

2016

ANNUAL REPORT AND ACCOUNTS



SHERATON LAGOS HOTEL & TOWERS



Oguta Meeting Room, Sheraton Lagos



IKEJA HOTEL PLC

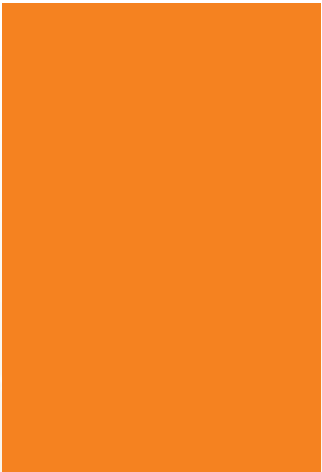




Sheraton Link, Sheraton Lagos



Crockpot Sheraton Lagos



Oguta Meeting Room, Sheraton Lagos



SECTION A

2016

ANNUAL REPORT & ACCOUNTS

YEARLY FINANCIAL STATEMENTS

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Vision

"To be the preferred hospitality and tourism investment Company"

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Mission Statement

"To maintain a leadership position in the provision of first class international hotel development and management services in the hospitality and tourism industry and thereby contribute effectively to the socio-economic development of Nigeria"



Company Profile

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

The principal business of Ikeja Hotel Plc is the provision of services in the hospitality industry, including the development of other tourist facilities. It has continually expanded its participation in Nigeria's hospitality industry through the development and acquisition of hotel and tourist facilities. Today, Ikeja Hotel boasts of direct or indirect ownership and control of three of Nigeria's leading five-star hotels, namely, Sheraton Lagos Hotel, Sheraton Abuja Hotel, and Federal Palace Hotel & Casino.

Sheraton Lagos Hotel

The dream of establishing Sheraton Lagos Hotel was conceived in 1970. The dream became a reality with the completion and opening of Sheraton Lagos Hotel in September 1985. Sheraton Lagos has 340 guest rooms and an impressive array of conferencing and recreational facilities, making it one of the largest hotels in Nigeria.

Sheraton Abuja Hotel

In a bid to maintain its leadership of the hotel subsector of Nigeria's hospitality industry, Ikeja Hotel Plc extended its operations to the Federal Capital City, Abuja in 2002 through the acquisition of controlling interest in Capital Hotels Plc, the owning company of Sheraton Abuja Hotel. The acquisition was made through its subsidiary, Hans-Gremlin Nigeria Limited. Sheraton Abuja has 575 rooms, facilities for conferences, restaurants and recreational facilities.

Federal Palace Hotel & Casino

The Tourist Company of Nigeria Plc (TCN) is the owning company of Federal Palace Hotel & Casino which is located in Victoria Island, Lagos. Ikeja Hotel Plc in association with other investors (Collectively called the "Ikeja Hotel Group") acquired TCN from the Federal Government in 1992. In 2009 and 2010 Sun international Limited acquired substantial shares in TCN thereby becoming an equal partner with Ikeja Hotel Group.

Following the acquisition, a comprehensive and phased refurbishment of Federal Palace Hotel was embarked upon. The refurbished wing re-opened for business in July 2008. It has a modern casino, restaurant, meeting rooms, conference centre and recreational facilities.



Corporate Information

Directors	Chief Anthony Idigbe, SAN (Chairman)	-	15th May 2017
	Mr. Toke Alex-Ibru	-	15th May 2017
	Mr. Ufuoma Ibru	-	15th May 2017
	Dr. Alexander Thomopulos	-	15th May 2017
	Mr. Kunle Aluko	-	15th May 2017
	Alhaji Abatcha Bulama	-	15th May 2017
	Mr. Waheed Olagunju	-	15th May 2017
	Mrs. Fadeke Alamutu	-	15th May 2017
Retired Directors	Mr Goodie M. Ibru (Chairman) Resigned	-	15th May 2017
	Dr. Oba Otudeko Resigned	-	15th May 2017
	Mr. Rasheed Olaoluwa Replaced	-	15th May 2017
	Mr. Yakubu A. Disu Resigned	-	19th June 2017
	Senator Felix O Ibru Deceased	-	12th March 2016
Secretary	Punuka Nominees Limited Plot 45 Oyibo Adjorho Street, Off Ayinde Akinmade Street, Off Admiralty Way Lekki Peninsula, Phase 1 Lagos		
Registered Office	84, Opebi Road Ikeja Lagos State		
Auditors	PKF Professional Services (Accountants & Business Adviser) PKF House 205A Ikorodu Road Obanikoro Lagos State		
Major Bankers	Diamond Bank Plc Sterling Bank Plc Union Bank of Nigeria Plc Zenith Bank Plc		
Registrar & Transfer Office	GTL Registrars 274, Murtala Muhammed Way Yaba Lagos State		



