



Italian Restaurant, Sheraton Lagos

**2014**

**SECTION C**

**ANNUAL REPORT  
& ACCOUNTS**



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## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF IKEJA HOTEL PLC

PKF Professional Services

# PKF

Accountants &  
business advisers

### REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF IKEJA HOTEL PLC

We have audited the accompanying consolidated financial statements of **Ikeja Hotel Plc ("the Company")** and its subsidiaries (together, "the Group") which comprise the consolidated statement of financial position at 31 December 2014, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and the related notes to the consolidated financial statements comprising summary of significant accounting policies and other explanatory information.

#### Directors' Responsibility for the Consolidated Financial Statements

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

#### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements.

The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of **Ikeja Hotel Plc and its subsidiaries** at 31 December 2014, and of their financial performance and cash flows for the year then ended; in accordance with the International Financial Reporting Standards; in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and in the manner required by the Companies and Allied Matters Act, Cap C20, LFN 2004.

The Company and its subsidiaries have kept proper books of account, which are in agreement with the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income as it appears from our examination of their records.

Olatunji Ogundeyin, FCA  
FRC/2013/ICAN/02224  
For: PKF Professional Services  
Chartered Accountants  
Lagos, Nigeria

Dated: 21 August 2017



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Offices in: Abuja, Bauchi, Jos, Kaduna, Kano.  
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## REPORT OF THE STATUTORY AUDIT COMMITTEE

FOR THE YEAR ENDED DECEMBER, 31 2014

To the members of Ikeja Hotel Plc

In accordance with the provision of Section 359(6) of the Companies and Allied Matters Act of 2004 the members of the Audit Committee of Ikeja Hotel Plc hereby report on the financial statements for the year ended December 31, 2014 as follows:

We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the cooperation 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, 2014 is 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

16th August, 2017

Members of the Audit Committee are:

Chief Victor C. N. Oyolu  
Alhaji Wahab A. Ajani  
Mr. Christopher A. Ezennadili  
Alhaji Abatcha Bulama  
Mr. Kunle Aluko  
Dr. Alexander Thomopoulos

Chairman/Shareholder  
Shareholder  
Shareholder  
Director  
Director  
Director



**Sheraton Lagos Pool**



Presidential Suite, Sheraton Lagos

# Consolidated Financial Statements

For the year ended 31 December 2014



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	Notes	The Group		The Company	
		2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>Non-current assets</b>					
Property, plant and equipment	6	6,474,266	5,633,581	4,473,421	4,005,936
Capital work in progress	7	1,181,472	1,255,194	657,669	884,423
Intangible asset	8	19,923	16,055	13,640	8,876
Investment in subsidiary	9	-	-	4,440,919	4,440,919
Investments accounted for using the equity method	10	671,251	780,454	798,722	798,722
Loan to related party	11	2,963,075	1,957,340	2,963,075	1,957,340
Due from related parties	12	391,476	-	563,589	483,730
Long term investment	13	26,496	-	-	-
		<b>11,727,959</b>	<b>9,642,624</b>	<b>13,911,035</b>	<b>12,579,946</b>
<b>Current assets</b>					
Inventories	14	520,082	428,327	266,759	231,263
Trade and other receivables	15	816,283	945,830	468,474	638,243
Other current assets	16	3,071,503	1,478,208	2,590,063	1,029,824
Cash and cash equivalents	17	3,531,492	4,970,704	1,219,058	2,662,089
		<b>7,939,360</b>	<b>7,823,069</b>	<b>4,544,354</b>	<b>4,561,419</b>
<b>Total assets</b>		<b>19,667,319</b>	<b>17,465,693</b>	<b>18,455,389</b>	<b>17,141,365</b>
<b>Equity and liabilities</b>					
Ordinary shares	28	1,039,398	1,039,398	1,039,398	1,039,398
Share premium reserve	29	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	30	1,670,122	1,769,067	4,560,957	4,950,215
<b>Total equity attributable to equity holders of the Company</b>		<b>4,090,592</b>	<b>4,189,537</b>	<b>6,981,427</b>	<b>7,370,685</b>
Non-controlling interest	31	1,680,831	1,563,548	-	-
		<b>5,771,423</b>	<b>5,753,085</b>	<b>6,981,427</b>	<b>7,370,685</b>
<b>Non-current liabilities:</b>					
Due to related parties	21	4,184,930	3,600,424	5,969,960	5,349,269
Employee benefits	25.2	3,257,519	3,013,702	1,556,239	1,412,503
Deferred tax	23	585,085	404,504	265,702	185,552
		<b>8,027,534</b>	<b>7,018,630</b>	<b>7,791,901</b>	<b>6,947,324</b>
<b>Current liabilities:</b>					
Trade and other payables	18	2,366,239	2,225,778	727,252	667,294
Deferred income	19	2,196,316	1,187,170	2,135,324	1,138,549
Dividend payable	20	119,604	43,436	16,691	16,691
Deposit for shares	40	93,600	93,600	93,600	93,600
Current borrowings	27	107,941	1,551	62,099	1,551
Current tax payables	22	984,662	1,142,443	647,095	905,671
		<b>5,868,362</b>	<b>4,693,978</b>	<b>3,682,061</b>	<b>2,823,356</b>
<b>Total liabilities</b>		<b>13,895,896</b>	<b>11,712,608</b>	<b>11,473,963</b>	<b>9,770,680</b>
<b>Total equity and liabilities</b>		<b>19,667,319</b>	<b>17,465,693</b>	<b>18,455,389</b>	<b>17,141,365</b>

These consolidated financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 21 August 2017.

Chief Anthony Idigbe  
Chairman  
FRC/2014/NBA/00000010414

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

Mr. Theophilus E. Nsufu  
Chief Operating Officer  
FRC/2013/ICAN/00000004775

The accompany explanatory notes and significant form an integral part of these consolidated financial statements.



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
 AND OTHER COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	The Group		The Company	
		2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>Continuing operations</b>					
Revenue	35	<b>10,065,898</b>	11,223,700	<b>5,227,731</b>	6,505,108
Cost of sales	35	<b>(6,999,233)</b>	(6,804,055)	<b>(3,507,162)</b>	(3,106,636)
Gross profit		<b>3,066,665</b>	4,419,645	<b>1,720,569</b>	3,398,472
Other income	32	<b>884,789</b>	511,473	<b>228,438</b>	119,677
Sales and marketing expenses		<b>(355,963)</b>	(305,646)	<b>(265,215)</b>	(305,646)
Administration and general expenses	34	<b>(2,479,115)</b>	(2,562,540)	<b>(1,514,228)</b>	(1,434,695)
<b>Operating profit</b>		<b>1,116,376</b>	2,062,932	<b>169,564</b>	1,777,809
Finance income	33	<b>50,266</b>	-	-	-
Finance costs	33	<b>(494,807)</b>	(431,281)	<b>(530,292)</b>	(431,281)
Share of loss of investment accounted for using the equity method		<b>(109,203)</b>	(4,611)	-	-
<b>Profit/(loss) before tax</b>		<b>562,632</b>	1,627,040	<b>(360,728)</b>	1,346,528
Income tax expense	24	<b>(559,698)</b>	(632,234)	<b>(122,202)</b>	(470,177)
<b>Profit/(loss) for the year from continuing operations</b>		<b>2,934</b>	994,806	<b>(482,930)</b>	876,351
<b>(Loss)/profit attributable to:</b>					
Owners of the parent		<b>(114,349)</b>	1,029,742	-	-
Non controlling interest		<b>117,283</b>	(34,936)	-	-
<b>Profit/(loss) for the year</b>		<b>2,934</b>	994,806	<b>(482,930)</b>	876,351
<b>Other comprehensive income:</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Re-measurement gain on defined benefit plan	25.2	<b>93,672</b>	380,347	<b>93,672</b>	35,108
<b>Other comprehensive income for the year</b>		<b>93,672</b>	380,347	<b>93,672</b>	35,108
<b>Total comprehensive income/(loss) for the year</b>		<b>96,606</b>	1,375,153	<b>(389,258)</b>	911,459
<b>Total comprehensive (loss)/income for the year attributable to:</b>					
Equity holders of the parent		<b>(28,106)</b>	1,124,687	-	-
Non controlling interest		<b>124,712</b>	250,466	-	-
		<b>96,606</b>	1,375,153	<b>(389,258)</b>	911,459
Earnings/(loss) per share (Kobo)	37	<b>0.14</b>	48	<b>(23)</b>	42

