u>6,864,084</u>	2,605,833	<u>5,005,439</u>	4,888,328
31. Revaluation reserve	<u>(4,135,571)</u>	-	-	-
This represent revaluation surplus arising from the fair value measurement of an investment property in the Company's subsidiary, Charles Hampton. This investment property is disclosed in Note 9.				
32. Non controlling interest				
At 1 January	2,539,359	1,915,096	-	-
Effect of reversal of impairment in subsidiary	2,024,917			
Share of profit	480,680	624,263	-	-
Share of revaluation reserve in Subsidiary	464,619			
At 31 December	<u>5,509,575</u>	2,539,359	-	-
33. Other income				
Exchange gain		1,216,565	897	109,103
Fee income	-	290,416	-	16,362
Other services rendered (Note 33.1)	86,214	126,160	-	-
Income from investment of uncleared dividend	-	2,281	-	-
Interest earned	-	47,095	439	-
Interest income on term deposit	439	59,461	-	-
Sales of scrap	399,517	3,012	47,955	-
Profit on disposal of property, plant and equipment	18,139	220	15,228	220
Provision no longer required	-	27	-	27
	<u>504,309</u>	1,745,237	<u>64,519</u>	125,712
33.1	The amount represents the value of other services rendered for Exxon Mobil.			
34. Finance costs				
Interest expense	<u>681,762</u>	674,006	<u>681,762</u>	674,006

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company	
	2017 N'000	2016 N'000	2017 N'000	2016 N'000
37. Reconciliation of cash and cash equivalents				
Cash in hand	1,466	4,695	418	633
Cash at bank	1,607,162	4,399,541	924,480	409,984
	<u>1,608,628</u>	<u>4,404,236</u>	<u>924,899</u>	<u>410,617</u>
Time deposits	2,758,216	233,688	30,439	233,688
Allowance for doubtful balance (Note 37.1)	(267)	(639)	-	(372)
As per statement of financial position	<u>4,366,577</u>	<u>4,637,285</u>	<u>955,339</u>	<u>643,933</u>
Bank overdraft	-	(350,352)	-	(350,352)
As per statement of cash flows	<u>4,366,577</u>	<u>4,286,933</u>	<u>955,339</u>	<u>293,581</u>
37.1 Allowances for doubtful balances relate to unconfirmed bank balances in a subsidiary.				
38. Basic and diluted earnings per share				
Earnings per share (basic and diluted) have been computed for each year on the profit after tax attributable to ordinary shareholders and divided by the number of issued and fully paid up N0.50 kobo ordinary shares during the year.				
Profit after taxation	<u>617,323</u>	<u>1,106,452</u>	<u>135,650</u>	<u>90,946</u>
Number of shares	<u>2,078,796</u>	<u>2,078,796</u>	<u>2,078,796</u>	<u>2,078,796</u>
Earnings per share (Kobo)	<u>30</u>	<u>53</u>	<u>7</u>	<u>4</u>
39. Information regarding directors and employees				
39.1 Emolument of the Directors				
Non - executive directors fee	8,470	2,900	6,600	600
Chairman's fee (included above)	-	500	-	200
39.2 Other expenses				
Chairman	10,203	3,618	8,203	1,800
Directors	70,323	27,355	63,674	7,500
	<u>88,996</u>	<u>34,373</u>	<u>71,877</u>	<u>10,100</u>
In addition to the above, the Company provided non cash benefits to the Chairman.				
39.3 Scale of directors' remuneration				
The number of directors excluding the Chairman whose expenses fell within the following ranges are:				
	Number	Number	Number	Number
N0 - N100,000	-	-	-	-
N100,001 - above	7	14	7	5
	<u>7</u>	<u>14</u>	<u>7</u>	<u>5</u>
	N'000	N'000	N'000	N'000
39.4 Staff costs				
Personnel compensation comprised:				
Salaries and wages	1,043,411	2,752,616	797,854	1,821,339
Short-term employee benefits	198,642	191,602	118,608	111,568
Defined benefit gratuity scheme	326,010	434,429	326,010	288,987
	<u>1,568,063</u>	<u>3,378,647</u>	<u>1,242,472</u>	<u>2,221,894</u>