Financial Highlights

FOR THE YEAR ENDED 31 DECEMBER, 2016

	The Group			The Company		
	As at 31 Dec 2016	As at 31 Dec 2015	% Inc/(Dec)	As at 31 Dec 2016	As at 31 Dec 2015	% Inc/(Dec)
	N'000	N'000		N'000	N'000	
Major statement of financial position items						
Non-current assets	17,390,047	13,514,269	29	19,496,596	15,525,358	26
current assets	7,284,163	7,682,335	(5)	2,132,343	3,959,610	(46)
Equity attributable to equity holders of Parent	5,026,302	4,516,507	11	7,308,798	7,190,245	2
Non-controlling interest	2,539,359	1,915,096	33	-	-	-
Total equity	7,565,661	6,431,603	18	7,308,798	7,190,245	2
Non-current liabilities	8,347,268	8,009,794	4	8,274,028	8,111,373	2
current liabilities	8,761,281	6,755,207	30	6,046,113	4,183,350	45
Major statement of profit or loss and other comprehensive income items						
Revenue	10,865,037	9,855,086	10	5,463,967	5,015,735	9
Profit before taxation	1,607,431	824,257	95	103,500	192,423	(46)
Profit for the year	1,106,452	560,730	97	90,946	109,368	(17)
Profit attributable to:						
Equity holders of the parent	482,189	326,465	48	-	-	-
Non-controlling interest	624,263	234,265	166	-	-	-
Information per 50 Kobo ordinary share						
Earning per share(Kobo)	53	27	96	4	5	(20)



Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 40th Annual General Meeting of Ikeja Hotel Plc will hold at Sheraton Lagos Hotel, 30 Mobolaji Bank-Anthony Way, Ikeja on Wednesday, the 25th of October, 2017 at 11. 00a.m to transact the following business:

AGENDA

ORDINARY BUSINESS

1. To lay before members for approval, the audited Financial Statements for the year ended 31st December, 2012- 31st December, 2016 and to receive the report of the Directors, Audit Committee and Auditors thereon;
2. To ratify the appointment of the new Directors
3. To appoint new Auditors
4. To authorize the Directors to fix the remuneration of the External Auditors
5. To elect members of the Audit Committee
6. To approve the remuneration of the Directors.

Notes:

i PROXY

A member of the Company entitled to attend and vote at the meeting who is unable to attend the meeting and wishes to be represented at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. A Proxy Form is enclosed herewith, and if it is to be valid for the purpose of the meeting, it must be completed and duly stamped by the Commissioner of Stamp Duties and deposited at the registered office of the Registrars, GTL Registrars, 274 Murtala Muhammed Way, Yaba Lagos not less than 48 hours before the time of the meeting.

ii NOMINATIONS FOR THE AUDIT COMMITTEE

In accordance with Section 359 (5) of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004 any member may nominate a shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting. Such nominations should be guided by the requirements of the Securities and Exchange Commission's Code of Corporate Governance for Public Companies in Nigeria, 2011.

iii. WEBSITE

A copy of this notice and other information relating to the meeting can be found on the Company's website at www.ikejahotelplc.com

iv. RIGHT OF SHAREHOLDERS TO ASK QUESTIONS

Shareholders have a right to ask questions not only at the meeting but also in writing prior to the meeting and such questions must be submitted to the Company Secretary on or before the 18th day of October, 2017

v. CLOSURE OF REGISTER

The Register of Members and the Transfer Books of the Company will be closed from Monday 9th of October 2017 to Thursday 12th of October 2017, both dates inclusive.

BY ORDER OF THE BOARD

Oluwabunmi Apata
PUNUKA NOMINEES LIMITED
Company Secretary

September 20, 2017



Board of Directors



Chief Anthony Idigbe, San
Chairman

A seasoned legal practitioner with over 30 years' experience. Chief Anthony Idigbe (SAN) is the Senior Partner at Punuka Attorneys & Solicitors. He was elevated to the rank of Senior Advocate of Nigeria in 2000 and was recently admitted to practice law in Ontario, Canada.

He is a member of the Institute of Directors and the International Insolvency Institute and sat as the immediate past President of the Business Recovery and Insolvency Practitioners Association of Nigeria (BRIPAN). He is the Founder and was the first Chairman of Capital Markets Solicitors Association (CMSA), and now functions as a Trustee of the Association.



Toke Alex Ibru
Director

Toke Alex Ibru is The Executive Director of The Guardian, a role he has played for 10 years. In this time he has overseen its transformation from a traditional newspaper to an all encompassing integrated multimedia group.

With the last 15 years doing business in Nigeria with unrivalled contacts across all sectors, Toke sits on the boards of The Guardian, Ikeja Hotels and Capital Hotels. Toke is a History Graduate from Exeter University, UK.



