

Club Room,
Sheraton Lagos



New Guest Room,
Sheraton Lagos

SECTION B

2015

ANNUAL REPORT & ACCOUNTS_____

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

The Directors are of the opinion that the accompanying consolidated financial statements give a true and fair view of the state of the financial affairs of the group, 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 Companies and Allied Matters Act, CAP C20, LFN 2004.

The Directors further accept responsibility for the maintenance of adequate accounting records as required by the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error."

The Directors have made assessment of the group's ability to continue as a going concern and have no reason to believe that the company will not remain a going concern in the years ahead.

Signed on behalf of the Board of Directors by:

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

Dated: 21 August 2017

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

Dated: 21 August 2017



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

PKF Professional Services

PKFAccountants &
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 2015, 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 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 2015, 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 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 TYHE STATUTORY AUDIT COMMITTEE
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015 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, 2015 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



Fitness Centre, Sheraton Lagos

Consolidated Financial Statements

For the year ended 31 December 2015



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

| | Notes | The Group | | The Company | |
|---|-------|-------------------|-------------------|-------------------|-------------------|
| | | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| Non current assets | | | | | |
| Property, plant and equipment | 6 | 6,596,153 | 6,474,266 | 4,389,071 | 4,473,421 |
| Capital work in progress | 7 | 2,252,946 | 1,181,472 | 1,729,143 | 657,669 |
| Intangible asset | 8 | 23,401 | 19,923 | 14,232 | 13,640 |
| Investment in subsidiary | 9 | - | - | 4,440,919 | 4,440,919 |
| Investments accounted for using the equity method | 10 | 633,856 | 671,251 | 798,722 | 798,722 |
| Loan to related party | 11 | 3,653,928 | 2,963,075 | 3,653,928 | 2,963,075 |
| Due from related party | 12 | 327,489 | 391,476 | 499,343 | 563,589 |
| Long term investment | 13 | 26,496 | 26,496 | - | - |
| | | 13,514,269 | 11,727,959 | 15,525,358 | 13,911,035 |
| Current assets | | | | | |
| Inventories | 14 | 505,147 | 520,082 | 271,557 | 266,759 |
| Trade and other receivables | 15 | 1,660,053 | 1,709,794 | 1,081,293 | 1,227,792 |
| Other assets | 16 | 1,856,582 | 2,177,992 | 1,598,650 | 1,830,745 |
| Cash and cash equivalents | 17 | 3,660,553 | 3,531,492 | 1,008,110 | 1,219,058 |
| | | 7,682,335 | 7,939,360 | 3,959,610 | 4,544,354 |
| Total assets | | 21,196,604 | 19,667,319 | 19,484,968 | 18,455,389 |
| Equity | | | | | |
| Ordinary shares | 27.2 | 1,039,398 | 1,039,398 | 1,039,398 | 1,039,398 |
| Share premium reserve | 28 | 1,381,072 | 1,381,072 | 1,381,072 | 1,381,072 |
| Retained earnings | 29 | 2,096,037 | 1,670,122 | 4,769,775 | 4,560,957 |
| Total equity attributable to equity holders of the Company | | 4,516,507 | 4,090,592 | 7,190,245 | 6,981,427 |
| Non-controlling interest | 30 | 1,915,096 | 1,680,831 | - | - |
| Total equity | | 6,431,603 | 5,771,423 | 7,190,245 | 6,981,427 |
| Non current liabilities: | | | | | |
| Due to related parties | 21 | 4,549,295 | 4,184,930 | 6,387,168 | 5,969,960 |
| Employee benefits | 25.2 | 2,784,251 | 3,257,519 | 1,428,370 | 1,556,239 |
| Deferred tax | 23 | 676,248 | 585,085 | 295,835 | 265,702 |
| | | 8,009,794 | 8,027,534 | 8,111,373 | 7,791,901 |
| Current liabilities: | | | | | |
| Trade and other payables | 18 | 3,151,518 | 2,366,239 | 1,096,283 | 727,252 |
| Deferred income | 19 | 2,364,729 | 2,196,316 | 2,284,116 | 2,135,324 |
| Dividend payable | 20 | 115,070 | 119,604 | 16,691 | 16,691 |
| Deposit for shares | 39 | 93,600 | 93,600 | 93,600 | 93,600 |
| Current borrowings | 26 | 450,472 | 107,941 | 450,472 | 62,099 |
| Current tax payables | 22 | 579,818 | 984,662 | 242,188 | 647,095 |
| | | 6,755,207 | 5,868,362 | 4,183,350 | 3,682,061 |
| Total liabilities | | 14,765,001 | 13,895,896 | 12,294,723 | 11,473,962 |
| Total equity and liabilities | | 21,196,604 | 19,667,319 | 19,484,968 | 18,455,389 |

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, SAN
Chairman
FRC/2014/NBA/00000010414

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

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

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



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | The Group | | The Company | |
|---|-------|------------------|------------------|----------------|------------------|
| | | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| Continuing operation | | | | | |
| Revenue | 34 | 9,855,086 | 10,065,898 | 5,015,735 | 5,227,731 |
| Cost of sales | 34 | (6,468,751) | (6,999,233) | (2,849,274) | (3,507,162) |
| Gross profit | | 3,386,335 | 3,066,665 | 2,166,461 | 1,720,569 |
| Other income | 31 | 801,521 | 884,789 | 198,219 | 228,438 |
| Sales and marketing expenses | | (584,687) | (355,963) | (265,491) | (265,215) |
| Administrative expenses | 33 | (2,166,350) | (2,479,115) | (1,331,599) | (1,514,228) |
| Result from operating activities | | 1,436,819 | 1,116,376 | 767,590 | 169,564 |
| Finance income | 32 | - | 50,266 | - | - |
| Finance costs | 32 | (575,167) | (494,807) | (575,167) | (530,292) |
| Share of loss in investment accounted for using the equity method | | (37,395) | (109,203) | - | - |
| Profit/(loss) before taxation | | 824,257 | 562,632 | 192,423 | (360,728) |
| Income tax expense | 24 | (263,527) | (559,698) | (83,055) | (122,202) |
| Profit/(loss) for the year from continuing operations | | 560,730 | 2,934 | 109,368 | (482,930) |
| Profit/(loss) attributable to: | | | | | |
| Owners of the parent | | 326,465 | (114,349) | - | - |
| Non controlling interest | | 234,265 | 117,283 | - | - |
| Profit/(loss) for the year | | 560,730 | 2,934 | 109,368 | (482,930) |
| Other comprehensive income: | | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Re-measurement gain on defined benefit plan | 29 | 99,450 | 93,672 | 99,450 | 93,672 |
| Other comprehensive income for the year | | 99,450 | 93,672 | 99,450 | 93,672 |
| Total comprehensive income/(loss) for the year | | 660,180 | 96,606 | 208,818 | (389,258) |
| Total comprehensive income/(loss) for the year attributable to: | | | | | |
| Equity holders of the parent | | 425,915 | (20,677) | - | - |
| Non controlling interest | | 234,265 | 117,283 | - | - |
| | | 660,180 | 96,606 | 208,818 | (389,258) |
| Earnings/(loss) per share (Kobo) | 36 | 27 | 0.14 | 5 | (23) |

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


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

| | 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 | | | |
| Attributable to equity holders of the Group/Company | | | | | | | | | | | | | |
| At 1 January 2014 | 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) | | | |
| Items that will not be reclassified subsequent to profit or loss | | | | | | | | | | | | | |
| Actuarial gain on defined benefit plans | - | - | 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 | | | |
| Attributable to equity holders of the Company | | | | | | | | | | | | | |
| At 1 January 2015 | 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 | | | |
| Changes in equity for 2015: | | | | | | | | | | | | | |
| Profit for the year | - | - | 326,465 | 326,465 | 234,265 | 560,729 | - | - | 109,368 | 109,368 | | | |
| Items that will not be reclassified subsequent to profit or loss | | | | | | | | | | | | | |
| Actuarial gain | - | - | 99,450 | 99,450 | - | 99,450 | - | - | 99,450 | 99,450 | | | |
| Total comprehensive income for the year | - | - | 425,915 | 425,915 | 234,265 | 660,179 | - | - | 208,818 | 208,818 | | | |
| Dividends declared during the year | - | - | - | - | - | - | - | - | - | - | | | |
| Contributions by and to owners of the business | - | - | - | - | - | - | - | - | - | - | | | |
| At 31 December 2015 | 1,039,398 | 1,381,072 | 2,096,037 | 4,516,507 | 1,915,096 | 6,431,602 | 1,039,398 | 1,381,072 | 4,769,775 | 7,190,245 | | | |