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group						The Company						
	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Total N'000	Non controlling interest N'000	Total equity N'000	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Total equity N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
<b>Attributable to equity holders of the Group/Company - 2013</b>													
At 1 January 2013	1,039,398	1,381,072	384,894	2,805,364	1,598,484	4,403,848	1,039,398	1,381,072	4,038,756	6,459,226			
Changes in equity for 2013:													
Profit for the year	-	-	1,029,742	1,029,742	(34,936)	994,806	-	-	876,351	876,351			
<b>Items that will not be reclassified subsequent to profit or loss</b>													
Re-measurement gain on defined benefit plan	-	-	380,347	380,347	-	380,347	-	-	35,108	35,108			
Total comprehensive income for the year	-	-	1,410,089	1,410,089	(34,936)	1,375,153	-	-	911,459	911,459			
Dividends declared during the year	-	-	(25,916)	(25,916)	-	(25,916)	-	-	-	-			
Contributions by and to owners of the business	-	-	(25,916)	(25,916)	-	(25,916)	-	-	-	-			
At 31 December 2013	1,039,398	1,381,072	1,769,067	4,189,537	1,563,548	5,753,085	1,039,398	1,381,072	4,950,215	7,370,685			
<b>Attributable to equity holders of the Group/Company - 2014</b>													
At 31 December 2013	1,039,398	1,381,072	1,769,067	4,189,537	1,563,548	5,753,085	1,039,398	1,381,072	4,950,215	7,370,685			
Changes in equity for 2014:													
Loss for the year	-	-	(114,349)	(114,349)	117,283	2,934	-	-	(482,930)	(482,930)			
<b>Items that will not be reclassified subsequent to profit or loss</b>													
Re-measurement gain on defined benefit plan	-	-	93,672	93,672	-	93,672	-	-	93,672	93,672			
Total comprehensive income for the year	-	-	(20,677)	(20,677)	117,283	96,606	-	-	(389,258)	(389,258)			
Dividends declared during the year	-	-	(78,268)	(78,268)	-	(78,268)	-	-	-	-			
Contributions by and to owners of the business	-	-	(78,268)	(78,268)	-	(78,268)	-	-	-	-			
At 31 December 2014	1,039,398	1,381,072	1,670,122	4,090,592	1,680,831	5,771,423	1,039,398	1,381,072	4,560,957	6,981,427			

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	The Group		The Company	
		2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>Profit/(loss) after tax</b>		<b>96,606</b>	1,375,153	<b>(389,258)</b>	911,459
<b>Adjustment for:</b>					
Depreciation of property, plant and equipment	6	677,077	404,903	374,840	135,529
Amortisation of intangible asset	8	2,659	2,007	1,763	1,109
Share of loss in investment accounted for using the equity method		109,203	4,611	-	-
Finance costs	33	494,807	431,281	530,292	431,281
Finance income	33	(50,266)	-	-	-
Impairment loss in the year		-	93,344	-	-
Income tax expense	24	559,698	632,234	122,202	470,177
<b>Net cash from operating activities before changes in working capital</b>		<b>1,889,784</b>	2,943,533	<b>639,839</b>	1,949,555
<b>Changes in:</b>					
(Increase)/decrease in inventories		(91,755)	54,283	(35,496)	32,960
Decrease in trade and other receivables		129,547	734,726	169,769	45,898
Increase in other assets		(1,593,295)	(401,519)	(1,560,239)	(341,863)
Increase in loans to related party		(1,005,735)	(92,366)	(1,005,735)	(92,366)
Increase in due from related parties		(391,476)	(135,143)	(79,859)	(2,088)
Increase/(decrease) in post employment benefits		243,817	(451,249)	143,735	36,584
Increase/(decrease) in trade and other payables		113,965	219,947	59,959	(170,265)
Increase in deferred income		1,009,146	114,574	996,775	93,207
Increase in due to related parties		584,506	-	620,691	418,839
Cash generated from operating activities		888,504	2,986,786	(50,561)	1,970,461
Income tax paid	22	(536,898)	(417,724)	(300,628)	(248,430)
<b>Net cash from/(used in) operating activities</b>		<b>351,606</b>	2,569,062	<b>(351,189)</b>	1,722,031
<b>Cash flows from investing activities</b>					
Purchase of property plant and equipment	6	(901,322)	(706,986)	(225,885)	(230,694)
Purchase of intangible assets	8	(6,527)	-	(6,527)	-
Additions to capital work in progress	7	(542,718)	(498,138)	(389,686)	(498,138)
<b>Net cash used in investing activities</b>		<b>(1,450,567)</b>	(1,205,124)	<b>(622,098)</b>	(728,832)
<b>Cash flows from financing activities</b>					
Repayment of term loan		-	(7,365)	-	(7,365)
Finance costs	33	(494,807)	(431,281)	(530,292)	(431,281)
Finance income	33	50,266	-	-	-
Dividend paid	20	(2,100)	-	-	-
<b>Net cash used in financing activities</b>		<b>(446,641)</b>	(438,646)	<b>(530,292)</b>	(438,646)
Net (decrease)/ increase in cash and cash equivalents		(1,545,602)	925,293	(1,503,579)	554,553
Cash and cash equivalents at the beginning of the year		4,969,153	4,043,860	2,660,538	2,105,985
<b>Cash and cash equivalents at the end of the year</b>	36	<b>3,423,551</b>	4,969,153	<b>1,156,959</b>	2,660,538

The accompanying explanatory notes form an integral part of these consolidated statement of cash flows.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

### 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.

#### 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 is managed and operated by Starwood Eame License and Services Company BVBA under an agreement dated 31 October 1980, renewed 1 April 2008.

#### 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 Statement of compliance with IFRSs

The consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Additional information required by national regulations is included where appropriate.

The consolidated financial statements comprise of the consolidated statement of financial position, consolidated statements of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes to the consolidated financial statements.

#### 2.2 Basis of measurement

The consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention except for financial instruments measured at fair value. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates, it also requires management to exercise its judgment in the process of applying the group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate the group's financial statements presents the financial position and results fairly.

#### 2.3 Functional and presentation currency

The consolidated financial statements are presented in naira, which is the group's 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

### 2.4 **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.

### 2.5 **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December, 2014.

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.

Below are the new and amended International Financial Reporting Standards and International Accounting Standards which have not been early adopted by the Group and that might affect future reporting periods, on the assumption that the Group will continue with its current activities.

### 2.6 **Summary of new and amended standards and interpretations**

#### 2.6.1 **Accounting standards and interpretations issued but not yet effective**

Below are new and amended International Financial Reporting Standards which have not been early adopted by the group and that might affect future reporting periods, on the assumption that the group will continue with its current activities.

##### 2.6.1.1 **Amendments effective from annual periods beginning on or after 1 July 2014**

#### a) **Amendments to IAS 19: Defined Benefit Plans: Employee Contributions**

Additional guidance added to IAS 19 Employee Benefits on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan.

#### b) **Amendments to IFRS 13: Short-term receivables and payables**

Amendments clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting if the effect of not discounting is immaterial.

#### c) **Amendments to IFRS 1: Meaning of 'effective IFRSs'**

Amendments to the Basis of Conclusion clarify the meaning of "effective IFRSs".

#### d) **Amendments to IFRS 2: Definition of vesting condition**

Amendments added the definitions of performance conditions and service conditions and amended the definitions of vesting conditions and market conditions.

#### e) **Amendments to IFRS 3: Accounting for contingent consideration in a business combination**

Amendments to the measurement requirements for all contingent consideration assets and liabilities including those accounted for under IFRS 9.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

- f) Amendments to IFRS 3: Scope exceptions for joint ventures**  
Amendments to the scope paragraph for the formation of a joint arrangement.
- g) Amendments to IFRS 8: Aggregation of operating segments and Reconciliation of the total of the reportable segments' assets to the entity's assets**  
Amendments to some disclosure requirements regarding the judgements made by management in applying the aggregation criteria, as well as the disclosure requirements relating to certain reconciliations.
- h) Amendments to IFRS 13: Scope of paragraph 52 (portfolio exception)**  
Amendments clarify that the portfolio exception applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9.
- i) Amendments to IAS 16: Revaluation method - proportionate restatement of accumulated depreciation**  
Amendments to the Revaluation method – proportionate restatement of accumulated depreciation.
- j) Amendments to IAS 24: Key management personnel services**  
Amendments to the definitions and disclosure requirements for key management personnel.
- k) Amendments to IAS 38: Revaluation method - proportionate restatement of accumulated amortisation**  
Amendments to the Revaluation method – proportionate restatement of accumulated amortisation.
- l) Amendments to IAS 40: Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property**  
Amendments clarify the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

### 2.6.1.2 Amendments effective from annual periods beginning on or after 1 January 2015

- a) Amendments to IFRS 7: Mandatory Effective Date and Transition Disclosures**  
Entities are either permitted or required to provide modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods. Amendments also require reclassification disclosures in IFRS 7 (as amended by IFRS 9 (2009)) on transition from IAS 39 to IFRS 9 regardless as to whether they would normally be required due to a change in business model.