Ufuoma Ibru
Director

Ufuoma Ibru has thirteen years' experience in hospitality investment and strategy, having participated in the planning, implementation and negotiation of public offers, special placements, off-shore lending, private equity transactions and major loan restructuring in the hotel industry in Nigeria.

Ufuoma Ibru has delivered presentations and papers at a variety of investor and industry forums, including the London Stock Exchange, Renaissance Investor Conference, and Terrapinn Hospitality Conference in South Africa.



Board of Directors



Dr. Alexander A. Thomopolus
Director

He attended the University of Kansas, United States where he read and obtained a PHD in 1974 in Environmental Health Science. He is a Laureate and Fellow of the Nigerian Environmental Society. He worked as a Research Scientist with E. I. DuPont de Nemours & Company of North Carolina, USA. He was an Executive Consultant to Sheraton Hotels Lagos and Federal Palace Hotel from 1996-2009. He is currently the Chief Operating Officer and Executive Director Guardian Press Limited, the Parent Company of Guardian Newspaper limited.



Mr. Kunle Aluko
Director

Mr. Aluko's background is in commercial banking principally in Nigeria and punctuated by on-the-job attachment and training stints in England. The long career with Barclays Bank, which later became Union Bank, progressed through the ranks to senior management cadre and he subsequently worked with three other banks in Nigeria and The Gambia at Board level in both executive and non-executive capacities.

He served as Member of Council, University of Port Harcourt, Rivers State, Nigeria between 1993 and 1995 before moving to the United Kingdom where he was Associate Director with JCE Consulting Associates UK, a private consultancy firm.

Mr. Aluko presently straddles Lagos and Surrey England, where the family resides, as a freelance business consultant in investment banking and finance.

He studied banking with IFS University College, Canterbury, Kent, U.K, now known as London Institute of Banking & Finance, and is an alumnus of Manchester Business School where he completed the Commercial Banking Course. He attended several other professional courses during his banking career.

Mr. Aluko is also presently serving as Non-Executive Director on the boards of Law Union & Rock Insurance Plc and Wise Health Services Limited.



Alhaji Abatcha Bulama
Director

Alh. Bulama is a graduate of the Ahmadu Bello University, Zaria with a degree in Accounting and an MBA. He is a Fellow of the Chartered Institute of Bankers of Nigeria (CIBN) and Institute of Chartered Accountants of Nigeria (ICAN).

He has over 35 years of varied working experience. His career included working with the State Civil Service, Merchant Banking Financial Consultancy, Commercial Banking and Capital Market regulatory sector at senior levels of responsibility. At various times he was on the board of SEC., Financial Reporting Council, IOD Centre for Corporate Governance, SEC Pensions Fund Board of Trustees etc. He is currently a Council member of the CIBN.



Board of Directors



Waheed Olagunju

Director

Mr Waheed Olagunju joined the Bank of Industry's precursor institution the Nigerian Industrial Development Bank (NIDB) in August 1990 as a Senior Manager and rose to the position of Executive Director (Business Development) in November 2012. He acted as Managing Director & Chief Executive Officer of the Bank of Industry (BOI) between 11th April and 16th May, 2014. Mr Olagunju was subsequently reassigned as Executive Director (Small and Medium Enterprises). Mr Olagunju again assumed headship of the bank as acting Managing Director & CEO on 15th February 2016. In the last twenty six (26) years Mr Olagunju headed five different departments/directorates in the bank.



Mrs. Fadeke Alamutu

Director

Fadeke Alamutu is an experienced business executive with over two decades of work experience. She currently heads the Investment & Portfolio Management unit of the Honeywell Group Limited where she has oversight for the professional management of Assets & Equity Investment Portfolio. Prior to assuming her current role, she was the pioneer Financial Controller at Telec Ltd (London & Lagos offices), Head, Finance & Treasury at the Honeywell Group head office, Investment Manager at Metropolitan Trust Nig. Ltd. Over the course of her career, she has garnered expertise in diverse areas of management including Financial & Risk management, Investment, Treasury and Performance management.

She currently serves as Non-Executive Director on the board of two other companies.

Fadeke is a Fellow of the Institute of Chartered Accountants of Nigeria and holds a Master's Degree in Business Administration (MBA) from Aston Business School, Aston University, United Kingdom where

she was awarded the Aston Business School MBA African Scholarship. In the course of her MBA programme she had a brief stint at IBM UK & Ireland where she researched How Social Media impacts B2B organisations with focus on how social media could create value for IBM UK & Ireland. She obtained a Bachelor of Science Degree in Accounting from the prestigious Obafemi Awolowo University, Ife.



Management Team



Theophilus Eniola Netufo
Chief Operating Officer

Barry Curran
General Manager

Mr. Theophilus Eniola Netufo is a seasoned Business Administrator with relevant experience spanning over two and half decades. He obtained a Higher National Diploma with Upper Credit in Business Administration and Management from the federal Polytechnic Akure, then Ado-Ekiti in 1985. After a dint of hard work as an Audit Trainee in professional practice, he qualified as a Chartered Accountant in May 1991 and admitted as a Member of the Institute of Chartered Accountants of Nigeria in March 1992. He was elected a Fellow of the Institute on March 29, 2001.