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


 CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | The Group | | The Company | |
|---|-------|--------------------|--------------------|--------------------|------------------|
| | | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| Profit/(Loss) after tax | | 660,180 | 96,606 | 208,818 | (389,258) |
| Adjustment for: | | | | | |
| Depreciation of property, plant and equipment | 6 | 753,924 | 677,077 | 413,541 | 374,840 |
| Amortisation of intangible asset | 8 | 3,192 | 2,659 | 2,023 | 1,763 |
| Share of loss in investment accounted for using the equity method | | 37,395 | 109,203 | - | - |
| Finance costs | 32 | 575,167 | 494,807 | 575,167 | 530,292 |
| Finance income | 32 | - | (50,266) | - | - |
| Profit on disposal of property, plant and equipment | 31 | (5,752) | - | (780) | - |
| Income tax expense | 24 | 263,527 | 559,698 | 83,055 | 122,202 |
| Net cash from operating activities before changes in working capital | | 2,287,632 | 1,889,784 | 1,281,824 | 639,839 |
| Changes in: | | | | | |
| Decrease/(increase) in inventories | | 14,935 | (91,755) | (4,798) | (35,496) |
| Decrease in trade and other receivables | | 49,741 | 129,547 | 146,499 | 169,769 |
| Decrease/(increase) in other assets | | 321,410 | (1,593,295) | 232,095 | (1,560,239) |
| Increase in loans from related party | | (690,853) | (1,005,735) | (690,853) | (1,005,735) |
| Decrease/(increase) in due from related party | | 63,987 | (391,476) | 64,246 | (79,859) |
| Increase in trade and other payables | | 785,281 | 113,965 | 369,031 | 59,959 |
| Post employment benefits | | (473,268) | 243,817 | (127,869) | 143,735 |
| Increase in deferred income | | 168,413 | 1,009,146 | 148,792 | 996,775 |
| Increase in due to related parties | | 364,365 | 584,506 | 417,208 | 620,691 |
| Cash generated from operating activities | | 2,891,642 | 888,504 | 1,836,175 | (50,561) |
| Income tax paid | 22 | (577,208) | (536,898) | (457,829) | (300,628) |
| Net cash from/(used in) operating activities | | 2,314,434 | 351,606 | 1,378,346 | (351,189) |
| Cash flows from investing activities | | | | | |
| Purchase of property plant and equipment | 6 | (877,251) | (901,322) | (329,191) | (225,885) |
| Purchase of intangible assets | 8 | (6,670) | (6,527) | (2,615) | (6,527) |
| Proceed on disposal of property, plant and equipment | | 7,192 | - | 780 | - |
| Additions to capital work in progress | 7 | (1,071,474) | (542,718) | (1,071,474) | (389,686) |
| Net cash used in investing activities | | (1,948,203) | (1,450,567) | (1,402,500) | (622,098) |
| Cash flows from financing activities | | | | | |
| Finance costs | 32 | (575,167) | (494,807) | (575,167) | (530,292) |
| Finance income | 32 | - | 50,266 | - | - |
| Dividend paid | 20 | (4,534) | (2,100) | - | - |
| Net cash used in financing activities | | (579,701) | (446,641) | (575,167) | (530,292) |
| Net decrease in cash and cash equivalents | | (213,470) | (1,545,602) | (599,321) | (1,503,579) |
| Cash and cash equivalents at 1 January | | 3,423,551 | 4,969,153 | 1,156,959 | 2,660,538 |
| Cash and cash equivalents at 31 December | 35 | 3,210,081 | 3,423,551 | 557,638 | 1,156,959 |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 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 profit or loss and other 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

These consolidated financial statements have been prepared in accordance with the going concern principle under the historical cost convention, except as modified by actuarial valuation of staff gratuity and fair valuation of financial assets and liabilities where applicable. The liability for defined benefit obligations recognised as the present value of the defined benefit obligation less the total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses while the plan assets for defined benefit obligations are measured at fair value.

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 2015

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, 2015.

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

All inter-group balances, transactions, dividends, unrealised gains on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from inter-group transactions are eliminated, but only to the extent that there is no evidence of impairment.

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

2.6 Critical accounting estimates and judgement

The group makes estimate and assumption about the future that affects the reported amounts of assets and liabilities. Estimates and judgment are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumption.

The effect of a change in an accounting estimate is recognized prospectively by including it in the profit or loss and other comprehensive income in the period of the change, if the change affects that period only, or in the period of change and future period, if the change affects both the estimates and assumptions that have a significant risks of causing material adjustment to the carrying amount of asset and liabilities in the next consolidated financial statements are discussed below:

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

c. Provisions/contingencies

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

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

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

d. Impairment of financial assets

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

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

e. Defined benefit obligation

"The present value of defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the defined benefit obligation include the discount rate, interest rate, mortality rate, etc the group determines the discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimate future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bond that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the defined benefit obligation."

f. Non-current assets held for sale

On retirement of items of property, plant and equipment (usually operational motor vehicles) from operations, they are fair-valued and reclassified to a non-current-assets-held-for-sale account at the lower of their NBVs and fair-value less cost to sell with any differences arising thereon taken to profit or loss. Since there are no active markets dealing in second-hand vehicles, the Group exercises judgment in placing realistic values to the assets classified as held-for-sale by reference to the circumstances of previous disposals taking cognizance of physical conditions, vehicle brands, age, economic realities etc. These valuations are usually carried out by an assets disposal committee comprising the head of materials management, head of administration, head of internal audit, head of finance and the service engineer. The gross value of these assets are usually material and future results could be affected where actual proceeds differ materially from the valuations.



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g. Allowances on trade receivables

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

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

2.7 Summary of new and amended standards issued and effective during the year

During the year, there were certain amendments and revisions to some of the standards. The nature and the impact of each new standard and amendments are described below. The Group intends to adopt these standards, if applicable, when they become effective.

2.7.1 Amendments to "IFRS 5 Non-current Assets Held for Sale and Discontinued Operations"

Effective for annual periods beginning on or after 1 January 2016

The amendment clarifies cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

2.7.2 Amendments to "IFRS 7 Financial Instruments: Disclosures"

The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. It also clarifies the applicability of previous amendments to IFRS 7 issued in December 2011 with regards to offsetting financial assets and financial liabilities in relation to interim financial statements prepared under IAS 34.

2.7.3 Amendments to "IFRS 10 Consolidated Financial Statements"**Amended by Investment Entities:**

Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28): The narrow-scope changes aimed at clarifying exemption from preparing consolidated financial statements, subsidiaries providing services that relate to the parent's investment activities, application of the equity method by a non-investment entity investor to an investment entity investee and disclosures required. (Effective for annual periods beginning on or after 1 January 2016)

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

Narrow scope amendment addresses an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. It was also recommended to amend IFRS 10 so that the gain or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 to an associate or joint venture is recognised only to the extent of unrelated investors' interests in the associate or joint venture. (Previous effective for annual periods beginning on or after 1 January 2016, now deferred indefinitely).

2.7.4 Amendments to IFRS 11 "Joint Arrangements" Accounting for Acquisitions of Interests in Joint Operations

Effective for annual periods beginning on or after 1 January 2016

Amendment adds 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.



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2.7.5 Amendments to "IFRS 12 Disclosure of Interests in Other Entities"

Effective for annual periods beginning on or after 1 January 2016

The additional amendments clarify that the scope exclusion in paragraph 6(b) of IFRS 12 does not apply to the financial statements of a parent that is an investment entity and measures all of its subsidiaries at fair value.

2.7.6 "IFRS 14 Regulatory Deferral Accounts"

Effective for entity's first annual IFRS financial statements for periods beginning on or after 1 January 2016

The Standard 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.

2.7.7 Amendments to "IAS 1 Presentation of Financial Statements"

Effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The amendments clarify that: information should not be obscured by aggregating or by providing immaterial information. It also explains that materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. The amendments also introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarify that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

2.7.8 Amendments to "IAS 16 Property, Plant and Equipment"

Effective for annual periods beginning on or after 1 January 2016

"The amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflects a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits Further amendments issued on 30 June 2014 brings bearer plants from the scope of IAS 41 into the scope of IAS 16 and therefore enabling entities to measure them at cost subsequent to initial recognition or at revaluation."

2.7.9 Amendments to "IAS 19 Employee Benefits"

Effective for annual periods beginning on or after 1 January 2016

The amendment clarifies the requirements of determining the discount rate in a regional market sharing the same currency (for example, the Eurozone).

2.7.10 Amendments to "IAS 27 Consolidated and Separate Financial Statements"

Effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

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.

2.7.11 Amendments to "IAS 34 Interim Financial Reporting"

Effective for annual periods beginning on or after 1 January 2016

The Amendment discusses clarification of the meaning of disclosure of information 'elsewhere in the interim financial report.



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2.7.12 Amendments to "IAS 38 Intangible Assets"

Effective for annual periods beginning on or after 1 January 2016

"Amendments to IAS 16 and IAS 38 to clarify the basis for the calculation of depreciation and amortisation, as being the expected pattern of consumption of the future economic benefits of an asset. Amendment to both IAS 16 and IAS 38 establishing the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets."

2.7.13 Amendments to "IAS 41 Agriculture: Bearer Plants"

Effective for annual periods beginning on or after 1 January 2016

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.

2.8 New standards, amendments and interpretations issued but not yet effective

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but not yet effective: This includes:

2.8.1 IFRS 9 'Financial Instruments'

(IFRS 9 (2014) supersedes any previous versions of IFRS 9, but earlier versions of IFRS 9 remain available for application if the relevant date of application is before 1 February 2015)

"A finalised version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments: Recognition and Measurement. The completed standard comprises guidance on Classification and Measurement, Impairment Hedge Accounting and Derecognition:

- a) IFRS 9 introduces a new approach to the classification of financial assets, which is driven by the business model in which the asset is held and their cash flow characteristics. A new business model was introduced which does allow certain financial assets to be categorised as "fair value through other comprehensive income" in certain circumstances. The requirements for financial liabilities are mostly carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk.
- b) The new model introduces a single impairment model being applied to all financial instruments, as well as an "expected credit loss" model for the measurement of financial assets.
- c) IFRS 9 contains a new model for hedge accounting that aligns the accounting treatment with the risk management activities of an entity, in addition enhanced disclosures will provide better information about risk management and the effect of hedge accounting on the financial statements. IFRS 9 carries forward the derecognition requirements of financial assets and liabilities from IAS 39."