### 2.6.1.3 Amendments effective from annual periods beginning on or after 1 January 2016

- a) Amendments to IFRS 5: Changes in methods of disposal**  
Amendments clarify that if an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or vice-versa, then the change in classification is considered a continuation of the original plan of disposal.
- b) Amendments to IAS 16 & 38: Clarification of Acceptable Methods of Depreciation and Amortisation**  
Amendments to both IAS 16 and IAS 38 clarifying that when applying the principle of "the basis of depreciation and amortisation is the expected pattern of consumption of the future economic benefits of an asset", revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets. Additionally further clarified the basis for the calculation of depreciation and amortisation.
- c) Amendments to IAS 1: Disclosure Initiative**  
Amendments designed to encourage entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that



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materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that entities should use professional judgement in determining where and in what order information is presented in the financial disclosures.

**d) Amendment to IFRS 7: Servicing Contract & Applicability of the amendments to IFRS 7 to condensed interim financial statement**

Amendment clarify the meaning of "continuing involvement" in a transferred financial asset. Amendments also clarify that previous amendments to IFRS 7 (concerning offsetting) are not specifically required for all of interim periods and should be dealt with in terms of IAS34 p15

**e) Amendments to IFRS 10 & 12 and IAS 28: Investment Entities - Applying the Consolidated Exception**

Narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

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

Clarification was provided on the treatment where a parent loses control of a subsidiary as a result of a transaction involving an associate or a joint venture.

**g) Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations**

Amendments adding new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business which specify the appropriate accounting treatment for such acquisitions.

**h) IFRS 14: Regulatory Deferral Accounts**

IFRS 14 permits first-time adopters to continue to recognise amounts related to its rate regulated activities in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that apply IFRS and do not recognise such amounts, the Standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the Standard.

**i) Amendments to IAS 16 & 41: Agriculture - Bearer Plants**

Amendments to IAS 16 and IAS 41 which defines bearer plants and includes bearer plants in the scope of IAS 16 Property, Plant and Equipment, rather than IAS 41 allowing such assets to be accounted for after initial recognition in accordance with IAS 16.

**j) Amendments to IAS 19: Discount rate - regional market issue**

Clarification given that when looking at a deep market in terms of the standard the deep market requirement applies to the currency as a whole and not to a specific country.

**k) Amendments to IAS 27: Equity Method in Separate Financial Statements**

Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

**l) Amendments to IAS 34: Disclosure of information 'elsewhere in the interim financial report'**

Clarified that some disclosures required may be presented by cross-reference to other statement(s) that are available to the users of the consolidated financial statements on the same terms as the interim financial statements and at the same time.



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### 2.6.1.4 Amendments effective from annual periods beginning on or after 1 January 2017

- a) **IFRS 15: Revenue from Contracts with Customers**  
To recognize revenue, the group would apply the following five steps: Identify the contract(s) with the customer, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price; Recognize revenue when a performance obligation is satisfied. A company would recognize an asset for the incremental costs of obtaining a contract if those costs are expected to be recovered. For many contracts, such as many straight forward retail transactions, IFRS 15 will have little, if any, effect on the amount and timing of revenue recognition. A company will be able to recognize revenue over time only if the criteria specified in IFRS 15 are met. In all other cases, a company will recognize revenue at the point in time when the customer obtains control of the promised good or service.

### 2.6.1.5 Amendments effective from annual periods beginning on or after 1 January 2018

#### IFRS 9: Financial instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets and replaces in its entirety IAS 39. Such requirements include the classification of financial assets into two categories only - amortised cost and fair value. Also, most of the requirements related to financial liabilities in IAS 39 remain unchanged excluding the requirement that changes in the fair value of financial liabilities as a result of own credit risk should be recognised in other comprehensive income and not in the income statement. At the IASB's July 2014 meeting, the IASB decided to postpone the mandatory application of IFRS 9 to annual periods beginning on or after 1 January 2018 with early application permitted.

### 2.7 Critical judgment in applying the Group's accounting policies

Preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

#### 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**

- i. 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.
- 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.



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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) Allowances on trade receivables**

Allowance for doubtful accounts is based on a periodic review of all outstanding amounts, where significant doubt about collectability exists, including an analysis of historical bad debt, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms. Bad debts are written off when identified as uncollectible, and are included in operating expenses.

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.

**3. Summary of significant accounting policies**

The following are summary of significant accounting policies adopted by the company and its subsidiaries in the preparation of its consolidated financial statements:

**3.1 Investments in subsidiaries**

"The consolidated financial statements incorporates 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.



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### 3.2 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.

### 3.3 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.

### 3.4 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.

### 3.5 Business combinations and goodwill

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

### 3.6 Intangible assets

#### 3.6.1 Intangible assets acquired separately

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

Amortization is charged to income statement 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 income statement. Intangible assets with an indefinite useful life are tested for impairment annually. Amortization periods and methods are reviewed annually and adjusted if appropriate.

#### 3.6.2 Intangible assets generated internally

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



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- 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

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

**3.7 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.

**3.7.1 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.

**3.7.2 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.

**3.7.3 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	10
Computer equipment	33 $\frac{1}{3}$
Motor vehicles	33 $\frac{1}{3}$



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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

### 3.7.4 Derecognition

"An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, these are included in the income statement as operating income. "

When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

### 3.7.5 Reclassifications

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

## 3.8 Financial instruments

Financial instruments carried at statement of financial position date include available for sale assets, loans and receivables, cash and cash equivalents and borrowings. Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. The various classifications of financial instruments, their measurement subsequent to initial recognition, reclassifications and derecognition are described as follows:

### 3.8.1 Financial assets

The Group classifies its financial assets into the following categories:

#### a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling them in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management. Derivatives are also classified as held for trading unless they are designated as hedges.

#### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated as at fair value through profit or loss or available for sale. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

#### c) 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.



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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'.

### d) **Available-for-sale financial assets**

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

#### **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.

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.

#### **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.



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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.

### 3.8.2 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, although the decrease cannot yet be identified with the individual financial assets in the Group:
  - 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.



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### 3.8.3 Financial liabilities

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

### 3.8.4 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.

### 3.8.5 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.

### 3.8.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### 3.8.7 Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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.

### 3.8.8 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.



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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.

**3.9 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.

**3.9.1 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.

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.

**3.10 Amortisation**

Amortisation is calculated over the cost of the asset or its deemed cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, 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:

Asset class	No of years
Computer software	10

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

**3.11 Employee benefits****3.11.1 Defined contribution plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to 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 12 months after the end of the period in which the employees render the service are discounted to their present value. In relation to the defined contribution plan, the Group has in place the Pension fund scheme.



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### 3.11.2 Pension fund scheme

In accordance with the provisions of the Pension Reform Act, 2004 the Group has instituted a Contributory Pension Scheme for its employees, where both the employees and the Group contribute 7.5% of the employee emoluments (basic salary, housing and transport allowances). With effect from July 2014, the rate has been changed from 7.5% to 8% and 10% for Employee and Employer respectively. The Group's contribution under the scheme is charged to the income statement while employee contributions are funded through payroll deductions.

### 3.11.3 Short term employee benefits

Short term employee benefits 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 Group 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.

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.

### 3.11.4 Termination benefits

Termination benefits are recognised as an expense when the Group 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 Group 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.

### 3.12 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.

Interest bearing borrowings are stated 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 year. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

### 3.13 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.

#### 3.13.1 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2014

**3.14 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.

**3.15 Revenue recognition**

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

**3.15.1 Sale of service**

Revenue from services is recognised in the period when the service is completed and collectability of the related receivables is reasonably assured.

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.

**3.15.2 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

**3.16 Dividend****3.16.1 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.

**3.16.2 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 general reserves.

**3.17 Taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement 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.

**3.17.1 Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

**3.17.2 Deferred tax**

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit (loss), it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates except where the company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

The tax effects of carry forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of available for sale investments and cash flow hedges, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive and subsequently recognised in the income statement together with the deferred gain or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

### 3.18 Finance income and finance costs

#### 3.18.1 Finance income

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.