Mr. Theophilus Eniola Netufo is also a Fellow of Chartered Institute of Taxation, Member, Nigeria Institute of Management and also an active member of Institute of Directors (IOD). He has put in several years of meritorious services in professional practice and in multinational and hospitality entities.

Previously, he served in top Management position with Coca-Cola Nigeria, (African Division) where he handled financial services responsibilities for Africa, Middle East and Europe. He has regularly attended seminars and conferences both in Nigeria and abroad in order to keep abreast of new developments and opportunities arising from changes in business environment and globalization of the economy. He is happily married with four children.

Barry Curran is the General Manager Sheraton Lagos Hotel and the Area Manager of Starwood Hotels and Resorts Nigeria since 2013. Prior to this appointment, Barry was Area Manager Cairo Hotels based at Le Meridien Pyramids Hotel & Spa in Egypt.

With over 25 years of experience in the hospitality industry and Barry has held various key positions across hotels in Ireland, the United Kingdom, Guyana and Egypt. He has consistently led teams in diverse competitive environments to achieve organizational goals and profitability target. Throughout his career Barry has remained focus on operational excellence and delivering exceptional guest experiences with the highest service levels.



Chairman's Statement

Distinguished shareholders

Fellow directors, members of regulatory bodies and gentlemen of the press, I am happy to welcome you all to the 40th Annual General Meeting of our company, Ikeja Hotel Plc.

It is my pleasure to present to you the Annual Report and the consolidated financial statements of Ikeja Hotel Plc and its subsidiary for the financial years ended December 31, 2012 to December 31, 2016.

THE MACROECONOMIC ENVIRONMENT AND THE HOSPITALITY INDUSTRY

The trading environment under review was an especially difficult one for the company as the economic decline which started in 2015 became very apparent in 2016 when the economy was declared to be in a recession. The Nigerian economy suffered greatly from the decline in oil prices all over the world, reduced oil production, dwindling government resources, devaluation of the Naira and of course the internal crisis which embroiled major shareholders of the company.

Undoubtedly, 2016 was a tough year for the hotel industry. The sector faced external pressures including lower domestic corporate spending, reduced inbound foreign travel and domestic corporate expenditure due to delayed or postponed projects in the wake of the economic uncertainty in the country. United Airlines' cancellation of its only African route (Houston to Lagos) in May 2016, due to foreign exchange restrictions imposed by the Central Bank of Nigeria, and low performance of the route resulted in loss of revenue for the company.

Chief Anthony Idigbe, SAN
Chairman, Board of Directors





Chairman's Statement Contd

The increased competition from new hotels springing all over Lagos and Abuja metropolis was also an issue as it negatively impacted the level of room occupancy at the hotel during the year which accounted for a major loss of revenue for the company but in response to the increased competition, the Management of the Company has taken this opportunity to strengthen our business by reducing our operating expenses and capital investment while continuing to renovate and maintain the current structure of the hotel.

On the issue of the company's internal crisis, you are aware, on the 4th of May 2017, the Securities and Exchange Commission (SEC) dissolved the former Board of Directors of the hotel and appointed an interim Board led by myself to protect investors of the company, the integrity of the market and realize the aim of restoring the fortunes of the company in the shortest time possible.

A major responsibility of the new Board given by SEC is to oversee the conduct of a forensic investigation into the affairs of the company. In line with this mandate, the Board has appointed the firm of Akintola Williams Deloitte (Deloitte) to conduct a forensic investigation into allegations of unauthorized sale of shares, diversion of proceeds from sale of shares among others. It is my belief that the audit will put all allegations between conflicting parties to rest and end the crisis between the shareholders.

COMPANY PERFORMANCE

The company's revenue increased from N5.02 billion in 2015 to N5.46 billion in 2016. This represents a 8.94% increase over the revenue posted in 2015.

Also, the Company's operating profit for the year 2016 increased by 1.29% from N767.59 million in 2015 to N777.51 million. However, the profit after tax for 2016 of N90.95 million reduced by 16.84% when compared with 2015 figure of N109.37 million.

GROUP PERFORMANCE

Distinguished shareholders, the consolidated revenue for year 2016 increased by 10.25% from N9.85 billion in 2015 to N10.86 billion. However, there were decline in the group's consolidated revenue from previous years due to closure of 5th and 6th floors for refurbishment of Sheraton Lagos Hotel, Ikeja which has now been completed and open for public use. I encourage you to visit the 5th and 6th floors of your hotel to see the new look. We are currently working to give the restaurants and public areas a facelift and some of those projects have been completed.