2.8.2 IFRS 15 'Revenue from Contracts from Customers'

Effective for an entity's first annual IFRS financial statements for periods beginning on or after 1 January 2017

"New standard that requires entities to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is achieved through a five step methodology that is required to be applied to all contracts with customers. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.- The new standard supersedes:a) IAS 11 Construction Contracts;b) IAS 18 Revenue;c) IFRIC 13 Customer Loyalty Programmes;d) IFRIC 15 Agreements for the Construction of Real Estate;e) IFRIC 18 Transfers of Assets from Customers; andf) SIC-31 Revenue—Barter Transactions Involving Advertising Services."



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2.8.3 IFRS 16 'Leases'

Effective for annual periods beginning on or after 1 January 2019

"New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows. IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

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

IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. IFRS 16 supersedes the following Standards and Interpretations: a) IAS 17 Leases; b) IFRIC 4 Determining whether an Arrangement contains a Lease; c) SIC-15 Operating Leases—Incentives; and d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease."

3. Summary of significant accounting policies

The significant accounting policies set out below have been applied consistently to all year presented in these consolidated financial statements, unless otherwise stated.

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:

- It is technically feasible to complete the asset for use by the group



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"• The group has the intention of completing the asset for either use or resale • The group has the ability to either use or sell the asset • It is possible to estimate how the asset will generate income • The group has adequate financial, technical and other resources to develop and use the asset • The expenditure incurred to develop the asset is measurable."

If no intangible asset can be recognised based on the above, then development costs are recognised in profit 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 $\frac{1}{3}$ |

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.



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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.

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'.



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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.

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.



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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.

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.



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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 plans**

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

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



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

3.11.2 Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. For defined benefit plan, the cost of providing benefits and the liabilities of the schemes are determined using the projected unit credit method with assets valued at bid price and actuarial valuations being carried out at each reporting date. Current service cost, interest cost and return on scheme assets are recognised in the income statement. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of comprehensive income.

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

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

3.11.3 Termination benefits

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

3.11.4 Short-term employee benefits

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

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

3.11.5 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.



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Interest bearing borrowings are stated at 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.

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.



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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.

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 retained earnings.

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.



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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.

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.



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The Group has exposure to the following risks:

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

Strategic risk

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

Capital Management Policies, Objectives and Approach

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

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

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

Approach to capital management

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

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

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

Credit risk

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

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

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



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Exposure to risk

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

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| Financial assets | | | | |
| Loans and receivables | 3,653,928 | 2,963,075 | 3,653,928 | 2,963,075 |
| Investments accounted for using the equity method | 633,856 | 671,251 | 798,722 | 798,722 |
| Trade and other receivables | 1,660,053 | 1,709,794 | 1,081,293 | 1,227,792 |
| Cash and cash equivalents | 3,660,553 | 3,531,492 | 1,008,110 | 1,219,058 |
| | 9,608,390 | 8,875,612 | 6,542,053 | 6,208,647 |

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 | 31-60 days N'000 | Past due but not impaired | | | |
|------|------|--------------------------|--|---------------------|---------------------------|----------------------|-----------------------|------------------------|
| | | | | | 61-90 days N'000 | 91-120 days N'000 | 121-180 days N'000 | Over 181 days N'000 |
| 2015 | 14 | 926,600 | 540,399 | 191,162 | 66,712 | 14,218 | 106,198 | 7,911 |
| 2014 | 14 | 1,000,597 | 509,682 | 218,495 | 206,525 | 32,934 | 11,119 | 21,842 |

An analysis of trade receivables - Company

| | Note | Carrying amount N'000 | Neither impaired nor past due N'000 | 31-60 days N'000 | Past due but not impaired | | | |
|------|------|--------------------------|--|---------------------|---------------------------|----------------------|-----------------------|------------------------|
| | | | | | 61-90 days N'000 | 91-120 days N'000 | 121-180 days N'000 | Over 181 days N'000 |
| 2015 | 14 | 431,756 | 228,639 | 145,672 | 44,671 | 2,957 | 1,906 | 7,911 |
| 2014 | 14 | 503,651 | 265,397 | 149,037 | 55,631 | 12,499 | 11,004 | 10,083 |

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 58% of debtors' balances (2014 : 51%). The average age of these debtors is 34 days (2014 : 27 days). No debtors' balances have been renegotiated during the year or in the prior year.



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Operational risk

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

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

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

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

Financial risk

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

Liquidity risk

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

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

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).



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Contractual maturity analysis for financial liabilities - Group

| | within one year N'000 | Due after one year N'000 | Total N'000 |
|------------------------------|-----------------------------|--------------------------------|-------------------|
| Financial liabilities | | | |
| At 31 December 2015 | | | |
| Other liabilities | 8,037,914 | - | 8,037,914 |
| Trade and other payables | 3,151,518 | - | 3,151,518 |
| Dividend payable | 115,070 | - | 115,070 |
| | <u>11,304,502</u> | <u>-</u> | <u>11,304,502</u> |
| At 31 December 2014 | | | |
| Other liabilities | 7,567,449 | - | 7,567,449 |
| Trade and other payables | 2,366,239 | - | 2,366,239 |
| Dividend payable | 119,604 | - | 119,604 |
| | <u>10,053,292</u> | <u>-</u> | <u>10,053,292</u> |

Contractual maturity analysis for financial liabilities - Company

| | Due or due within one year N'000 | Due after one year N'000 | Total N'000 |
|------------------------------|---|--------------------------------|-------------------|
| At 31 December 2015 | | | |
| Financial liabilities | | | |
| Other liabilities | 9,457,544 | - | 9,457,544 |
| Trade and other payables | 1,096,283 | - | 1,096,283 |
| Dividend payable | 16,691 | - | 16,691 |
| | <u>10,570,518</u> | <u>-</u> | <u>10,570,518</u> |
| At 31 December 2014 | | | |
| Financial liabilities | | | |
| Other liabilities | 8,908,078 | - | 8,908,078 |
| Trade and other payables | 727,252 | - | 727,252 |
| Dividend payable | 16,691 | - | 16,691 |
| | <u>9,652,021</u> | <u>-</u> | <u>9,652,021</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.



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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.

Financial instruments and fair values

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

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

The Group**At 31 December 2015****Assets**

| | Fair value N'000 | Amortised cost N'000 | Carrying amount N'000 |
|---|---------------------|-------------------------|--------------------------|
| Cash and cash equivalents | 3,660,553 | | 3,660,553 |
| Trade and other receivables | - | 1,660,053 | 1,660,053 |
| Loans and receivables | - | 3,653,928 | 3,653,928 |
| Investments accounted for using the equity method | 633,856 | | 633,856 |
| | <u>4,294,409</u> | <u>5,313,981</u> | <u>9,608,390</u> |

Liabilities

| | | | |
|--------------------------|-------------------|--|-------------------|
| Trade and other payables | 3,151,518 | | 3,151,518 |
| Bank overdrafts | 450,472 | | 450,472 |
| Other liabilities | 8,037,914 | | 8,037,914 |
| | <u>11,639,904</u> | | <u>11,639,904</u> |

At 31 December 2014**Assets**

| | | | |
|---|------------------|------------------|------------------|
| Cash and cash equivalents | 3,531,492 | | 3,531,492 |
| Trade and other receivables | - | 1,709,794 | 1,709,794 |
| Loans and receivables | - | 2,963,075 | 2,963,075 |
| Investments accounted for using the equity method | 671,251 | | 671,251 |
| | <u>4,202,743</u> | <u>4,672,869</u> | <u>8,875,612</u> |

Liabilities

| | | | |
|--------------------------|-------------------|--|-------------------|
| Trade and other payables | 2,366,239 | | 2,366,239 |
| Bank overdrafts | 107,941 | | 107,941 |
| Other liabilities | 7,567,449 | | 7,567,449 |
| | <u>10,041,629</u> | | <u>10,041,629</u> |

The Company**At 31 December 2015****Assets**

| | | | |
|---|------------------|------------------|------------------|
| Cash and cash equivalents | 1,008,110 | | 1,008,110 |
| Trade and other receivables | - | 1,081,293 | 1,081,293 |
| Loans and receivables | - | 3,653,928 | 3,653,928 |
| Investments accounted for using the equity method | 798,722 | | 798,722 |
| | <u>1,806,832</u> | <u>4,735,220</u> | <u>6,542,052</u> |

Liabilities

| | | | |
|--------------------------|-------------------|----------|-------------------|
| Trade and other payables | 1,096,283 | - | 1,096,283 |
| Bank overdrafts | 450,472 | - | 450,472 |
| Other liabilities | 9,457,544 | - | 9,457,544 |
| | <u>11,004,299</u> | <u>-</u> | <u>11,004,299</u> |



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| | Fair value N'000 | Amortised cost N'000 | Carrying amount N'000 |
|---|---------------------|----------------------------|-----------------------------|
| At 31 December 2014 | | | |
| Assets | | | |
| Cash and cash equivalents | 1,219,058 | - | 1,219,058 |
| Trade and other receivables | - | 1,227,792 | 1,227,792 |
| Loans and receivables | - | 2,963,075 | 2,963,075 |
| Investments accounted for using the equity method | 798,722 | - | 798,722 |
| | <u>2,017,780</u> | <u>4,190,867</u> | <u>6,208,647</u> |
| Liabilities | | | |
| Trade and other payables | 727,252 | - | 727,252 |
| Bank overdraft | 62,099 | - | 62,099 |
| Other liabilities | 8,908,078 | - | 8,908,078 |
| | <u>9,697,429</u> | <u>-</u> | <u>9,697,429</u> |

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).