#### 3.18.2 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.

### 3.19 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.

### 3.20 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.

## 4. 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

### 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.

### 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	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>Financial assets</b>				
Loans and receivables	2,963,075	1,957,340	2,963,075	1,957,340
Investments accounted for using the equity method	671,251	780,454	798,722	798,722
Trade and other receivables	816,283	945,830	468,474	638,243
Cash and cash equivalents	3,531,492	4,970,704	1,219,058	2,662,089
	<b>7,982,100</b>	<b>8,654,328</b>	<b>5,449,329</b>	<b>6,056,395</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Where it is considered necessary, the debtors' age analysis is also evaluated on a regular basis for potential doubtful debts. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

### An analysis of trade receivables - Group

	Note	Carrying amount N'000	Neither impaired nor past due N'000	Past due but not impaired				
				31-60 days N'000	61-90 days N'000	91-120 days N'000	121-180 days N'000	Over 181 days N'000
2014	14	1,000,597	509,682	218,495	206,525	32,934	11,119	21,842
2013	14	1,140,014	568,687	238,488	262,791	32,952	11,105	25,991

### An analysis of trade receivables - Company

	Note	Carrying amount N'000	Neither impaired nor past due N'000	Past due but not impaired				
				31-60 days N'000	61-90 days N'000	91-120 days N'000	121-180 days N'000	Over 181 days N'000
2014	14	503,651	265,397	149,037	55,631	12,499	11,004	10,083
2013	14	698,066	379,511	216,037	65,631	14,499	11,001	11,387

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 18% of debtors balances (2013: 35%). The average age of these debtors is 27 days (2013: 53 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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
<b>At 31 December 2014</b>			
<b>Financial liabilities</b>			
Other liabilities	4,184,930	-	4,184,930
Trade and other payables	2,366,239	-	2,366,239
Dividend payable	119,604	-	119,604
	<b>6,670,774</b>	<b>-</b>	<b>6,670,774</b>
<b>At 31 December 2013</b>			
Other liabilities	3,600,424	-	3,600,424
Trade and other payables	2,319,378	-	2,319,378
Dividend payable	43,436	-	43,436
	<b>5,963,238</b>	<b>-</b>	<b>5,963,238</b>



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**Contractual maturity analysis for financial liabilities - Company**

	Due within one year N'000	Due after one year N'000	Total N'000
<b>At 31 December 2014</b>			
<b>Financial liabilities</b>			
Other liabilities	5,969,960	-	5,969,960
Trade and other payables	727,252	-	727,252
Dividend payable	16,691	-	16,691
	<u>6,713,903</u>	<u>-</u>	<u>6,713,903</u>
<b>At 31 December 2013</b>			
<b>Financial liabilities</b>			
Other liabilities	5,349,269	-	5,349,269
Trade and other payables	667,294	-	667,294
Dividend payable	16,691	-	16,691
	<u>6,033,254</u>	<u>-</u>	<u>6,033,254</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.

**5. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**5.1 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 income statement or other comprehensive income. For items measured at amortised cost, changes in value are recognised in the income statement of the statement of comprehensive income.

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**

**At 31 December 2014**

**Assets**

Cash and cash equivalents	3,531,492	-	3,531,492
Trade and other receivables	-	816,283	816,283
Loans and receivables	-	2,963,075	2,963,075
Investments accounted for using the equity method	671,251	-	671,251

Fair value N'000	Amortised cost N'000	Carrying amount N'000
3,531,492	-	3,531,492
-	816,283	816,283
-	2,963,075	2,963,075
671,251	-	671,251
<b>4,202,743</b>	<b>3,779,357</b>	<b>7,982,100</b>

**Liabilities**

Trade and other payables	2,366,239	-	2,366,239
Bank overdrafts	107,941	-	107,941
Other liabilities	4,184,930	-	4,184,930

2,366,239	-	2,366,239
107,941	-	107,941
4,184,930	-	4,184,930
<b>6,659,111</b>	<b>-</b>	<b>6,659,111</b>

**At 31 December 2013**

**Assets**

Cash and cash equivalents	4,970,704	-	4,970,704
Trade and other receivables	-	945,830	945,830
Loans and receivables	-	1,957,340	1,957,340
Investments accounted for using the equity method	780,454	-	780,454

4,970,704	-	4,970,704
-	945,830	945,830
-	1,957,340	1,957,340
780,454	-	780,454
<b>5,751,158</b>	<b>2,903,170</b>	<b>8,654,328</b>

**Liabilities**

Trade and other payables	2,225,778	-	2,225,778
Bank overdrafts	1,551	-	1,551
Other liabilities	3,600,424	-	3,600,424

2,225,778	-	2,225,778
1,551	-	1,551
3,600,424	-	3,600,424
<b>5,827,753</b>	<b>-</b>	<b>5,827,753</b>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

**The Company**

**At 31 December 2014**

**Assets**

	Fair value N'000	Amortised cost N'000	Carrying amount N'000
Cash and cash equivalents	1,219,058	-	1,219,058
Trade and other receivables	-	468,474	468,474
Loans and receivables	-	2,963,075	2,963,075
Investments accounted for using the equity method	798,722	-	798,722
	<b>2,017,780</b>	<b>3,431,549</b>	<b>5,449,329</b>

**Liabilities**

Trade and other payables	727,252	-	727,252
Bank overdrafts	62,099	-	62,099
Other liabilities	5,969,960	-	5,969,960
	<b>6,759,311</b>	<b>-</b>	<b>6,759,311</b>

**At 31 December 2013**

**Assets**

Cash and cash equivalents	2,662,089	-	2,662,089
Trade and other receivables	-	638,243	638,243
Loans and receivables	-	1,957,340	1,957,340
Investments accounted for using the equity method	798,722	-	798,722
	<b>3,460,811</b>	<b>2,595,583</b>	<b>6,056,395</b>

**Liabilities**

Trade and other payables	667,294	-	667,294
Bank overdraft	1,551	-	1,551
Other liabilities	5,349,269	-	5,349,269
	<b>6,018,114</b>	<b>-</b>	<b>6,018,114</b>

**5.2 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.

**5.3 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).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

6. Property, plant and equipment

	Land N'000	Building N'000	Hotel equipment N'000	Office furniture, fittings and equipment N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
<b>6.1 The Group Cost</b>							
At 1 January 2013	3,406,260	1,251,950	1,637,758	2,979,084	112,052	405,043	9,792,147
Additions in the year	34,482	113,753	206,823	294,927	16,776	40,225	706,986
Disposals in the year	-	-	-	-	-	(2,955)	(2,955)
At 1 January 2014	3,440,742	1,365,703	1,844,581	3,274,011	128,828	442,313	10,496,178
Additions in the year	-	90,988	196,731	576,140	24,762	12,701	901,322
Transferred from capital work in progress	-	3,299	-	613,141	-	-	616,440
<b>At 31 December 2014</b>	<b>3,440,742</b>	<b>1,459,990</b>	<b>2,041,312</b>	<b>4,463,292</b>	<b>153,590</b>	<b>455,014</b>	<b>12,013,940</b>
<b>Depreciation</b>							
At 1 January 2013	-	549,805	1,174,221	2,256,587	103,092	376,944	4,460,649
Additions in the year	-	42,704	163,033	157,916	10,537	30,713	404,903
Disposals in the year	-	-	-	-	-	(2,955)	(2,955)
At 1 January 2014	-	592,509	1,337,254	2,414,503	113,629	404,702	4,862,597
Charge for the year	-	44,926	165,695	426,579	16,770	23,107	677,077
<b>At 31 December 2014</b>	<b>-</b>	<b>637,435</b>	<b>1,502,949</b>	<b>2,841,082</b>	<b>130,399</b>	<b>427,809</b>	<b>5,539,674</b>
<b>Carrying amount</b>							
<b>At 31 December 2014</b>	<b>3,440,742</b>	<b>822,555</b>	<b>538,363</b>	<b>1,622,210</b>	<b>23,191</b>	<b>27,205</b>	<b>6,474,266</b>
At 31 December 2013	3,440,742	773,194	507,327	859,508	15,199	37,611	5,633,581

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

There is no impairment charge during the year.