The group operating profit also increased by 62.79% from N1.44 billion in 2015 to N2.34 billion in 2016. Equally profit after tax increased by 97.32% from N560.73 million in 2015 to N1.11 billion in 2016.

DIVIDEND

Unfortunately, the Board of Directors are unable to recommend the payment of any dividend for the financial years under review. We are however hopeful that with the completion of the renovation of the two floors of the hotel and the commitment of the new Board and unending support of the Shareholders, we will be able to declare dividend in the very near future.

GOVERNANCE

High standards of corporate governance is fundamental to the sustainable operation of Ikeja Hotel Plc. The new Board is committed to ensuring that each Director is committed to his role and continues to make valuable contributions to the business. The Board has renamed the Board Committees and amended their terms of reference. The Board has also approved a Board Charter to govern the structure and composition of the Board. We are also pleased to inform you that we have approved several corporate governance policies in order to comply with all the necessary codes and to ensure that the staff are in strict adherence.

As part of the improvement in corporate governance we have now audited all past outstanding accounts which we are presenting for approval at this meeting.

THE TOURIST COMPANY OF NIGERIA

In the financial year ending 30th June 2016, the Tourist Company of Nigeria (TCN) which has two businesses- the Casino operations and the Hotel, recorded a total revenue of N2.9 billion marking a decline of 9.9% from 2015.

While the Hospitality revenue decreased by 5.7% from the previous year due to lower occupancy rate and all the social economic factors highlighted above resulting in a 11.8% decrease in gross profit, Casino revenue also decreased by 14.0% as it recorded a decrease in revenue in both tables and slot games. Gross profit decreased by 21.0% but despite this, the Casino operations continue to contribute positively to the cash flow of the company.



Chairman's Statement Contd

The operating loss reported above was due to the devaluation of the Naira and the reduced occupancy rate caused by the downturn in the economy.

The Company incurred a comprehensive loss of N5.547 million after tax and interest. The loss was majorly due to unrealized loss on shareholders' loans which amounted to N4.977 million in comparison with an unrealized foreign exchange loss of N2.223 million as the loans are denominated in US Dollars.

CAPITAL HOTEL PLC

Capital Hotels Plc recorded a turnover of N5.37bn as against N4.69bn earned in 2015 representing an increase of 14.48% year on year. Gross profit rose by 28.03% to N1.59bn in 2016 compared with N1.34bn in 2015 while Profit after tax increased by 158.9% to N1.274 billion compared to N492.26 million achieved in 2015. The reason for the increase was the net foreign exchange gain arising from the devaluation of the Naira. Total assets grew by 32.13% to N5.24bn from N3.97bn in 2015.

THE BOARD

The Board of Directors remained unchanged during the year 2016. However, as earlier stated, SEC has recently appointed new Board members to take over the affairs of the company. I now present them for election at this meeting: Chief Anthony Idigbe, SAN (Chairman), Alhaji Abatcha Bulama, Mrs Fadeke Alamutu, Dr. Alexander Thomopoulos, Mr Kunle Aluko, Mr. Toke Alex Ibru and Mr. Ufuoma Ibru and Mr Waheed Olagunju.

FUTURE OUTLOOK

Our newly reconstituted Board has the vision of transforming and illuminating the Nigerian hospitality sector. We have held several meetings with the operators of the company and the investee companies to strengthen the relationships and end the crisis that has riddled the company, and we are very pleased to announce tremendous progress is being made.

Two important milestones that have relieved the company from its stationary position are the completion of the renovations of two floors in the hotel and the end of the shareholders' dispute. Also renovation of 77 rooms at Abuja Sheraton Hotel has commenced. The new Board is confident that the company is in a very good position to remain a leading player in the industry and that investor confidence will be restored

CONCLUSION

Distinguished ladies and gentlemen, I would like to take the opportunity offered by this annual general meeting to thank our shareholders, management, staff and regulators for the support I have received since I became chairman of the company. I am hopeful that by the grace of God, we will create the much needed value for the company and its stakeholders.

We will continue to do great things in meeting temporary and permanent accommodation needs of our customers, do good business, maintain your confidence and those of our operators and other stakeholders including regulators as well as achieve returns on your investment.

Despite the economic situation, we will continue to maintain the high operating standard, it is paramount to us. We are also in the process of transformation of the company. We are looking at our business and the opportunities available and projecting into the future. We will need your support in our new journey together to achieve great things as we transform and illuminate the company.

Thank you and God bless.

**CHIEF ANTHONY IDIGBE, SAN
CHAIRMAN
BOARD OF DIRECTORS**



Presidential Suite, Sheraton Lagos

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016**

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

The responsibilities include ensuring that:

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

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

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Group and of its profit for the year ended 31 December 2016.