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FOR THE YEAR ENDED 31 DECEMBER 2015

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 |
|--|------------------|-------------------|-----------------------------|--|--------------------------------|----------------------------|-------------------|
| 6.1 The Group | | | | | | | |
| Cost | | | | | | | |
| At 1 January 2014 | 3,440,742 | 1,365,704 | 1,844,580 | 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 |
| At 1 January 2015 | 3,440,742 | 1,459,991 | 2,041,311 | 4,463,292 | 153,590 | 455,014 | 12,013,940 |
| Additions in the year | - | 64,750 | 80,720 | 706,677 | 11,550 | 13,554 | 877,251 |
| Reclassification | - | - | 1,890 | (3,580) | 1,690 | - | - |
| Disposals in the year | - | - | - | - | - | (13,285) | (13,285) |
| At 31 December 2015 | 3,440,742 | 1,524,741 | 2,123,921 | 5,166,389 | 166,830 | 455,283 | 12,877,906 |
| Depreciation | | | | | | | |
| 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 | 426,578 | 16,771 | 23,107 | 677,077 |
| At 1 January 2015 | - | 637,435 | 1,502,949 | 2,841,081 | 130,400 | 427,809 | 5,539,674 |
| Charge for the year | - | 48,326 | 190,642 | 478,275 | 19,975 | 16,706 | 753,924 |
| Disposals in the year | - | - | - | - | - | (11,845) | (11,845) |
| At 31 December 2015 | - | 685,761 | 1,693,591 | 3,319,356 | 150,375 | 432,670 | 6,281,753 |
| Carrying amount | | | | | | | |
| At 31 December 2015 | 3,440,742 | 838,980 | 430,330 | 1,847,033 | 16,455 | 22,613 | 6,596,153 |
| At 31 December 2014 | 3,440,742 | 822,556 | 538,362 | 1,622,211 | 23,190 | 27,205 | 6,474,266 |

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 2015

| | 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 |
|---|------------------|-------------------|-----------------------------|--|--------------------------------|----------------------------|------------------|
| 6.2 The Company | | | | | | | |
| Cost | | | | | | | |
| At 1 January 2014 | 3,084,350 | 732,123 | 1,058,301 | 66,281 | 128,828 | 225,657 | 5,295,540 |
| 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 |
| At 1 January 2015 | 3,084,350 | 741,367 | 1,848,821 | 71,380 | 153,590 | 238,357 | 6,137,865 |
| Additions in the year | - | 4,482 | 313,159 | - | 11,550 | - | 329,191 |
| Reclassification | - | - | (1,890) | 200 | 1,690 | - | - |
| Disposals in the year | - | - | - | - | - | (4,643) | (4,643) |
| At 31 December 2015 | 3,084,350 | 745,849 | 2,160,090 | 71,580 | 166,830 | 233,714 | 6,462,413 |
| Depreciation | | | | | | | |
| At 1 January 2014 | - | 375,461 | 541,242 | 44,742 | 113,629 | 214,532 | 1,289,605 |
| Charge for the year | - | 28,122 | 312,555 | 3,520 | 16,771 | 13,873 | 374,840 |
| At 1 January 2015 | - | 403,583 | 853,796 | 48,262 | 130,400 | 228,404 | 1,664,445 |
| Disposals | - | - | - | - | - | (4,643) | (4,643) |
| Charge for the year | - | 28,346 | 355,032 | 4,463 | 19,975 | 5,724 | 413,540 |
| At 31 December 2015 | - | 431,929 | 1,208,828 | 52,725 | 150,375 | 229,485 | 2,073,342 |
| Carrying amount | | | | | | | |
| At 31 December 2015 | 3,084,350 | 313,920 | 951,262 | 18,855 | 16,455 | 4,229 | 4,389,071 |
| At 31 December 2014 | 3,084,350 | 337,784 | 995,025 | 23,118 | 23,190 | 9,953 | 4,473,421 |

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

There is no impairment charge during the year.

| | The Group | | The Company | |
|--|------------------|------------------|------------------|----------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 7. Capital work in progress | | | | |
| At 1 January | 1,181,472 | 1,255,194 | 657,669 | 884,423 |
| Transferred to property, plant and equipment | - | (616,440) | - | (616,440) |
| Additions in the year | 1,071,474 | 542,718 | 1,071,474 | 389,686 |
| At 31 December | 2,252,946 | 1,181,472 | 1,729,143 | 657,669 |

This represents on going renovation work on the Company'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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

| | The Group | | The Company | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 8. Intangible asset | | | | |
| Computer software | | | | |
| Cost | | | | |
| At 1 January | 26,596 | 20,069 | 17,621 | 11,094 |
| Additions in the year | 6,670 | 6,527 | 2,615 | 6,527 |
| At 31 December | <u>33,266</u> | <u>26,596</u> | <u>20,236</u> | <u>17,621</u> |
| Amortization | | | | |
| At 1 January | 6,673 | 4,014 | 3,981 | 2,218 |
| Charge for the year | 3,192 | 2,659 | 2,023 | 1,763 |
| At 31 December | <u>9,865</u> | <u>6,673</u> | <u>6,004</u> | <u>3,981</u> |
| Carrying amount | <u>23,401</u> | <u>19,923</u> | <u>14,232</u> | <u>13,640</u> |
| 9. Investment in subsidiary | | | | |
| Hans Gremlin Nigeria Limited | - | - | 4,440,919 | 4,440,919 |

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

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, apartment letting, recreational facilities, night clubs and a business center. |
| • IHL Services | Nigeria | 100% | Advisory and consultancy services to undertake advisory management on all types of businesses. |

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 |
|-------------------------|---------------------------------------|----------------------------|-------------------------------|
| 31 December 2015 | | | |
| Revenue | - | 4,692,985 | 304,817 |
| (Loss)/profit after tax | (27,761) | 492,260 | 24,706 |
| Total assets | 360,720 | 7,564,157 | 1,071,360 |
| Total liabilities | 475,533 | 3,597,318 | 170,667 |
| Equity | <u>(114,813)</u> | <u>3,966,839</u> | <u>898,255</u> |
| 31 December 2014 | | | |
| Revenue | 39,494 | 4,552,726 | 285,441 |
| Profit/(loss) 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> |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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.

Aggregate amounts relating to investment in joint venture include:

| | The Group | | The Company | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| Current assets | 170,714 | 137,420 | - | - |
| Non current asset | 1,093,295 | 1,114,949 | - | - |
| Current liabilities | 120,672 | 115,372 | - | - |
| Non current liabilities | 1,355,938 | 1,099,569 | - | - |
| Income | 196,243 | 196,472 | - | - |
| Expenses | 233,638 | 305,675 | - | - |
| At 1 January | 671,251 | 780,454 | 798,722 | 798,722 |
| Share of loss of joint venture | (37,395) | (109,203) | - | - |
| At 31 December | 633,856 | 671,251 | 798,722 | 798,722 |

| | The Group | | 2014 N'000 | The Company | | 2014 N'000 | |
|----------------------------------|-------------------|-------------------|---------------|---------------|-------------------|---------------|---------------|
| | 2015 US \$'000 | 2014 US \$'000 | | 2015 N'000 | 2015 US \$'000 | | 2015 N'000 |
| 11. Loan to related party | | | | | | | |
| At 1 January | 12,612 | 12,011 | 2,963,075 | 1,957,340 | 12,612 | 2,963,075 | 1,957,340 |
| Interest capitalised | 631 | 601 | 148,792 | 93,739 | 631 | 148,792 | 93,739 |
| Exchange revaluation | - | - | 542,061 | 911,996 | - | 542,061 | 911,996 |
| At 31 December | 13,243 | 12,612 | 3,653,928 | 2,963,075 | 13,243 | 3,653,928 | 2,963,075 |

Loans from related party relate to receivable from The Tourist Company of Nigeria Plc. The interest rate of 5% (2014 : 5%) has been set on the Company's fixed borrowing. Of these fixed borrowings 100% (2014 : 100%) is for periods longer than 12 months. The Company had no unutilised borrowing facilities at 31 December 2015 (2014 : 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 Group | | The Company | |
|-------------------------------------|---------------|---------------|---------------|---------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 12. Due from related parties | | | | |
| Federal Palace/Sun current account | 15,635 | 79,621 | 15,635 | 79,621 |
| Hans Gremlin Nigeria Limited | - | - | 483,708 | 483,968 |
| Charles Hampton Limited | 108,470 | 108,471 | - | - |
| AVIS - Current Account | 31,122 | 31,122 | - | - |
| GMI & Co | 113,188 | 113,188 | - | - |
| Felfan limited | 59,074 | 59,074 | - | - |
| | 327,489 | 391,476 | 499,343 | 563,589 |