 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 DECEMBER 2014

## 6.2 The Company

	Land N'000	Building N'000	Hotel equipment N'000	Office furniture, fittings and equipment N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
<b>Cost</b>							
At 1 January 2013	3,084,350	666,282	914,985	66,011	112,052	224,122	5,067,802
Additions in the year	-	65,841	143,317	270	16,776	4,490	230,694
Disposals in the year	-	-	-	-	-	(2,955)	(2,955)
At 1 January 2014	3,084,350	732,123	1,058,302	66,281	128,828	225,657	5,295,541
Additions in the year	-	5,945	177,379	5,099	24,762	12,700	225,885
Transferred from capital work in progress	-	3,299	613,141	-	-	-	616,440
<b>At 31 December 2014</b>	<b>3,084,350</b>	<b>741,367</b>	<b>1,848,822</b>	<b>71,380</b>	<b>153,590</b>	<b>238,357</b>	<b>6,137,866</b>
<b>Depreciation</b>							
At 1 January 2013	-	347,802	459,737	39,888	103,092	206,513	1,157,032
Disposals in the year	-	-	-	-	-	(2,955)	(2,955)
Charge for the year	-	27,659	81,504	4,854	10,537	10,974	135,528
At 1 January 2014	-	375,461	541,241	44,742	113,629	214,532	1,289,606
Charge for the year	-	28,122	312,554	3,520	16,771	13,873	374,839
<b>At 31 December 2014</b>	<b>-</b>	<b>403,583</b>	<b>853,795</b>	<b>48,262</b>	<b>130,400</b>	<b>228,405</b>	<b>1,664,445</b>
<b>Carrying amount</b>							
<b>At 31 December 2014</b>	<b>3,084,350</b>	<b>337,784</b>	<b>995,027</b>	<b>23,118</b>	<b>23,190</b>	<b>9,952</b>	<b>4,473,421</b>
At 31 December 2013	3,084,350	356,662	517,061	21,539	15,199	11,125	4,005,936

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

There is no impairment charge during the year.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>7. Capital work in progress</b>				
At 1 January	1,255,194	850,400	884,423	386,285
Transferred to property, plant and equipment	(616,440)	-	(616,440)	-
Additions in the year	542,718	498,138	389,686	498,138
Impairment loss in the year	-	(93,344)	-	-
At 31 December	<b>1,181,472</b>	<b>1,255,194</b>	<b>657,669</b>	<b>884,423</b>

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

Evidence of impairment loss on the capital work in progress is as a result discontinuation of work on the diplomatic suites for more than six years.

The directors are of the view that the carrying amount is not below the recoverable amount.



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	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>8. Intangible asset</b>				
<b>Computer software</b>				
<b>Cost</b>				
At 1 January	20,069	-	11,094	11,094
Additions in the year	6,527	20,069	6,527	-
At 31 December	<u>26,596</u>	<u>20,069</u>	<u>17,621</u>	<u>11,094</u>
<b>Amortization</b>				
At 1 January	4,014	2,007	2,218	1,109
Charge for the year	2,659	2,007	1,763	1,109
At 31 December	<u>6,673</u>	<u>4,014</u>	<u>3,981</u>	<u>2,218</u>
<b>Carrying amount</b>	<u>19,923</u>	<u>16,055</u>	<u>13,640</u>	<u>8,876</u>
<b>9. Investment in subsidiary</b>				
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.

**9.1 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 Limited	Nigeria	38.25%	Operation of hotels and restaurants,
• IHL Services	Nigeria	100%	Advisory and consultancy services to

**9.2** 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
<b>31 December 2014</b>			
Revenue	39,494	4,552,726	285,441
Profit after tax	25,387	246,448	(15,119)
Total assets	387,731	7,036,425	914,789
Total liabilities	474,783	3,561,846	142,404
Equity	<u>(87,052)</u>	<u>3,474,579</u>	<u>772,386</u>
<b>31 December 2013</b>			
Revenue	-	4,659,930	265,738
(Loss)/profit after tax	(2,760)	512,563	4,642
Total assets	387,730	6,393,317	614,769
Total liabilities	460,676	3,165,186	165,615
Equity	<u>(72,945)</u>	<u>3,227,131</u>	<u>449,154</u>

**10. 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.



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Aggregate amounts relating to investment in joint venture include:

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Current assets	137,420	135,306	-	-
Non current asset	1,114,949	1,161,301	-	-
Current liabilities	115,372	144,399	-	-
Non current liabilities	1,099,569	969,071	-	-
Income	196,472	110,880	-	-
Expenses	305,675	115,491	-	-
At 1 January	780,454	785,065	798,722	798,722
Share of loss of joint venture	(109,203)	(4,611)	-	-
At 31 December	671,251	780,454	798,722	798,722

	US \$'000	The Group		US \$'000	The Company	
		2014 N'000	2013 N'000		2014 N'000	2013 N'000
<b>11 Loan to related party</b>						
At 1 January	12,011	1,957,340	1,864,974	12,011	1,957,340	1,864,974
Interest capitalised	601	93,739	93,207	601	93,739	93,207
Exchange revaluation	-	911,996	(841)	-	911,996	(841)
At 31 December	12,612	2,963,075	1,957,340	12,612	2,963,075	1,957,340

Loan from related party relates to loan from The Tourist Company of Nigeria Plc. The interest rate of 5% (2013 : 5%) has been set on the Company's fixed borrowing. Of these fixed borrowings 100% (2013 : 100%) is for periods longer than 12 months. The Company had no unutilised borrowing facilities at 31 December 2014 (2013 : 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.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>12. Due from related parties</b>				
G.M. Ibru	-	-	-	1,875
Nimbles Logistics Limited	-	-	-	20
Federal Palace/Sun current account	79,621	-	79,621	-
Hans Gremlin Nigeria Limited	-	-	483,968	481,835
Charles Hampton	108,471	-	-	-
AVIS - Current Account	31,122	-	-	-
GMI & Co	113,188	-	-	-
Felfan ltd	59,074	-	-	-
	391,476	-	563,589	483,730
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.				
<b>13. Long term investment</b>				
ICON Stockbroker	7,421	-	-	-
A. Savoia Ltd	2,571	-	-	-
Charles Hampton	3,499	-	-	-
Felfan	13,005	-	-	-
	26,496	-	-	-



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	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>14. Inventories</b>				
Food and beverage	83,500	78,361	39,743	28,183
Maintenance supplies	189,424	150,891	89,611	80,366
Operating supplies	191,243	128,815	97,199	87,389
Office supplies	-	10,342	-	-
General stores	55,915	59,918	40,206	35,325
	<b>520,082</b>	<b>428,327</b>	<b>266,759</b>	<b>231,263</b>
Inventory to the value of N520.1 million (2013 : N428.3 million) are 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 the year was Nil (2013 : Nil).				
<b>15. Trade and other receivables</b>				
Trade receivables	1,000,597	1,140,014	503,651	698,066
Allowances for impairment losses	(184,314)	(208,198)	(35,177)	(70,075)
Net trade receivables	816,283	931,816	468,474	627,991
Other receivables	-	14,014	-	10,252
	<b>816,283</b>	<b>945,830</b>	<b>468,474</b>	<b>638,243</b>
Trade and other receivables are stated at their original invoices value as the interest that would be recognised from discounting future cash receipts over the short period is not considered to be material.				
<b>16. Other current assets</b>				
Prepayments (Note 16.1)	114,768	87,911	49,245	34,042
Withholding tax receivable	773,111	746,289	682,705	623,077
Advances to suppliers	2,051,087	518,337	1,781,500	294,247
Sheraton Brand Hotels	5,154	13,499	5,154	13,499
Advances to employees	115,246	112,172	71,459	64,959
Other debit balance	12,137	-	-	-
	<b>3,071,503</b>	<b>1,478,208</b>	<b>2,590,063</b>	<b>1,029,824</b>
Other receivables are expected to be recoverable.				
<b>16.1 Analysis of prepayments</b>				
P/P Hotel license	8,080	6,254	28	45
P/PM PC's software	11,428	6,781	6,498	3,546
Prepaid rent	13,232	30,650	9,232	23,086
Prepaid maintenance	2,354	13,006	1,604	5,209
Prepaid maintenance system	639	125	639	110
Prepaid dues and subscription	18,913	3,410	15,564	180
Prepaid insurance	15,499	4,186	14,460	6,604
Prepaid others	44,623	23,501	1,220	3,216
	<b>114,768</b>	<b>87,913</b>	<b>49,245</b>	<b>41,996</b>