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

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

Signed on behalf of the Board of Directors by:

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

Dated: 21 August 2017

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

Dated: 21 August 2017

**REPORT OF THE DIRECTORS**

For The Year Ended 31 December 2016

1. The directors are pleased to submit to the members of the Ikeja Hotel Plc (the "Company"), its report together with the audited financial statements for the years ended 31 December, 2012 to 31 December, 2016

2. Legal Status and principal activities

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

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

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

3. State of Affairs

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

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

4. Operating Result

	The Group 2016 N'000	The Group 2015 N'000	The Company 2016 N'000	The Company 2015 N'000
Turnover	10,865,037	9,855,086	5,463,967	5,015,735
Operating profit	2,338,949	1,436,819	777,506	767,590
Finance costs	(674,006)	(575,167)	(674,006)	(575,167)
Profit before Taxation	1,607,430	824,257	103,500	192,423
Taxation charge	(500,979)	(263,527)	(12,554)	(83,055)
Profit after Taxation	1,106,451	560,730	90,946	109,368

5. Non-Current Assets

Additions to property, plant and equipment during the year ended 31st December 2016 amounted to N670,300,000. Details of movements in property, plant and equipment are shown in Note 8

6. Directors

The directors who served during the years under review are;

Mr. Goodie Minabo Ibru, OON (Chairman)

Senator Felix Ovuoduroye Ibru, CON - died March 12, 2016

Dr. Obafoluke Otudeko, MFR, OFR

Mr. Yakubu Akanbi Disu

Mr. Rasheed Olaoluwa

7. Dividend

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



REPORT OF THE DIRECTORS

For The Year Ended 31 December 2016

8. Directors and Their Interest

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

	Direct	Indirect
*Mr. Goodie Minabo Ibru, OON	4,507,500	130,183,344
**Dr. Obafoluke Otudeko, MFR, OFR	105,840,000	45,619,200
***Senator Felix O. Ibru, CON	17,078,491	41,404,463
Mr. Yakubu Akanbi Disu	3,050,284	-

* Mr. Goodie Minabo Ibru owns shares indirectly through Associated Ventures International Limited.

** Dr. Obafoluke Otudeko owns shares indirectly through Springwater Limited

*** Senator Felix O. Ibru, CON, owns an indirect shares through Ofi Holdings

9. Substantial Shareholdings

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

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

10. Directors Responsibilities

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

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

11. Dealing in Issuers' Shares Policy

In accordance with the Post-Listings Rules of the Nigerian Stock Exchange, Ikeja Hotel Plc. has in place a share dealing policy which regulates securities transactions by its Directors, Employees and other Insiders on terms which are no less exacting than the required standard set out in the Nigerian Stock Exchange Rules. The Policy are to be communicated periodically to drive compliance. In respect of the year ended 31 December, 2016, the Directors of Ikeja Hotel Plc. hereby confirm that:

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

12. Complaints Management Policy Framework

The Nomination, Establishment and Governance Committee of the company has developed one for the board consideration at the next board meeting.

13. Human Resources Policy

(a.) Recruitment

The company conformed with all regulatory requirements in the employment of staff, whilst also ensuring that only fit and proper persons are approved for appointment to the Board or top management



positions. All prescribed pre-employment screening for prospective employees and other requirements for regulatory confirmation of top management appointment were duly implemented.

(b.) Diversity and Inclusion

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

(c.) Employment of Physically challenged persons

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

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

(d.) Employees' Involvement and Training

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

14. Board Committees

The board for the years under review had three committees, Finance Committee, Capital Projects Committee and Audit Committee. The members of the committees are:

Finance Committee

Mr. Yakubu A. Disu
Mr. Isaac I. Ofu

Capital Projects Committee

Mr. Yakubu A. Disu
Senator Felix O. Ibru, CON - died March 12, 2016
Mr. Isaac I. Ofu

Audit Committee

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

Chief Victor C. N. Oyolu, FCA (Chairman)
Alhaji Wahab A. Ajani
Mr. Christopher A. Ezennadili
Mr. YA Disu

15. Company Distributors

The company has no distributors

16. Auditors

PKF Professional Services are not qualified for election this year as they have completed the ten-year tenure allowed for external auditors of a company. Accordingly, a resolution will be proposed at the Annual General Meeting to appoint new auditors and to fix their remuneration.

17. Events After the Reporting Period

The material events that has happened between the end of the reporting period and the date of this report which could have a material effect on the affairs of the company as at 31st December 2016 has been the significant internal challenges necessitating the dissolution of the former Board led by Mr. Goodie M. Ibru and the reconstitution of the Board of Directors by the Securities and Exchange Commission (SEC).

By Order of the Board

Oluwabunmi Apata
Punuka Nominees Ltd
Secretary
September 2017

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF IKEJA HOTEL PLC****Report on the Audit of Consolidated Financial Statements****Opinion**

We have audited the accompanying consolidated financial statements of Ikeja Hotel Plc. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

The key audit matters below relate to the consolidated financial statements.