 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 13. Long term investment | | | | |
| ICON Stockbroker | 7,421 | 7,421 | - | - |
| A. Savoia Ltd | 2,571 | 2,571 | - | - |
| Charles Hampton | 3,499 | 3,499 | - | - |
| Felfan | 13,005 | 13,005 | - | - |
| | 26,496 | 26,496 | - | - |
| 14. Inventories | | | | |
| Food and beverage | 96,251 | 83,500 | 46,085 | 39,743 |
| Maintenance supplies | 163,925 | 189,424 | 71,639 | 89,611 |
| Operating supplies | 166,314 | 191,243 | 116,471 | 97,199 |
| General stores | 78,657 | 55,915 | 37,362 | 40,206 |
| | 505,147 | 520,082 | 271,557 | 266,759 |
| Inventory to the value of N510.7 million (2014 : N520.1 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 N5.6 million (2014 : Nil). | | | | |
| 15. Trade and other receivables | | | | |
| Trade receivables | 926,600 | 1,000,597 | 431,756 | 503,651 |
| Allowances for impairment losses | (160,720) | (184,314) | (25,146) | (35,177) |
| Net trade receivables | 765,880 | 816,283 | 406,610 | 468,474 |
| Other receivables (Note 15.1) | 894,173 | 893,511 | 674,683 | 759,318 |
| | 1,660,053 | 1,709,794 | 1,081,293 | 1,227,792 |
| 15.1 Other receivables | | | | |
| Withholding tax receivable | 771,511 | 773,111 | 630,358 | 682,705 |
| Sheraton Brand Hotels | 9,380 | 5,154 | 9,380 | 5,154 |
| Advances to employees | 113,282 | 115,246 | 34,945 | 71,459 |
| | 894,173 | 893,511 | 674,683 | 759,318 |
| Trade and other receivables are stated at their original invoiced value as the interest that would be recognised from discounting future cash receipts over the short period is not considered to be material. | | | | |
| 16. Other assets | | | | |
| Prepayments (Note 16.1) | 81,315 | 114,768 | 30,613 | 49,245 |
| Advances to suppliers | 1,775,267 | 2,024,343 | 1,568,037 | 1,781,500 |
| Other receivables | - | 38,881 | - | - |
| | 1,856,582 | 2,177,992 | 1,598,650 | 1,830,745 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 16.1 Analysis of prepayments | | | | |
| P/P Hotel License | 8,063 | 8,080 | 1,504 | 28 |
| P/PM PC's Software | 8,313 | 11,428 | 4,279 | 6,498 |
| Prepaid rent | 8,568 | 13,232 | 5,568 | 9,232 |
| Prepaid maintenance | 1,595 | 2,354 | 1,172 | 1,604 |
| Prepaid maintenance system | - | 639 | - | 639 |
| Prepaid dues & subscription | 4,764 | 18,913 | 736 | 15,564 |
| Prepaid insurance | 13,403 | 15,499 | 11,854 | 14,460 |
| Prepaid others | 36,609 | 44,623 | 5,500 | 1,220 |
| | 81,315 | 114,768 | 30,613 | 49,245 |
| 17. Cash and cash equivalents | | | | |
| Cash in hand | 4,452 | 4,517 | 933 | 1,230 |
| Cash at bank | 639,096 | 452,258 | 365,919 | 300,109 |
| | 643,548 | 456,775 | 366,852 | 301,339 |
| Allowance for doubtful balances | (639) | (302) | (372) | (302) |
| | 642,909 | 456,473 | 366,480 | 301,037 |
| Time deposits | 3,017,644 | 3,075,019 | 641,630 | 918,021 |
| Cash and cash equivalents as per statement of financial position | 3,660,553 | 3,531,492 | 1,008,110 | 1,219,058 |
| 18. Trade and other payables | | | | |
| Trade payables | 326,047 | 362,682 | 112,586 | 100,798 |
| Accrued expenses | 828,237 | 444,457 | 366,418 | 284,334 |
| CHP Hospitality and Tourism Limited | 625,254 | 625,254 | - | - |
| Advance deposits | 144,267 | 20,517 | 599 | 630 |
| Due to Starwood Eame License and Service Company | 39,727 | 38,586 | 39,727 | 38,586 |
| Service charge distribution | 58,110 | 32,659 | 28,916 | 32,659 |
| VAT Payable | 98,800 | 22,591 | 10,473 | 13,613 |
| Other liabilities (Note 18.1) | 341,699 | - | 341,699 | - |
| Other credit balances (Note 18.2) | 689,377 | 819,493 | 195,865 | 256,632 |
| | 3,151,518 | 2,366,239 | 1,096,283 | 727,252 |

18.1 Other liabilities represents difference in retained earnings due to configuration issues with the accounting package used by the company (SAGE).

18.2 Other credit balances 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.

| | The Group | | The Company | |
|----------------------------|------------------|------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 19. Deferred income | | | | |
| Ikeja Hotel (Note 19.1) | 2,284,116 | 2,135,324 | 2,284,116 | 2,135,324 |
| Capital Hotel (Note 19.2) | 80,613 | 60,992 | - | - |
| | 2,364,729 | 2,196,316 | 2,284,116 | 2,135,324 |

19.1 This relates to interest receivable from the loan granted to Tourist Company of Nigeria Plc, which are payable when cashflow allows.



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FOR THE YEAR ENDED 31 DECEMBER 2015

| | The Group | | The Company | |
|--|------------------|------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 19.2 This relates to advance payment received for the use of hotel services ie swimming pool, spa and other health services. | | | | |
| 20. Dividend payable | | | | |
| At 1 January | 119,604 | 43,436 | 16,691 | 16,691 |
| Declared during the year | - | 78,268 | - | - |
| Payment during the year | (4,534) | (2,100) | - | - |
| At 31 December | <u>115,070</u> | <u>119,604</u> | <u>16,691</u> | <u>16,691</u> |
| 21. Due to related parties | | | | |
| Capital Hotels Plc | - | - | 1,273,579 | 1,250,569 |
| IHL Services Limited | - | - | 564,294 | 534,462 |
| Alurum Investment Ltd/Omamo Trust Limited. | 2,206,958 | 1,970,498 | 2,206,958 | 1,970,498 |
| Minabo Limited | 1,289,390 | 1,151,241 | 1,289,390 | 1,151,241 |
| Associated Ventures International Limited | 1,052,947 | 1,063,191 | 1,052,947 | 1,063,190 |
| | <u>4,549,295</u> | <u>4,184,930</u> | <u>6,387,168</u> | <u>5,969,960</u> |
| 22. Current tax liability | | | | |
| At 1 January | 984,662 | 1,142,443 | 647,095 | 905,671 |
| Payment in the year | (577,208) | (536,898) | (457,829) | (300,628) |
| Charge for the year (Note 24) | 172,364 | 379,117 | 52,922 | 42,052 |
| At 31 December | <u>579,818</u> | <u>984,662</u> | <u>242,188</u> | <u>647,095</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. | | | | |
| 23. Deferred taxation | | | | |
| At 1 January | 585,085 | 404,504 | 265,702 | 185,552 |
| Charge for the year (Note 24) | 91,163 | 180,581 | 30,133 | 80,150 |
| At 31 December | <u>676,248</u> | <u>585,085</u> | <u>295,835</u> | <u>265,702</u> |
| 24. Income tax expense | | | | |
| Income tax | 146,491 | 360,523 | 42,636 | 42,052 |
| Education tax | 25,873 | 18,594 | 10,286 | - |
| | <u>172,364</u> | <u>379,117</u> | <u>52,922</u> | <u>42,052</u> |
| Deferred taxation | 91,163 | 180,581 | 30,133 | 80,150 |
| | <u>263,527</u> | <u>559,698</u> | <u>83,055</u> | <u>122,202</u> |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

| | The Group | | The Company | |
|---|------------------|---------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 24.1 The tax expense for the year is reconciled to the profit for the year as follows: | | | | |
| Profit/(loss) before tax | 824,257 | 562,632 | 192,423 | (360,728) |
| Tax @ 30% | (118,311) | 168,790 | 57,726 | (108,219) |
| Deductible items | 535,191 | 507,476 | 124,590 | 342,873 |
| Balancing charge | 820 | - | 820 | - |
| Capital allowance | (271,047) | (315,743) | (140,500) | (192,602) |
| Education tax | 25,710 | 18,594 | 10,286 | - |
| Deferred tax effect | 91,164 | 180,581 | 30,133 | 80,150 |
| Tax expense for the year | 263,527 | 559,698 | 83,055 | 122,202 |
| Profit/(loss) after tax | 560,730 | 2,934 | 109,368 | (482,930) |
| | % | % | % | % |
| 24.2 The tax rate is reconciled to the effective tax rate as follows: | | | | |
| Tax rate | (14) | 30 | 30 | 30 |
| Deductible items | 65 | 289 | 65 | (95) |
| Capital allowance | (33) | (149) | (73) | 53 |
| Education tax | 3 | 9 | 5 | - |
| Deferred tax effect | 11 | 85 | 16 | (22) |
| Total effective tax rate | 32 | 264 | 43 | (34) |

25. Employee benefits

- i The Company complies with the provisions of the Pension Reform Act 2014 whereby both employer and employees contributed 10% and 8% each of employee gross emolument on monthly basis. Both employer and employee contributions are remitted monthly to the employees' chosen Pension Fund Administrators (PFA). Employer contribution of N89.8 million (2014 : N45.2 million) has been charged to the statement of profit or loss and other comprehensive income.
- ii The defined benefit scheme is unfunded with no assets specifically set aside to meet obligations as at when due. Funds are retained in the Company's business to meet due obligations.
- iii Under the defined benefit's scheme member's past service benefits have been assessed using the Projected Unit Credit Method (PUCM). This method calculates the actuarial liability (staff gratuity benefits and long service grants) as the discounted value of the benefits that have accrued over the past period of membership of the beneficiaries. In determining this value allowance is made for any future expected inflationary growth of the on-going benefits up to the exit date.