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group		The Company		
	2017 Number	2016 Number	2017 Number	2016 Number	
39.5 The average number of persons employed during the year by category					
Management staff	81	81	42	50	
Non-management staff	1,016	999	443	563	
	<u>1,097</u>	<u>1,080</u>	<u>485</u>	<u>613</u>	
39.6 Scale of employees' remuneration					
N	N				
250,001 -	500,000	242	3	-	3
500,001 -	750,000	74	287	5	208
750,001 -	1,000,000	148	197	95	66
1,000,001 -	1,250,000	390	214	142	81
1,250,001 -	1,500,000	77	169	77	71
1,500,001 -	1,750,000	48	65	48	64
1,750,001 -	2,000,000	24	61	24	62
Above	2,000,001	94	84	94	58
		<u>1,097</u>	<u>1,080</u>	<u>485</u>	<u>613</u>

40. Related party transaction

During the year, the Group had significant business dealings with the related parties. The transaction value of these business dealings are:

	Value of transactions in the year	
	2017 N'000	2016 N'000
40.1 The Tourist Company of Nigeria Plc		
Ikeja Hotel Plc is a shareholder of the Company and some directors on the Board of the Company also serve on the Board of Ikeja Hotel Plc.		
Transaction in the year relate to interest on loan.	295,747	16,362
40.2 Hans-Gremlins (Nigeria) Limited		
The company is a subsidiary of Ikeja Hotel Plc and some of the directors serve on the board of both companies.		
Transaction in the year related to expenses incurred by Ikeja Hotel on behalf of TCN.	750	-
40.3 Minabo Limited		
One of the directors of Ikeja Hotel Plc is also a director of Minabo Limited.		
Transaction in the year relate to interest payable on outstanding loan liability.	173,294	98,332
40.4 Associated Ventures International Limited		
One of the directors of the Company is also a director of Associated Ventures International Limited. Transaction relates to interest payable on outstanding loan balance.	26,037	63,840
40.5 Oma Trust Limited		
One of the directors of the Company is also a director of Oma Trust Limited.		
Transaction in the year was in respect of interest accrued on outstanding loan liability.	296,501	180,670
40.6 Minet Nigeria Limited		
A director in the Company is also a director in Ikeja Hotel Plc.		
It provides insurance brokerage services to the Company.		18,345

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

		Value of transactions in the year	
		2017	2016
		N'000	N'000
40.7 AVI Services Limited			
	The Company has certain directors in common with Ikeja Hotel Plc It provides a staff transport service to Ikeja Hotel Plc, operates a car hire business at the Hotel.		96,907
40.8 Capital Hotels Plc			
	Capital Hotels Plc is a member of the Ikeja Hotel Group. Transactions in the year relate to:		
	- interest paid/payable on loan	31,311	30,034
40.9 Charles Hampton			
	Capital Hotels Plc is a member of the Ikeja Hotel Group. Transaction in the year relates to expenses borne on their behalf	750	
41. Financial commitments			
	The directors are of the opinion that all known liabilities and commitments have been taken into consideration in the preparation of these consolidated financial statements. These liabilities are relevant in assessing the Company's state of affairs.		
42. Management/technical service agreement			
	The Ikeja Hotel Plc entered into an agreement with Marriotts Eame License and Services Company BVBA to manage Sheraton Lagos Hotel on its behalf for which a basic fee of 1.5% of total revenue together with an incentive fee of 3% of adjusted gross operating profit of the Hotel during each financial year. This agreement has been registered with the National Office for Technology Acquisition and Promotion (NOTAP).		
43. Support services agreement			
	The Company has an agreement with The Tourist Company of Nigeria Plc to provide support services to the latter until 30 September 2017. In terms of this agreement, The Tourist Company of Nigeria Plc is obligated to pay the following annual fees to Ikeja Hotel Plc:		
43.1 Basic fee			
	A basic fee equal to 0.45% per annum of the gross revenue of The Tourist Company of Nigeria Plc. This is exclusive of any taxes and is denominated and payable in Naira.		
43.2 Incentive fee			
	An incentive fee of 1.5% per annum of the adjusted net profit of The Tourist Company of Nigeria Plc. This fee is exclusive of any taxes and is denominated and payable in Naira.		
44. Deposit for shares			
	This represents deposits made by Next International Limited for 31,200,000 units of shares at N3.00 each yet to be allotted.		
45. Contingencies			
45.1 Guarantees and other capital commitments			
	The directors are of the opinion that all known liabilities and commitments have been taken into consideration in the preparation of the consolidated financial statements. The liabilities are relevant in assessing the group's state of affairs.		
45.2 Pending litigations and claims			
	No provision in relation to litigation and claims has been recognised in the consolidated financial statements. This was based on the Directors' opinion and legal advisers of the company.		
46. Events after the reporting date			
	The Directors are of the opinion that there were no significant events after the reporting date which would have had any material effect on the state of affairs as at 31 December 2017 and on the profit or loss for the year ended on that day which require disclosure in these financial statements.		