**Key Audit Matters****How the Audit was address in the matter****a) Information technology (IT) systems and control over financial reporting**

Significant part of the group financial reporting process is heavily reliant on IT systems with automated processes and controls over the capture, storage and extraction of information. A fundamental component of these processes of controls is ensuring appropriate user process and change management protocols exist, and are being adhered to.

These protocols are important because they ensure that access and changes to IT systems and related data are made and authorised in an appropriate manner. The Company uses a vendor customised Electronic Resource Planning Application - SAP. The Company has an IT division to manage the IT functions, and/or to assist with minor operational requirements.

In the event that the IT system failed, business operations will be disrupted/hampered until systems are online.

As our audit sought to place a high level of reliance on IT systems and application controls relating to financial reporting, a high proportion of the overall audit effort was on this area.

b) Impairment allowance for trade and other receivables

Trade and other receivables are stated at their original value less appropriate allowance for estimated irrecoverable amounts. As disclosed in note 17 and 18 to the consolidated financial statements, the Group's 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 Company 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. There is a significant measurement

We focused our audit on those IT systems and controls that are significant for the Group financial reporting process.

As audit procedures over IT systems and controls require specific expertise, we involved IT specialist in our audit.

We assessed and tested the design and operating effectiveness of the Group's IT controls, including those over users access and change management as well as date reliability.

In a limited number of cases, we adjusted our planned audit approach as follows:

- We extended our testing to identify whether there had been unauthorised or inappropriate access or changes made to critical IT systems and related data;
- Where automated procedures were supported by systems with identified deficiencies, we extended our procedures to identify and test alternative controls; and
- Where required, we performed a greater level of testing to validate the integrity and reliability of associated data reporting.

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

- Reviewed management procedures in the recognition and recording of revenue and related controls.
- We confirmed significant balances and review, evaluate and validate controls over credit process including age analysis of debtors.
- We reviewed impairment model and performed post balance sheet review of receipts from debtors.



c) Valuation of long term employee benefits liability

"The group operates both defined contribution plans and defined benefit plans. As at 31 December 2016, the estimated Group's gratuity liability stood at N2,389 billion (2015: N2.784 billion) - (Company: N1.335 billion (2015: N1.428 billion). The actuarial techniques used to assess the value of defined benefit plans involved financial assumptions (discount rate, rate of return on assets, medical costs trend rate) and demographic assumptions (salary increase rate, employee turnover rate, etc.). The group uses the assistance of an external independent actuary in the assessment of these assumptions. Further disclosure on this is in note 25.2. We identified the valuation of long term employee benefits liability as representing a key audit matter due to uncertainties that are inherent in the underlying assumptions."

"We assessed the competence, capabilities and objectivity of the external independent actuary, and verified its qualification. In addition, we discussed the scope of their work with the management. We confirmed that approaches used are consistent with IFRS and industry norms. We made use of our internal expert to evaluate the management and their valuer's judgements, mostly on the financial and demographic assumptions. We compared the data provided to the valuer by management against the one given to Auditor during the audit to ensure alignment of the result. Furthermore, we tested a selection of data inputs underpinning the long term employees' benefits liability valuation, against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof. In addition, we assessed the adequacy of the disclosures pertaining the long term employee benefits liability in the consolidated and separate financial statements."

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report; Audit Committee's Report, Corporate Governance Report and Company Secretary's report which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appeared to be materially misstated.

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

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

PKF

Accountants &
business advisers

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Olatunji Ogundeyin.


Olatunji Ogundeyin, FCA
FRC/2013/CAN/0000002224
For: PKF Professional Services
Chartered Accountants
Lagos, Nigeria

Dated: 21 August 2017





REPORT OF THE STATUTORY AUDIT COMMITTEE
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 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, 2016 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