| | The Group | | The Company | |
|---------------------------------------|------------------|---------------|------------------|---------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| Defined contribution plan (Note 25.1) | - | - | - | - |
| Defined benefit plan (Note 25.2) | 2,784,251 | 3,257,519 | 1,428,370 | 1,556,239 |
| | 2,784,251 | 3,257,519 | 1,428,370 | 1,556,239 |
| 25.1 Defined contribution plan | | | | |
| At 1 January | - | - | - | - |
| Contribution during the year | 161,645 | 81,441 | 105,773 | 91,569 |
| Remittance during the year | (161,645) | (81,441) | (105,773) | (91,569) |
| At 31 December | - | - | - | - |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 25.2 Defined benefit plan | | | | |
| At 1 January | 3,257,519 | 3,013,702 | 1,556,239 | 1,412,503 |
| Current service cost | 373,990 | 744,713 | 174,475 | 174,457 |
| Past service cost | - | - | - | - |
| Interest cost | 176,105 | 150,530 | 176,103 | 150,530 |
| Curtailment/settlement | (148,368) | - | (148,368) | - |
| Payments in the year | (775,545) | (557,754) | (230,629) | (87,579) |
| Re-measurement on defined benefit plan | (99,450) | (93,672) | (99,450) | (93,672) |
| At 31 December | <u>2,784,251</u> | <u>3,257,519</u> | <u>1,428,370</u> | <u>1,556,239</u> |
| Present value of defined benefit obligation | 2,784,251 | 3,257,519 | 1,428,370 | 1,556,239 |
| Fair value of plan assets | - | - | - | - |
| Unrecognised past service costs | - | - | - | - |
| Unrecognised actuarial gains/losses | - | - | - | - |
| Movement in defined benefit plans | | | | |
| At 1 January | 3,257,519 | 3,013,702 | 1,556,239 | 1,412,503 |
| Current service cost | 373,990 | 744,713 | 174,475 | 174,457 |
| Interest costs | 176,105 | 150,530 | 176,103 | 150,530 |
| Actuarial gains recognised | (99,450) | (93,672) | (99,450) | (93,672) |
| Curtailment and settlement | (148,368) | - | (148,368) | - |
| Payment in the year | (775,545) | (557,754) | (230,629) | (87,579) |
| Plan amendments | - | - | - | - |
| | <u>2,784,251</u> | <u>3,257,519</u> | <u>1,428,370</u> | <u>1,556,239</u> |
| Defined benefit schemes | | | | |
| The principal actuarial assumptions used for estimating the Group's benefit obligations (IAS 19) are set out below: | | | | |
| Weighted average actuarial assumptions used at 31 December | | | | |
| Discount rate | 10.71% | 10.71% | 10.71% | 10.71% |
| Inflation rate | 12.00% | 12.00% | 12.00% | 12.00% |
| Future salary increases | 10.00% | 10.00% | 10.00% | 10.00% |

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

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

Defined benefit scheme are based upon independent actuarial valuation performed by B.A. Adigun and associates using the projected unit credit basis. This valuation was carried out as at 31 December 2015.

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

The actuarial valuation report was signed in February 2016 by D.A. Agbelese (FRC/2014/IODN/00000008032).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 26. Current borrowings | | | | |
| Bank overdraft | <u>450,472</u> | <u>107,941</u> | <u>450,472</u> | <u>62,099</u> |
| Bank overdraft represent facilities obtained from one of the Nigeria Bank at an interest rate of 16.5%. | | | | |
| 27. Share capital | | | | |
| 27.1 Authorised | | | | |
| 4,000,000,000 Ordinary shares of 50 kobo each | <u>2,000,000</u> | <u>2,000,000</u> | <u>2,000,000</u> | <u>2,000,000</u> |
| 27.2 Issued and fully paid | | | | |
| 2,078,796,399 ordinary shares of 50 kobo each | <u>1,039,398</u> | <u>1,039,398</u> | <u>1,039,398</u> | <u>1,039,398</u> |
| 28. Share premium reserve | | | | |
| At 31 December | <u>1,381,072</u> | <u>1,381,072</u> | <u>1,381,072</u> | <u>1,381,072</u> |
| 29. Retained earnings | | | | |
| At 1 January | 1,670,122 | 1,769,067 | 4,560,957 | 4,950,215 |
| Transferred from statement of comprehensive income | 326,465 | (114,349) | 109,368 | (482,930) |
| Dividend declared | - | (78,268) | - | - |
| Actuarial gain for the year | 99,450 | 93,672 | 99,450 | 93,672 |
| At 31 December | <u>2,096,037</u> | <u>1,670,122</u> | <u>4,769,775</u> | <u>4,560,957</u> |
| 30. Non controlling interest | | | | |
| At 1 January | 1,680,831 | 1,563,548 | - | - |
| Share of profit | 234,265 | 117,283 | - | - |
| At 31 December | <u>1,915,096</u> | <u>1,680,831</u> | <u>-</u> | <u>-</u> |
| 31. Other income | | | | |
| Gain on currency translation | 333,707 | 210,247 | 98,750 | 87,819 |
| Rent and other income | 220,112 | 174,045 | 61,671 | 134,551 |
| Other services rendered (Note 31.2) | 126,298 | 126,704 | - | - |
| Other income (Note 31.1) | - | 338,350 | - | - |
| Interest earned | 70,401 | 4,858 | 453 | 681 |
| Sales of scrap | 25,911 | 30,585 | 17,225 | 5,387 |
| Profit on disposal of property, plant and equipment | 5,752 | - | 780 | - |
| Uncleared cheques (Note 31.3) | 19,340 | - | 19,340 | - |
| | <u>801,521</u> | <u>884,789</u> | <u>198,219</u> | <u>228,438</u> |

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

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

31.3 These amount represents various cheques issued since 2014 that were not presented till date, now staled.

| | The Group | | The Company | |
|---|----------------|----------------|----------------|----------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 32. Finance income and finance costs | | | | |
| Interest income | - | (50,266) | - | - |
| Interest expense | <u>575,167</u> | <u>494,807</u> | <u>575,167</u> | <u>530,292</u> |
| Net finance costs | <u>575,167</u> | <u>444,541</u> | <u>575,167</u> | <u>530,292</u> |

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


 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2015

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 33. Administrative expenses | | | | |
| Directors' remuneration | 45,922 | 66,655 | 10,100 | 15,655 |
| Employee costs | 584,743 | 532,261 | 421,427 | 334,614 |
| Depreciation of property, plant and equipment | 753,924 | 678,793 | 413,542 | 374,840 |
| Amortisation of intangible assets | 3,192 | 2,659 | 2,023 | 1,763 |
| Management fees | 75,236 | 92,806 | 75,236 | 78,416 |
| Operators incentive fee | 165,510 | 194,904 | 48,185 | 68,335 |
| Legal and professional fees | 145,372 | 364,403 | 123,374 | 339,493 |
| Insurance | 89,526 | 85,124 | 52,892 | 47,372 |
| Medical expenses | 63,237 | 22,209 | 61,887 | 19,594 |
| Transport and travelling | 21,345 | 76,013 | 15,401 | 64,673 |
| Repairs and maintenance | 25,983 | 49,855 | 22,223 | 40,765 |
| Penalty for defaulting filing with NSE | - | 5,500 | - | 5,500 |
| Bank charges and commission | 11,262 | 56,007 | 1,024 | 1,671 |
| Audit fee | 17,600 | 16,450 | 9,000 | 9,000 |
| Rent and rate | 34,901 | 37,359 | 19,556 | 24,366 |
| Advertising and publicity | 8,854 | 23,572 | 3,876 | 23,572 |
| Printing and stationary | 6,774 | 16,229 | 4,732 | 12,513 |
| Communication expenses | 8,596 | 11,584 | 6,309 | 9,700 |
| Provision for doubtful account balances | 28,245 | - | 446 | - |
| Donation and subscription | 11,699 | 11,172 | 11,417 | 10,287 |
| Provision for obsolete stock | 5,592 | - | 5,592 | - |
| Other administrative expenses | 58,837 | 135,560 | 23,357 | 32,099 |
| | 2,166,350 | 2,479,115 | 1,331,599 | 1,514,228 |
| 34. Segment information | | | | |

34.1 Operating segments

The Company 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 | |
|-----------------------------------|------------------|-------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 34.2 Business segment | | | | |
| 34.2.1 Revenue | | | | |
| Rooms | 5,818,124 | 6,166,907 | 3,335,416 | 3,540,175 |
| Food and beverage | 3,498,550 | 3,313,142 | 1,352,343 | 1,466,159 |
| Other minor operating departments | 538,412 | 585,849 | 327,976 | 221,397 |
| | 9,855,086 | 10,065,898 | 5,015,735 | 5,227,731 |
| 34.2.2 Cost of sales | | | | |
| Rooms | 1,027,252 | 1,408,628 | 577,744 | 659,475 |
| Food and beverage | 1,815,131 | 2,311,335 | 612,473 | 1,154,691 |
| Other minor operating departments | 3,626,368 | 3,279,270 | 1,659,057 | 1,692,996 |
| | 6,468,751 | 6,999,233 | 2,849,274 | 3,507,162 |
| Gross profit | 3,386,335 | 3,066,665 | 2,166,461 | 1,720,569 |
| Gross profit margin (%) | 34 | 30 | 43 | 33 |