IKEJA HOTEL PLC

**SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2017**

Other national disclosures

IKEJA HOTEL PLC

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2017

	The Group				The Company			
	2016 N'000	%	2016 N'000	%	2017 N'000	%	2016 N'000	%
Revenue	12,122,014		10,865,037		6,317,460		5,463,967	
Other income	504,309		1,745,237		64,519		125,712	
	<u>12,626,324</u>		<u>12,610,274</u>		<u>6,381,979</u>		<u>5,589,679</u>	
Cost of goods and services - foreign	(174,955)		(286,170)		-		(129,081)	
Cost of goods and services - local	<u>(8,736,588)</u>		<u>(5,888,224)</u>		<u>(3,858,136)</u>		<u>(2,040,547)</u>	
Value added	<u>3,714,780</u>	100	<u>6,435,880</u>	100	<u>2,523,843</u>	100	<u>3,420,051</u>	100
Applied as follows:								
To pay employees:								
Salaries wages and other staff costs	1,568,063	42	3,378,647	52	1,242,472	49	2,221,894	65
To providers of capital:								
Finance costs	681,762	18	674,006	10	681,762	27	674,006	20
To pay Government:								
Income and Education tax	140,842	4	239,901	4	130,372	5	69,125	2
To provide for assets replacement:								
Depreciation of property, plant and equipment	717,426	19	775,796	12	344,223	14	420,651	12
Retained for future expansion:								
- Deferred taxation	(10,636)	(0)	261,078	4	(10,636)	(0)	(56,571)	(2)
- Retained profit for the year	<u>617,323</u>	<u>18</u>	<u>1,106,452</u>	<u>18</u>	<u>135,650</u>	<u>5</u>	<u>90,946</u>	<u>3</u>
Value added	<u>3,714,780</u>	100	<u>6,435,880</u>	101	<u>2,523,843</u>	100	<u>3,420,051</u>	100

Value added represents the additional wealth, the group has been able to create by its own and it's employees' efforts. This statement shows the allocation of wealth among employees, providers of capital government and that retained for future creation of more wealth.