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	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>17. Cash and cash equivalents</b>				
Cash in hand	4,517	4,994	1,230	1,430
Cash at bank	452,258	3,717,928	300,109	1,442,770
	<u>456,775</u>	<u>3,722,922</u>	<u>301,339</u>	<u>1,444,200</u>
Provision for doubtful balance	(302)	-	(302)	-
	<u>456,473</u>	<u>3,722,922</u>	<u>301,037</u>	<u>1,444,200</u>
Time deposits	3,075,019	1,247,782	918,021	1,217,889
<b>Cash and cash equivalents as per statement of financial position</b>	<u>3,531,492</u>	<u>4,970,704</u>	<u>1,219,058</u>	<u>2,662,089</u>
<b>18. Trade and other payables</b>				
Trade payables	362,682	459,289	100,798	91,611
Accrued expenses	444,457	393,777	284,334	252,696
CHP Hospitality and Tourism Limited	625,254	625,254	-	-
Advance deposits	20,517	1,908	630	1,908
Due to Starwood Eame License and Service Company	38,586	121,732	38,586	121,732
Service charge distribution	32,659	65,237	32,659	39,280
VAT payable	22,591	26,592	13,613	17,148
Other credit balances (Note 18.1)	819,493	531,989	256,632	142,919
	<u>2,366,239</u>	<u>2,225,778</u>	<u>727,252</u>	<u>667,294</u>
<b>18.1</b> This amount represent credit balance in trade receivables, outstanding consumption tax and other account payables.				
The fair value of accounts payable and accruals approximately at their carrying value.				
<b>19. Deferred income</b>				
Ikeja Hotel (Note 19.1)	2,135,324	1,138,549	2,135,324	1,138,549
Capital Hotel (Note 19.2)	60,992	48,621	-	-
	<u>2,196,316</u>	<u>1,187,170</u>	<u>2,135,324</u>	<u>1,138,549</u>
<b>19.1</b> For the company, deferred income relates to interest receivable from the loan to The Tourist Company of Nigeria Plc, which are payable when cashflow allows.				
<b>19.2</b> This relates to advance payment received for the use of hotel services ie swimming pool, spa and other health services.				
<b>20. Dividend payable</b>				
At 1 January	43,436	17,520	16,691	16,691
Declared during the year	78,268	25,916	-	-
Payment during the year	(2,100)	-	-	-
At 31 December	<u>119,604</u>	<u>43,436</u>	<u>16,691</u>	<u>16,691</u>
<b>21. Due to related parties</b>				
Capital Hotels Plc	-	-	1,250,569	1,255,859
IHL Services Limited	-	-	534,462	491,092
Omamo Trust Limited.	1,970,498	1,759,373	1,970,498	1,759,373
Minabo Limited	1,151,241	1,027,894	1,151,241	1,027,894
Associated Ventures International Limited	1,063,191	813,157	1,063,190	815,051
	<u>4,184,930</u>	<u>3,600,424</u>	<u>5,969,960</u>	<u>5,349,269</u>


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	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>22. Current tax payables</b>				
At 1 January	1,142,443	979,116	905,671	712,131
Payment in the year	(536,898)	(417,724)	(300,628)	(248,430)
Charge for the year (Note 24)	379,117	581,051	42,052	441,970
At 31 December	<u>984,662</u>	<u>1,142,443</u>	<u>647,095</u>	<u>905,671</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.				
<b>23. Deferred taxation</b>				
At 1 January	404,504	353,320	185,552	157,345
Charge for the year (Note 24)	180,581	51,184	80,150	28,207
At 31 December	<u>585,085</u>	<u>404,504</u>	<u>265,702</u>	<u>185,552</u>
<b>24. Income tax expense</b>				
Income tax	360,523	533,869	42,052	410,167
Education tax	18,594	47,182	-	31,803
	<u>379,117</u>	<u>581,051</u>	<u>42,052</u>	<u>441,970</u>
Deferred taxation	180,581	51,183	80,150	28,207
	<u>559,698</u>	<u>632,234</u>	<u>122,202</u>	<u>470,177</u>
<b>24.1</b> The tax expense for the year is reconciled to the profit for the year as follows:				
Profit/(loss) before tax	562,632	1,627,040	(360,728)	1,346,528
Tax @ 30%	168,790	488,112	(108,219)	403,957
Deductible items	507,476	359,416	342,873	228,964
Balancing charge	-	150	-	150
Capital allowance	(315,743)	(313,673)	(192,602)	(222,904)
Education tax	18,594	47,044	-	31,803
Deferred tax effect	180,581	51,185	80,150	28,207
Tax expense for the year	<u>559,698</u>	<u>632,234</u>	<u>122,202</u>	<u>470,177</u>
Profit/(loss) after tax	<u>2,934</u>	<u>994,806</u>	<u>(482,930)</u>	<u>876,351</u>
	%	%	%	%
<b>24.2</b> The tax rate is reconciled to the effective tax rate as follows:				
Tax rate	30	30	30	30
Deductible items	90	19	(95)	14
Capital allowance	(56)	(19)	53	(17)
Education tax	3	3	-	2
Deferred tax effect	32	3	(22)	2
Total effective tax rate	<u>99</u>	<u>36</u>	<u>(34)</u>	<u>31</u>



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	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>25. Employee benefits</b>				
<b>25.1 Defined contribution</b>				
At 1 January	-	-	-	-
Provision during the year	147,441	148,086	91,569	92,214
Payments during the year	(147,441)	(148,086)	(91,569)	(92,214)
At 31 December	-	-	-	-
<b>25.2 Defined benefits</b>				
At 1 January	3,013,702	3,464,951	1,412,503	1,375,920
Current service cost	744,713	469,703	174,457	264,076
Past service cost	-	-	-	-
Interest cost	150,530	393,301	150,530	161,185
Payments in the year	(557,754)	(933,906)	(87,579)	(353,570)
Actuarial gain	(93,672)	(380,347)	(93,672)	(35,108)
<b>At 31 December</b>	<b>3,257,519</b>	<b>3,013,702</b>	<b>1,556,239</b>	<b>1,412,503</b>

**Past service cost**

This relates to the impact of the capping of the benefits of the gratuity scheme with effect from 31 December 2011. The capping is as follows:

- members with less than 15 years of service will only receive a maximum benefit of 300 weeks of their annual gross earnings on retirement or exit from the Scheme.
- members who have more than 15 years of service will only receive a maximum benefit of 357 weeks of their annual gross earnings on retirement or exit from the Scheme.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>26. Long term borrowings</b>				
At 1 January	-	7,365	-	7,365
Written off/repayment in the year	-	(7,365)	-	(7,365)
At 31 December	-	-	-	-

Term loan represents the outstanding balance on N3.6 billion loan from a consortium of Nigerian banks at an interest rate of 19% per annum + market variation. The loan was used to finance the acquisition of 75% holding in Hans-Gremlin Nigeria Limited. The loan has been fully repaid.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>27. Current borrowings</b>				
Bank overdraft	107,941	1,551	62,099	1,551

Bank overdraft represent facilities obtained from one of the Nigeria Bank at an interest rate of 16.5%.



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	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>28. Share capital</b>				
<b>28.1 Authorised</b> 4,000,000,000 Ordinary shares of 50 kobo each	<b>2,000,000</b>	2,000,000	<b>2,000,000</b>	2,000,000
<b>28.2 Issued and fully paid</b> 2,078,796,399 ordinary shares of 50 kobo each	<b>1,039,398</b>	1,039,398	<b>1,039,398</b>	1,039,398
<b>29. Share premium reserve</b> <b>At 31 December</b>	<b>1,381,072</b>	1,381,072	<b>1,381,072</b>	1,381,072
<b>30. Retained earnings</b>				
At 1 January	<b>1,769,067</b>	384,894	<b>4,950,215</b>	4,038,756
Transferred from statement of comprehensive income	<b>(114,349)</b>	1,029,742	<b>(482,930)</b>	876,351
Dividend declared	<b>(78,268)</b>	(25,916)	-	-
Actuarial gain for the year	<b>93,672</b>	380,347	<b>93,672</b>	35,108
At 31 December	<b>1,670,122</b>	1,769,067	<b>4,560,957</b>	4,950,215
<b>31. Non controlling interest</b>				
At 1 January	<b>1,563,548</b>	1,598,484	-	-
Share of profit/ (loss)	<b>117,283</b>	(34,936)	-	-
At 31 December	<b>1,680,831</b>	1,563,548	-	-
<b>32. Other income</b>				
Gain on disposal of available for sale asset	-	150	-	150
Gain on currency translation	<b>210,247</b>	11,479	<b>87,819</b>	11,479
Rent and other income	<b>174,045</b>	259,155	<b>134,551</b>	52,088
Other services rendered (Note 32.1)	<b>126,704</b>	125,933	-	-
Other income (Note 32.2)	<b>338,350</b>	-	-	-
Interest earned	<b>4,858</b>	43,003	<b>681</b>	318
Sales of scrap	<b>30,585</b>	30,458	<b>5,387</b>	14,347
Provision no longer required	-	41,295	-	41,296
	<b>884,789</b>	511,473	<b>228,438</b>	119,677

32.1 The amount represent the value of other services rendered for Exxon Mobil.

32.2 This represents balances on investment omitted in prior year now restated.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>33. Finance income and finance costs</b>				
Interest income	<b>(50,266)</b>	-	-	-
Interest expense	<b>494,807</b>	431,281	<b>530,292</b>	431,281
Net finance costs	<b>444,541</b>	431,281	<b>530,292</b>	431,281

Interest income represents interest earned on bank deposits while interest expense represents charges paid and/or payable on loans and bank overdrafts.