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 2015

| | The Group | | The Company | |
|---|------------------|------------------|------------------|------------------|
| | 2015 N'000 | 2014 N'000 | 2015 N'000 | 2014 N'000 |
| 35. Reconciliation of cash and cash equivalents | | | | |
| Cash in hand | 4,452 | 4,517 | 933 | 1,230 |
| Cash at bank | 639,096 | 452,258 | 365,919 | 300,109 |
| | 643,548 | 456,775 | 366,852 | 301,339 |
| Time deposits | 3,017,644 | 3,075,019 | 641,630 | 918,021 |
| Provision for doubtful balance | (639) | (302) | (372) | (302) |
| As per statement of financial position | 3,660,553 | 3,531,492 | 1,008,110 | 1,219,058 |
| Bank overdraft | (450,472) | (107,941) | (450,472) | (62,099) |
| As per statement of cash flows | 3,210,081 | 3,423,551 | 557,638 | 1,156,959 |
| 36. Basic and diluted earnings/(loss) per share | | | | |
| 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. | | | | |
| Profit/(loss) after taxation | 560,730 | 2,934 | 109,368 | (482,930) |
| Number of shares | 2,078,796 | 2,078,796 | 2,078,796 | 2,078,796 |
| Earnings/(loss) per share (Kobo) | 27 | 0.14 | 5 | (23) |
| 37. Information regarding directors and employees | | | | |
| 37.1 Emolument of the directors | | | | |
| Non - executive directors fee | 2,900 | 2,900 | 600 | 600 |
| Chairman's fee (included above) | 500 | 500 | 200 | 200 |
| Emoluments paid to Executive Directors | - | - | - | - |
| 37.2 Other expenses | | | | |
| Chairman | 3,618 | 3,380 | 1,800 | 1,562 |
| Directors | 27,355 | 33,873 | 7,500 | 13,293 |
| | 34,373 | 40,653 | 10,100 | 15,655 |
| In addition to the above, the Company provided non cash benefits to the Chairman. | | | | |
| 37.3 Scale of directors' remuneration | | | | |
| The number of directors excluding the Chairman whose expenses fell within the following ranges are | | | | |
| | Number | Number | Number | Number |
| N0 - N100,000 | - | - | - | - |
| N100,001 - above | 14 | 14 | 5 | 5 |
| | 14 | 14 | 5 | 5 |
| 37.4 Staff costs | | | | |
| Personnel compensation comprised: | | | | |
| Salaries and wages | 2,587,857 | 2,545,219 | 1,656,580 | 1,854,799 |
| Short-term employee benefits | 161,645 | 118,755 | 105,773 | 91,569 |
| Defined benefit gratuity scheme | 550,095 | 792,811 | 350,580 | 324,987 |
| | 3,299,597 | 3,456,785 | 2,112,933 | 2,271,355 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

| | The Group | | The Company | |
|--|----------------|----------------|----------------|----------------|
| | 2015 Number | 2014 Number | 2015 Number | 2014 Number |
| 37.5 The average number of persons employed during the year by category | | | | |
| Management staff | 76 | 76 | 45 | 47 |
| Non-management staff | 1,010 | 1,021 | 580 | 604 |
| | 1,086 | 1,097 | 625 | 651 |
| 37.6 Scale of employees' remuneration | | | | |
| | N | N | | |
| 250,001 - 500,000 | 3 | 5 | 3 | 5 |
| 500,001 - 750,000 | 312 | 426 | 210 | 218 |
| 750,001 - 1,000,000 | 198 | 210 | 68 | 68 |
| 1,000,001 - 1,250,000 | 218 | 157 | 81 | 81 |
| 1,250,001 - 1,500,000 | 164 | 79 | 72 | 72 |
| 1,500,001 - 1,750,000 | 66 | 81 | 66 | 69 |
| 1,750,001 - 2,000,000 | 64 | 71 | 64 | 72 |
| Above 2,000,001 | 61 | 68 | 61 | 66 |
| | 1,086 | 1,097 | 625 | 651 |

38. Related party transaction

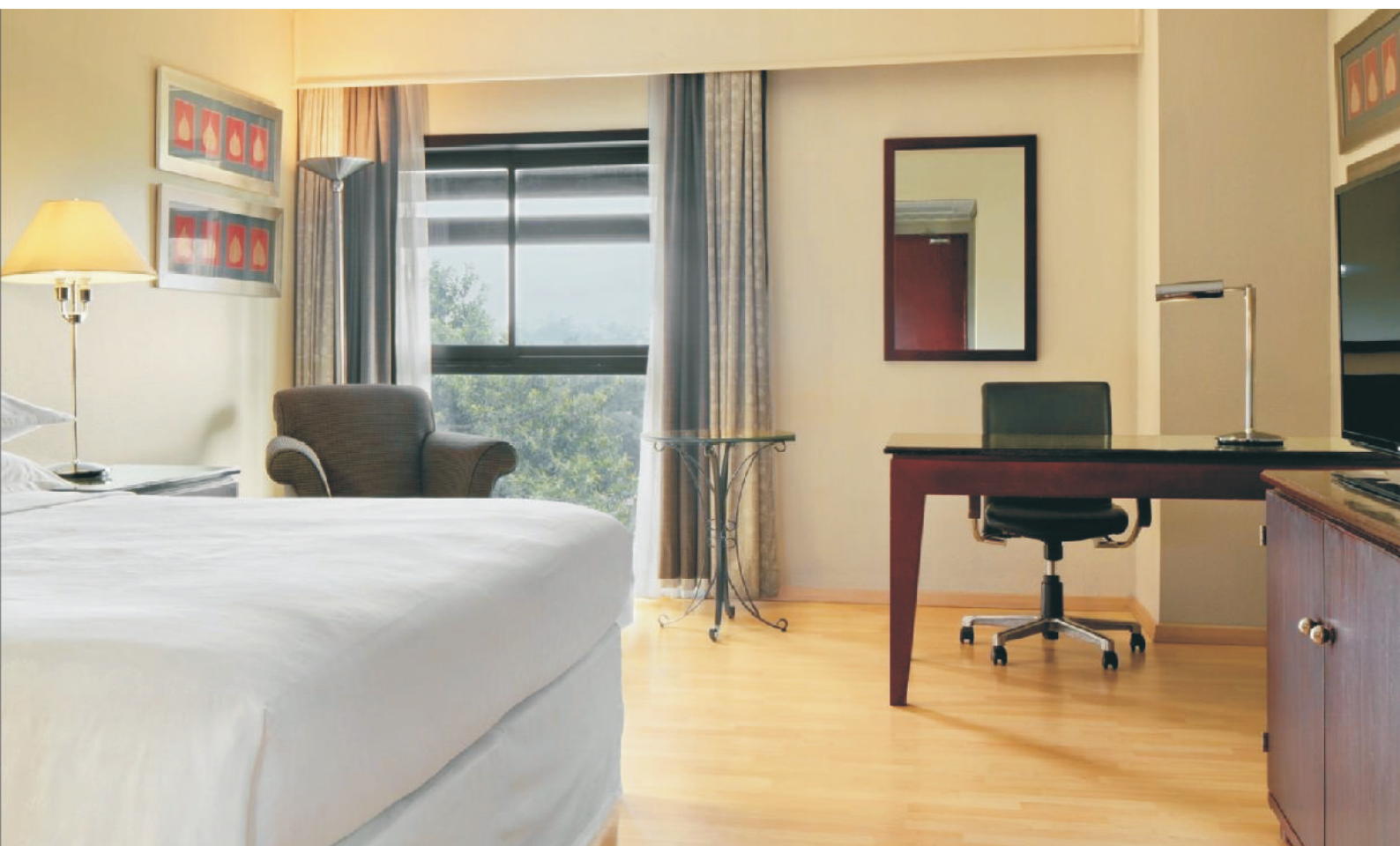
During the year, the Group had significant business dealings with the related parties. The transaction of value these business dealings are:

| | Value of transactions in the year | |
|--|-----------------------------------|---------------|
| | 2015 N'000 | 2014 N'000 |
| 38.1 The Tourist Company of Nigeria Plc Ikeja Hotel Plc is a shareholder of the Company and some directors on the Board of the Company also serve on the Board of Ikeja Hotel Plc. Transaction in the year relate to fee income received for support services | 678,093 | 155,095 |
| 38.2 Hans-Gremlins (Nigeria) Limited The company is a subsidiary of Ikeja Hotel Plc and some of the directors serve on the board of both companies. Transaction in the year related to dividend income from Hans Gremlin Nigeria Limited. | 63,986 | - |
| 38.3 Minabo Limited One of the directors of Ikeja Hotel Plc is also a director of Minabo Limited. Transaction in the year relate to interest payable on outstanding loan liability. | 138,149 | 98,332 |
| 38.4 Associated Ventures International Limited One of the directors of the Company is also a director of Associated Ventures International Limited. Transaction in the year relate to interest payable on outstanding loan liability. | 10,244 | 63,840 |
| 38.5 Omamo Trust Limited One of the directors of the Company is also a director of Omamo Trust Limited. Transaction in the year was in respect of interest accrued on outstanding loan liability. | 236,460 | 180,670 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

| | | Value of transactions in the year | |
|---|---|--------------------------------------|--------|
| | | 2015 | 2014 |
| | | N'000 | N'000 |
| 38.6 AVI Services Limited | | | |
| | The Company has certain directors in common with Ikeja Hotel Plc. It provides a staff transport service to Ikeja Hotel Plc, operates a car hire business at the Hotel. | 96,907 | 96,907 |
| 38.7 Capital Hotels Plc | | | |
| | Capital Hotels Plc is a member of the Ikeja Hotel Group. Transactions in the year relate to: | | |
| | Interest paid/payable on loan | 23,010 | 30,034 |
| 39. Deposit for shares | | | |
| | This amount represents deposit made by Next International Nigeria Limited for 31,200,000 unit of shares at N3.00 each. | | |
| 40. Financial commitments | | | |
| | The directors are of the opinion that all known liabilities and commitments have been taken into consideration in the preparation of these consolidated financial statements. These liabilities are relevant in assessing the Company's state of affairs. | | |
| 41. 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). | | |
| 42. 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: | | |
| 42.1 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. | | |
| 42.2 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. | | |
| 43. Contingent liabilities | | | |
| | The Group is not subjected to any pending litigations arising in the normal course of business. The contingent liabilities in respect of pending litigations amounted to Nil as at 31 December 2015 (2014 : N13 million). In the opinion of the Directors and based on legal advice, no material loss is expected to arise from these claims. | | |
| 44. 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. | | |
| 45. 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. | | |