IKEJA HOTEL PLC

FINANCIAL SUMMARY - COMPANY 31 DECEMBER

	2017 N'000	2016 N'000	2015 N'000	2014 N'000	2013 N'000
Statement of financial position					
Assets					
Property, plant and equipment	3,976,576	4,101,120	4,389,071	4,473,421	4,005,936
Capital work in progress	4,111,841	3,744,111	1,729,143	657,669	884,423
Intangible assets	10,184	12,209	14,232	13,640	8,876
Investment in subsidiary	4,440,919	4,440,919	4,440,919	4,440,919	4,440,919
Investments accounted for using the equity method	798,722	798,722	798,722	798,722	798,722
Loans to related party	6,151,565	5,914,936	3,653,928	2,963,075	2,820,741
Due from related party	485,328	484,579	499,343	563,589	483,730
Net current (liabilities)/assets	(3,532,180)	(3,913,770)	(223,741)	862,293	874,662
Non-current liabilities	(9,017,046)	(8,274,028)	(8,111,373)	(7,791,901)	(6,947,323)
Net assets	7,425,910	7,308,798	7,190,245	6,981,427	7,370,686
Equity and reserves					
Share capital	1,039,398	1,039,398	1,039,398	1,039,398	1,039,398
Share premium reserve	1,381,072	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	5,005,439	4,888,328	4,769,775	4,560,957	4,950,216
Total equity	7,425,909	7,308,798	7,190,245	6,981,427	7,370,686
Statement of profit or loss and other comprehensive income					
Revenue	6,317,460	5,463,967	5,015,735	5,227,731	6,505,108
Profit/(loss) before tax	264,881	103,500	192,423	(360,728)	1,346,528
Income tax expense	(129,230)	(12,554)	(83,055)	(122,202)	(470,177)
Profit/(loss) for the year	135,649	90,945	109,368	(482,930)	876,351
Other comprehensive income/(loss) for the year	(18,539)	27,607	99,450	93,672	35,108
Total comprehensive income/(loss) for the year	117,110	118,552	208,818	(389,258)	911,459
Per share data:					
Earnings/(loss) (kobo) - Basic	7	4	5	(23)	42
Net assets (kobo)	357	352	346	336	355

Earnings/(loss) per share are based on the profit/(loss) after tax divided by the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets divided by the number of issued and fully paid ordinary shares at the end of each financial year.

IKEJA HOTEL PLC

FINANCIAL SUMMARY - GROUP 31 DECEMBER

	2017 N'000	2016 N'000	2015 N'000	2014 N'000	2013 N'000
Statement of financial position					
Assets					
Property, plant and equipment	6,230,649	6,485,634	6,596,153	6,474,266	5,633,581
Investment Property	4,630,087				
Capital work in progress	6,320,396	4,267,914	2,252,946	1,181,472	1,255,194
Intangible assets	5,982,181	32,031	23,401	19,923	16,055
Investment	315,023	576,344	633,856	671,251	780,454
Loans to related party	6,151,565	5,914,936	3,653,928	2,963,075	2,820,741
Long term investment			26,496	26,496	
Net current (liabilities)/assets	(1,627,041)	(1,363,930)	1,254,617	2,362,474	2,265,690
Non-current liabilities	(9,073,160)	(8,347,268)	(8,009,794)	(8,027,534)	(7,018,630)
Net assets	18,929,699	7,565,661	6,431,603	5,671,423	5,753,085
Equity and reserves					
Share capital	1,039,398	1,039,398	1,039,398	1,039,398	1,039,398
Share premium reserve	1,381,072	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	6,864,084	2,605,832	2,096,037	1,670,122	1,769,067
Revaluation reserve	4,135,571				
	13,420,125	5,026,302	4,516,507	4,090,592	4,189,537
Non-controlling interest	5,509,575	2,539,359	1,915,096	1,680,831	1,563,548
Total equity	18,929,701	7,565,661	6,431,603	5,771,423	5,753,085
Statement of profit or loss and other comprehensive income					
Revenue	12,122,014	10,865,037	9,855,086	10,065,898	11,223,700
Profit/(loss) before tax	747,528	1,607,431	824,257	562,632	1,627,040
Income tax expense	(130,205)	(500,979)	(263,527)	(559,698)	(632,234)
Profit/(loss) for the year	617,323	1,106,452	560,730	2,934	994,806
Other comprehensive income/(loss) for the year	(18,539)	27,607	99,450	93,672	380,347
Total comprehensive income/(loss) for the year	598,784	1,134,059	660,180	96,606	1,375,153
Per share data:					
Earnings/(loss) (kobo) - Basic	30	53	27	14	48
Net assets (kobo)	911	364	309	278	277

Earnings/(loss) per share are based on the profit/(loss) after tax divided by the number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets divided by the number of issued and fully paid ordinary shares at the end of each financial year.