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	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>34. Administrative and general expenses</b>				
Directors' remuneration	66,655	51,529	15,655	18,785
Employee costs	532,261	499,202	334,614	357,881
Depreciation of property, plant and equipment	678,793	391,419	374,840	135,529
Management fees	92,806	97,577	78,416	97,577
Operators incentive fee	194,904	340,909	68,335	190,315
Legal and professional fees	364,403	287,618	339,493	261,675
Insurance	85,124	99,984	47,372	66,686
Medical expenses	22,209	16,640	19,594	13,240
Transport and travelling	76,013	100,601	64,673	78,510
Repairs and maintenance	49,855	46,712	40,765	40,951
Penalty for defaulting filing with NSE	5,500	-	5,500	-
Bank charges and commission	56,007	36,275	1,671	23,777
Loss on currency translation	-	34,662	-	-
Audit fee	16,450	15,600	9,000	8,000
Rent and rate	37,359	45,170	24,366	35,829
Advertising and publicity	23,572	34,656	23,572	36,626
Printing and stationary	16,229	18,584	12,513	15,135
Communication expenses	11,584	18,096	9,700	15,671
Donation and subscription	11,172	20,643	10,287	16,804
Other administrative expenses	138,219	406,663	33,862	21,704
	<b>2,479,115</b>	<b>2,562,540</b>	<b>1,514,228</b>	<b>1,434,695</b>

**35. Segment information**
**35.1 Operating segments**

The Group has three reportable segments, summarised as follows:

Rooms: This includes the sale of rooms and rent of office space

Food and beverage: This includes the sale of food and beverages in the Company's restaurants and bars.

Other services: This include the services of other minor operating departments that individually the reported revenue is below 10% of the combined revenue of all operating segments and are similar in the class of customers for their services.

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>35.2 Business segment</b>				
<b>35.2.1 Revenue</b>				
Rooms	6,166,907	6,772,544	3,540,175	4,397,208
Food and beverage	3,313,142	3,925,922	1,466,159	1,704,522
Other minor operating departments	585,849	525,234	221,397	403,378
	<b>10,065,898</b>	<b>11,223,700</b>	<b>5,227,731</b>	<b>6,505,108</b>
<b>35.2 Cost of sales</b>				
Rooms	1,408,628	1,258,577	659,475	744,078
Food and beverage	2,311,335	2,989,391	1,154,691	1,216,590
Other minor operating departments	3,279,270	2,556,087	1,692,996	1,145,968
	<b>6,999,233</b>	<b>6,804,055</b>	<b>3,507,162</b>	<b>3,106,636</b>
<b>Gross profit</b>	<b>3,066,665</b>	<b>4,419,645</b>	<b>1,720,569</b>	<b>3,398,472</b>
<b>Gross profit margin (%)</b>	<b>30</b>	<b>39</b>	<b>33</b>	<b>52</b>

There is no disclosure of depreciation and assets per business segment because the assets of the Company are not directly related to a particular segment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group		The Company	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>36. Reconciliation of cash and cash equivalents</b>				
Cash in hand	4,517	4,994	1,230	1,430
Cash at bank	452,258	3,717,928	300,109	1,442,770
	456,775	3,722,922	301,339	1,444,200
Time deposits	3,075,019	1,247,782	918,021	1,217,889
Provision for doubtful balance	(302)	-	(302)	-
<b>As per statement of financial position</b>	<b>3,531,492</b>	<b>4,970,704</b>	<b>1,219,058</b>	<b>2,662,089</b>
Bank overdraft	(107,941)	(1,551)	(62,099)	(1,551)
<b>As per statement of cash flows</b>	<b>3,423,551</b>	<b>4,969,153</b>	<b>1,156,959</b>	<b>2,660,538</b>
<b>37. Basic and diluted earnings/(loss) per share</b>				
Earnings/(loss) per share (basic and diluted) have been computed for each year on the profit/(loss) 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.				
	2,934	994,806	(482,930)	876,351
Number of shares	2,078,796	2,078,796	2,078,796	2,078,796
Earnings/(loss) per share (Kobo)	0.14	48	(23)	42
<b>38. Information regarding directors and employees</b>				
<b>38.1 Emolument of the directors</b>				
Non - executive directors fee	2,900	2,900	600	600
Chairman's fee (included above)	500	500	200	200
Emoluments paid to Executive Directors	-	-	-	-
<b>38.2 Other expenses</b>				
Chairman	3,380	3,380	1,562	1,562
Directors	24,876	24,876	13,293	13,293
	28,256	28,256	14,855	14,855
In addition to the above, the group provided non cash benefits to the chairman				
<b>38.3 Scale of directors' remuneration</b>				
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	14	14	5	5
	14	14	5	5



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014

		The Group		The Company	
		2014 N'000	2013 N'000	2014 N'000	2013 N'000
<b>38.4</b>	<b>Staff costs</b>				
	Personnel compensation comprised:				
	Salaries and wages	2,545,219	2,545,219	1,854,799	1,854,799
	Short-term employee benefits	118,755	118,755	108,481	92,214
	Defined benefit gratuity scheme	792,811	792,811	324,987	425,261
		<b>3,456,785</b>	<b>3,456,785</b>	<b>2,288,267</b>	<b>2,372,274</b>
		<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
<b>38.5</b>	<b>The average number of persons employed during the year by category</b>				
	Management staff	76	76	47	50
	Non-management staff	1,010	1,021	604	632
		<b>1,086</b>	<b>1,097</b>	<b>651</b>	<b>682</b>
<b>38.6</b>	<b>Scale of employees' remuneration</b>				
	N	N			
	Less than - 250,000	-	-	-	-
	250,001 - 500,000	5	5	5	5
	500,001 - 750,000	294	426	218	241
	750,001 - 1,000,000	198	210	68	72
	1,000,001 - 1,250,000	218	157	81	65
	1,250,001 - 1,500,000	164	79	72	79
	1,500,001 - 1,750,000	69	81	69	81
	1,750,001 - 2,000,000	72	71	72	71
	Above - 2,000,001	66	68	66	68
		<b>1,086</b>	<b>1,097</b>	<b>651</b>	<b>682</b>
<b>39.</b>	<b>Related party transaction</b>				
	During the year, the Group had significant business dealings with the related parties. The transaction value are:				
				<b>Value of transactions in the year</b>	
				<b>2014 N'000</b>	<b>2013 N'000</b>
<b>39.1</b>	<b>The Tourist Company of Nigeria Plc</b>				
	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 fee income received for support services			<b>134,551</b>	52,088
<b>39.2</b>	<b>Hans-Gremlins (Nigeria) Limited</b>				
	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 dividend income from Hans Gremlin Nigeria Limited.			-	-



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

		Amount due (to)/from the Company	
		2014 N'000	2013 N'000
<b>39.3</b>	<b>Minabo Limited</b> 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.	<b>98,332</b>	98,332
<b>39.4</b>	<b>Associated Ventures International Limited</b> 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.	<b>67,140</b>	63,840
<b>39.5</b>	<b>Oma Trust Limited</b> 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.	<b>180,670</b>	180,670
<b>39.6</b>	<b>AVI Services Limited</b> 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.	<b>96,907</b>	96,907
<b>39.7</b>	<b>Capital Hotels Plc</b> Capital Hotels Plc is a member of the Ikeja Hotel Group. Transactions in the year relate to: - interest paid/payable on loan	<b>19,959</b>	30,034
<b>40.</b>	<b>Deposit for shares</b> This amount represents deposit made by Next International Nigeria Limited for 31,200,000 unit of shares at N3.00 each		
<b>41.</b>	<b>Financial commitments</b> 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.		



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

- 42. Management/ technical service agreement**  
The Ikeja Hotel Plc entered into an agreement with Starwood 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. Contingent liabilities**  
The Group is subject to various pending litigations arising in the normal course of business. The contingent liabilities in respect of pending litigations amounted to N13 million as at 31 December 2014 (2013 : N93 million). In the opinion of the Directors and based on legal advice, no material loss is expected to arise from these claims. Therefore, no provision has been made in the consolidated financial statements.
- 45. Events after the reporting date**  
There are no significant post reporting date events which could have had a material effect on the state of affairs of the Group as at balance sheet date that have not been adequately provided for or disclosed in the financial statements.
- 46. Comparative figures**  
Where necessary, comparative figures have been reclassified to ensure proper disclosure and uniformity with current year's presentation. These reclassification have no net impact on the consolidated financial statements.