Standard Room, Sheraton Lagos



Other national disclosures



STATEMENT OF VALUE ADDED
FOR THE YEAR ENDED 31 DECEMBER 2015

| | 2015 N'000 | % | 2014 N'000 | % | 2015 N'000 | % | 2014 N'000 | % |
|---|-------------------|------------|-------------------|------------|------------------|------------|------------------|------------|
| Revenue | 9,855,086 | | 10,065,898 | | 5,015,735 | | 5,227,731 | |
| Other income | 801,521 | | 884,789 | | 198,219 | | 228,438 | |
| | 10,656,607 | | 10,950,687 | | 5,213,954 | | 5,456,169 | |
| Cost of goods and services - foreign | (240,746) | | (287,710) | | (123,421) | | (146,750) | |
| Cost of goods and services - local | (4,962,916) | | (5,469,960) | | (1,796,468) | | (2,493,660) | |
| Value added | 5,452,945 | 100 | 5,193,017 | 100 | 3,294,065 | 100 | 2,815,759 | 100 |
| Applied as follows: | | | | | | | | |
| To pay employees: | | | | | | | | |
| Salaries wages and other staff costs | 3,299,597 | 61 | 3,456,785 | 67 | 2,112,933 | 64 | 2,271,355 | 81 |
| To providers of capital: | | | | | | | | |
| - Finance costs | 575,167 | 11 | 494,807 | 10 | 575,167 | 17 | 530,292 | 19 |
| To pay Government: | | | | | | | | |
| Income and Education tax | 172,364 | 3 | 379,117 | 7 | 52,922 | 2 | 42,052 | 1 |
| To provide for assets replacement: | | | | | | | | |
| - Depreciation of property, plant and equipment | 753,924 | 14 | 678,793 | 13 | 413,542 | 13 | 374,840 | 13 |
| Retained for future expansion: | | | | | | | | |
| - Deferred taxation | 91,163 | 2 | 180,581 | 3 | 30,133 | 1 | 80,150 | 3 |
| - Transferred from profit or loss | 560,730 | 9 | 2,934 | - | 109,368 | 3 | (482,930) | (17) |
| Value added | 5,452,945 | 100 | 5,193,017 | 100 | 3,294,065 | 100 | 2,815,759 | 100 |

Value added represents the additional wealth, the group has been able to create by its own and its 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

| | 2015 N'000 | 2014 N'000 | 2013 N'000 | 2012 N'000 | 2011 N'000 |
|---|------------------|-------------------|-------------------|-------------------|--------------------|
| Statement of financial position | | | | | |
| Assets | | | | | |
| Property, plant and equipment | 6,596,153 | 6,474,266 | 5,633,581 | 5,331,498 | 5,182,685 |
| Capital work in progress | 2,252,946 | 1,181,472 | 1,255,194 | 850,400 | 625,262 |
| Intangible assets | 23,401 | 19,923 | 16,055 | 18,062 | - |
| Investments accounted for using the equity method | 633,856 | 671,251 | 780,454 | 785,065 | 798,722 |
| Loan to related party | 3,653,928 | 2,963,075 | 2,820,741 | 1,864,974 | 1,786,804 |
| Long term investment | 26,496 | 26,496 | - | - | - |
| Net current assets | 1,254,617 | 2,462,474 | 2,265,690 | 3,107,688 | 2,308,468 |
| Non-current liabilities | (8,009,794) | (8,027,534) | (7,018,630) | (7,553,838) | (7,593,022) |
| Net assets | 6,431,603 | 5,771,423 | 5,753,085 | 4,403,849 | 3,108,919 |
| Equity and reserve | | | | | |
| Share capital | 1,039,398 | 1,039,398 | 1,039,398 | 1,039,398 | 1,039,398 |
| Share premium reserve | 1,381,072 | 1,381,072 | 1,381,072 | 1,381,072 | 1,381,072 |
| Retained earnings | 2,096,037 | 1,670,122 | 1,769,067 | 384,895 | (947,852) |
| | 4,516,507 | 4,090,592 | 4,189,537 | 2,805,365 | 1,472,618 |
| Non-controlling interest | 1,915,096 | 1,680,831 | 1,563,548 | 1,598,484 | 1,636,301 |
| Total equity | 6,431,603 | 5,771,423 | 5,753,085 | 4,403,849 | 3,108,919 |
| Statement of profit or loss and other comprehensive income | | | | | |
| Revenue | 9,855,086 | 10,065,898 | 11,223,700 | 11,263,224 | 11,778,188 |
| Profit/(Loss) before tax | 824,257 | 562,632 | 1,627,040 | 2,610,266 | (1,947,067) |
| Income tax expense | (263,527) | (559,698) | (632,234) | (593,936) | (789,640) |
| Profit/(Loss) for the year | 560,730 | 2,934 | 994,806 | 2,016,330 | (2,736,707) |
| Other comprehensive income for the year | 99,450 | 93,672 | 380,347 | 93,672 | 1,031,504 |
| Total comprehensive (loss)/income for the year | 660,180 | 96,606 | 1,375,153 | 2,110,002 | (1,705,203) |
| Per share data: | | | | | |
| earnings/(Loss) (kobo) - Basic and diluted | 26.97 | 0.14 | 48 | 97 | (132) |
| Net assets (kobo) | 309 | 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

| | 2015 N'000 | 2014 N'000 | 2013 N'000 | 2012 N'000 | 2011 N'000 |
|---|------------------|------------------|------------------|------------------|------------------|
| Statement of financial position | | | | | |
| Assets | | | | | |
| Property, plant and equipment | 4,389,071 | 4,473,421 | 4,005,936 | 3,709,883 | 2,729,578 |
| Capital work in progress | 1,729,143 | 657,669 | 884,423 | 161,147 | 123,073 |
| Intangible assets | 14,232 | 13,640 | 8,876 | - | - |
| Investment in subsidiary | 4,440,919 | 4,440,919 | 4,440,919 | 4,440,919 | 4,440,919 |
| Investments accounted for using the equity method | 798,722 | 798,722 | 798,722 | 798,722 | 381,326 |
| Loan to related party | 3,653,928 | 2,963,075 | 2,820,741 | 1,786,804 | 2,204,033 |
| Due from related party | 499,343 | 563,589 | 483,730 | 481,342 | 129,251 |
| Net current (liabilities)/assets | (223,740) | 862,293 | 874,662 | (19,642) | 1,590,415 |
| Non-current liabilities | (8,111,373) | (7,791,901) | (6,947,323) | (6,299,709) | (7,244,769) |
| Net assets | 7,190,245 | 6,981,427 | 7,370,686 | 5,059,466 | 4,353,826 |
| Equity and reserves | | | | | |
| Share capital | 1,039,398 | 1,039,398 | 1,039,398 | 1,039,398 | 1,039,398 |
| Share premium reserve | 1,381,072 | 1,381,072 | 1,381,072 | 1,381,072 | 1,381,072 |
| Retained earnings | 4,769,775 | 4,560,957 | 4,950,216 | 2,638,996 | 1,933,356 |
| Total equity | 7,190,245 | 6,981,427 | 7,370,686 | 5,059,466 | 4,353,826 |
| Statement of profit or loss and other comprehensive income | | | | | |
| Revenue | 5,015,735 | 5,227,731 | 6,505,108 | 6,954,476 | 4,944,026 |
| Profit/(loss) before tax | 192,423 | (360,728) | 1,346,528 | 2,115,919 | 1,068,606 |
| Income tax expense | (83,055) | (122,202) | (470,177) | (667,610) | (470,016) |
| Profit/(loss) for the year | 109,368 | (482,930) | 876,351 | 1,448,309 | 598,590 |
| Other comprehensive income/(loss) for the year | 99,450 | 93,672 | 35,108 | (742,669) | - |
| Total comprehensive income/(loss) for the year | 208,818 | (389,258) | 911,459 | 705,640 | 598,590 |
| Per share data: | | | | | |
| Earnings/(loss) (kobo) - Basic | 5 | (23) | 42 | 70 | 29 |
| Net assets (kobo) | 346 | 335.84 | 355 | 243 | 209 |

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.



SHAREHOLDERS INFORMATION

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 |
| TOTAL | | | 14,284 | 100.0000 | 2,078,796,399 | 100.0000 |

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 1982 | | 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 |



Banquet-hall, Sheraton Lagos