## Other national disclosures


 STATEMENT OF VALUE ADDED  
 FOR THE YEAR ENDED 31 DECEMBER 2014

	The Group				The Company			
	2014 N'000	%	2013 N'000	%	2014 N'000	%	2013 N'000	%
Revenue	10,065,898		11,223,700		5,227,731		6,505,108	
Finance income	(50,266)		-		-		-	
Other income	884,789		511,373		228,438		119,678	
	<u>10,900,421</u>		<u>11,735,073</u>		<u>5,456,169</u>		<u>6,624,786</u>	
Cost of goods and services - foreign	(287,710)		(438,485)		(146,750)		(287,894)	
Cost of goods and services - local	(5,419,694)		(5,390,063)		(2,493,660)		(2,051,280)	
	<u>5,193,017</u>	<u>100</u>	<u>5,906,525</u>	<u>100</u>	<u>2,815,759</u>	<u>100</u>	<u>4,285,612</u>	<u>100</u>
<b>Applied as follows:</b>								
<b>To pay employees:</b>								
Salaries wages and other staff costs	3,456,785	67	3,456,785	59	2,271,355	81	2,372,274	55
<b>To providers of capital:</b>								
- Finance costs	494,807	10	431,281	7	530,292	19	431,281	10
<b>To pay Government:</b>								
Company income tax	379,117	7	581,051	10	42,052	1	441,970	10
<b>To provide for assets replacement:</b>								
- Depreciation of property, plant and equipment	678,793	13	391,419	7	374,840	13	135,529	3
<b>Retained for future expansion:</b>								
- Deferred taxation	180,581	3	51,183	1	80,150	3	28,207	1
- Retained profit/(sustained loss) for the year	2,934	-	994,806	16	(482,930)	(17)	876,351	21
	<u>5,193,017</u>	<u>100</u>	<u>5,906,525</u>	<u>100</u>	<u>2,815,759</u>	<u>100</u>	<u>4,285,612</u>	<u>100</u>

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.



FINANCIAL SUMMARY - GROUP  
31 DECEMBER

	2014 N'000	2013 N'000	2012 N'000	2011 N'000
<b>Statement of financial position</b>				
<b>Assets</b>				
Property, plant and equipment	6,474,266	5,633,581	5,331,498	5,182,685
Capital work in progress	1,181,472	1,255,194	850,400	625,262
Intangible assets	19,923	16,055	18,062	-
Investments accounted for using the equity method	671,251	780,454	785,065	798,722
Loans and receivables	2,963,075	1,957,340	1,864,974	1,786,804
Long term investment	26,496	-	-	-
Net current assets	2,462,474	3,129,091	3,107,688	2,308,468
Non current liabilities	(8,027,534)	(7,018,630)	(7,553,838)	(7,593,022)
<b>Net assets</b>	<b>5,771,423</b>	<b>5,753,085</b>	<b>4,403,849</b>	<b>3,108,919</b>
<b>Equity and reserve</b>				
Share capital	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
Retained earnings	1,670,122	1,769,067	384,895	(947,852)
	4,090,592	4,189,537	2,805,365	1,472,618
Non controlling interest	1,680,831	1,563,548	1,598,484	1,636,301
<b>Total equity</b>	<b>5,771,423</b>	<b>5,753,085</b>	<b>4,403,849</b>	<b>3,108,919</b>
<b>Statement of comprehensive income</b>				
<b>Turnover</b>	<b>10,065,898</b>	11,223,700	11,263,224	11,778,188
Profit/(loss) before tax	562,632	1,627,040	2,610,266	(1,947,067)
Income tax expense	(559,698)	(632,234)	(593,936)	(789,640)
<b>Profit/(loss) for the year</b>	<b>2,934</b>	994,806	2,016,330	(2,736,707)
Other comprehensive income for the year	93,672	380,347	93,672	1,031,504
<b>Total comprehensive income/(loss) for the year</b>	<b>96,606</b>	1,375,153	2,110,002	(1,705,203)
<b>Per share data:</b>				
Earnings/(loss)/earnings (kobo) - Basic and diluted	0.14	48	97	(132)
Net assets (kobo)	278	277	212	150

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.



## FINANCIAL SUMMARY - COMPANY

31 DECEMBER

	2014 N'000	2013 N'000	2012 N'000	2011 N'000
<b>Assets</b>				
Property, plant and equipment	4,473,421	4,005,936	3,709,883	2,729,578
Capital work in progress	657,669	884,423	161,147	123,073
Intangible assets	13,640	8,876	-	-
Investment in subsidiary	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	381,326
Loans and receivables	2,963,075	1,957,340	1,786,804	2,204,033
Due from related party	563,589	483,730	481,342	129,251
Net current assets/(liabilities)	862,293	1,738,063	(19,642)	1,590,415
Non current liabilities	(7,791,901)	(6,947,324)	(6,299,709)	(7,244,769)
<b>Net assets</b>	<b>6,981,427</b>	<b>7,370,685</b>	<b>5,059,466</b>	<b>4,353,826</b>
<b>Equity and reserves</b>				
Share capital	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
Retained earnings	4,560,957	4,950,215	2,638,996	1,933,356
<b>Total equity</b>	<b>6,981,427</b>	<b>7,370,685</b>	<b>5,059,466</b>	<b>4,353,826</b>
<b>Revenue</b>	<b>5,227,731</b>	<b>6,505,108</b>	<b>6,954,476</b>	<b>4,944,026</b>
(Loss)/profit before tax	(360,728)	1,346,528	2,115,919	1,068,606
Income tax expense	(122,202)	(470,177)	(667,610)	(470,016)
<b>(Loss)/profit for the year</b>	<b>(482,930)</b>	<b>876,351</b>	<b>1,448,309</b>	<b>598,590</b>
Other comprehensive income/(loss) for the year	93,672	35,108	(742,669)	-
<b>Total comprehensive (loss)/income for the year</b>	<b>(389,258)</b>	<b>911,459</b>	<b>705,640</b>	<b>598,590</b>
<b>Per share data:</b>				
(Loss)/earnings (kobo) - Basic	(23)	42	70	29
Net assets (kobo)	336	355	243	209

(Loss)/earnings per share are based on the (loss)/profit 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.


**SHAREHOLDING ANALYSIS**

	Share Range		Number of Shareholders	% of Shareholder	Number Of Holdings	% Shareholding
1	-	1,000	706	4.9426	371,025	0.0178
1,001	-	5,000	4,181	29.2705	9,571,105	0.4604
5,001	-	10,000	4,151	29.0605	27,492,364	1.3225
10,001	-	50,000	3,857	27.0022	79,442,997	3.8216
50,001	-	100,000	588	4.1165	40,923,422	1.9686
100,001	-	500,000	605	4.2355	116,309,936	5.5951
500,001	-	1,000,000	84	0.5881	59,571,459	2.8657
1,000,001	-	99,999,999,999	112	0.7841	1,745,114,091	83.9483
<b>TOTAL</b>			<b>14,284</b>	<b>100.0000</b>	<b>2,078,796,399</b>	<b>100.0000</b>

**SHARE CAPITAL HISTORY**

Date	Authorised (N)		Issued and Fully Paid (N)		Consideration
	Increase	Cumulative	Increase	Cumulative	
November 1972	20,000	20,000	20,000	20,000	Cash
October 1980	11,000,000	11,200,000		20,000	Cash
June 1981		11,200,000	8,980,000	9,000,000	Cash
August 1982		11,200,000	1,500,000	10,500,000	Cash
April 1984	5,300,000	16,500,000	500,000	11,000,000	Cash
November 1984		16,500,000	500,000	11,500,000	Cash
December 1984		16,500,000	842,680	12,342,680	Cash
January 1985		16,500,000	124,516	12,467,196	Cash
January 1985		16,500,000	71,333	12,538,529	Cash
July 1985		16,500,000	1,455,000	13,993,529	Cash
December 1986	7,000,000	23,500,000	4,025,901	18,019,430	Cash
September 1987		23,500,000	213,500	18,232,930	Cash
July 1988	15,000,000	38,500,000	13,338,010	31,570,940	Cash
May 1989		38,500,000	150,000	31,720,940	Cash
November 1989		38,500,000	4,743,920	36,464,860	Cash
September 1993	41,500,000	80,000,000	43,535,140	80,000,000	Cash
March 1998	120,000,000	200,000,000	80,000,000	160,000,000	Bonus
November 1998	400,000,000	600,000,000	80,000,000	240,000,000	Bonus
March 2000		600,000,000	210,000,000	450,000,000	Cash
September 2004		600,000,000	90,000,000	540,000,000	Bonus
December 2004	500,000,000	1,100,000,000		540,000,000	-
December 2006			652,330,333	866,165,167	Cash
July 2008	900,000,000	2,000,000,000			-
April 2010		346,466,067		1,212,631,234	Bonus



**Pool-Terrace-Bar, Sheraton Lagos**