Club Lounge, Sheraton Lagos



Lawn Tennis Court, Sheraton Lagos

Consolidated Financial Statements

For the year ended 31 December 2016



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	The Group		The Company	
		2016 N'000	2015 N'000	2016 N'000	2015 N'000
Assets					
Non current assets					
Property, plant and equipment	8	6,485,634	6,596,153	4,101,120	4,389,071
Capital work in progress	9	4,267,914	2,252,946	3,744,111	1,729,143
Intangible asset	10	32,031	23,401	12,209	14,232
Investment in subsidiary	11	-	-	4,440,919	4,440,919
Investments accounted for using the equity method	12	576,344	633,856	798,722	798,722
Loans to related party	13	5,914,936	3,653,928	5,914,936	3,653,928
Due from related parties	14	113,188	327,489	484,579	499,343
Long term investment	15	-	26,496	-	-
		<u>17,390,047</u>	<u>13,514,269</u>	<u>19,496,596</u>	<u>15,525,358</u>
Current assets					
Inventories	16	549,289	505,147	271,643	271,557
Trade and other receivables	17	1,037,217	879,162	380,590	441,555
Other current assets	18	1,060,372	2,637,473	836,177	2,238,388
Cash and cash equivalents	19	4,637,285	3,660,553	643,933	1,008,110
		<u>7,284,163</u>	<u>7,682,335</u>	<u>2,132,343</u>	<u>3,959,610</u>
Total assets		<u>24,674,210</u>	<u>21,196,604</u>	<u>21,628,939</u>	<u>19,484,968</u>
Equity and liabilities					
Ordinary shares	27.2	1,039,398	1,039,398	1,039,398	1,039,398
Share premium	28	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	29	2,605,832	2,096,037	4,888,328	4,769,775
Equity attributable to equity holders of the Parent		<u>5,026,302</u>	<u>4,516,507</u>	<u>7,308,798</u>	<u>7,190,245</u>
Non-controlling interest	30	2,539,359	1,915,096	-	-
Total equity		<u>7,565,661</u>	<u>6,431,603</u>	<u>7,308,798</u>	<u>7,190,245</u>
Non-current liabilities					
Due to related parties	23	5,020,443	4,549,295	6,699,777	6,387,168
Retirement benefit obligations	25	2,389,499	2,784,251	1,334,987	1,428,370
Deferred tax	24	937,326	676,248	239,264	295,835
		<u>8,347,268</u>	<u>8,009,794</u>	<u>8,274,028</u>	<u>8,111,373</u>
Current liabilities					
Trade and other payables	20	3,076,616	3,151,518	852,939	1,096,283
Deferred income	21	4,591,065	2,364,729	4,545,124	2,284,116
Dividend payable	22	115,070	115,070	16,691	16,691
Deposit for shares	39	93,600	93,600	93,600	93,600
Current borrowings	26	350,352	450,472	350,352	450,472
Current tax payables	24.1	534,578	579,818	187,407	242,188
		<u>8,761,281</u>	<u>6,755,207</u>	<u>6,046,113</u>	<u>4,183,350</u>
Total liabilities		<u>17,108,549</u>	<u>14,765,001</u>	<u>14,320,141</u>	<u>12,294,723</u>
Total equity and liabilities		<u>24,674,210</u>	<u>21,196,604</u>	<u>21,628,939</u>	<u>19,484,968</u>

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. Netufu
Chief Operating Officer
FRC/2014/ICAN/00000004775

The accompany 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
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	The Group		The Company	
		2016 N'000	2015 N'000	2016 N'000	2015 N'000
Continuing operations					
Revenue	34.1	10,865,037	9,855,086	5,463,967	5,015,735
Cost of sales	34.2	(7,503,823)	(6,468,751)	(3,427,896)	(2,849,274)
Gross profit		3,361,213	3,386,335	2,036,071	2,166,461
Other income	31	1,745,237	801,521	125,712	198,219
Sales and marketing expenses		(542,895)	(584,687)	(267,967)	(265,491)
Administrative expenses	33	(2,224,607)	(2,166,350)	(1,116,310)	(1,331,599)
Operating profit		2,338,949	1,436,819	777,506	767,590
Finance costs	32	(674,006)	(575,167)	(674,006)	(575,167)
Share of loss in investment accounted for using the equity method		(57,512)	(37,395)	-	-
Profit before tax		1,607,431	824,257	103,500	192,423
Income tax expense	24.3	(500,979)	(263,527)	(12,554)	(83,055)
Profit for the year from continuing operations		1,106,452	560,730	90,946	109,368
Profit attributable to:					
Equity holders of the parent		482,189	326,465	-	-
Non-controlling interest		624,263	234,265	-	-
Profit for the year		1,106,452	560,730	90,946	109,368
Other comprehensive income:					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Re-measurement gain of defined benefit pension plan	25.2	27,607	99,450	27,607	99,450
Other comprehensive income for the year		27,607	99,450	27,607	99,450
Total comprehensive income for the year		1,134,059	660,180	118,553	208,818
Total comprehensive income for the year attributable to:					
Equity holders of the parent		509,796	425,915	-	-
Non-controlling interest		624,263	234,265	-	-
		1,134,059	660,180	118,553	208,818
Earnings per share (Kobo)	36	53	27	4	5

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 2016

	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 parent 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	-	-	326,465	326,465	234,265	560,730	-	-	109,368	109,368
Profit for the year	-	-	99,450	99,450	-	99,450	-	-	99,450	99,450
Items that will not be reclassified subsequent to profit or loss										
Re-measurement gain on defined benefit plans	-	-	425,915	425,915	234,265	660,180	-	-	208,818	208,818
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
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	6,431,603	1,039,398	1,381,072	4,769,775	7,190,245
Attributable to equity holders of the Parent At 1 January 2016	1,039,398	1,381,072	2,096,037	4,516,507	1,915,096	6,431,603	1,039,398	1,381,072	4,769,775	7,190,245
Changes in equity for 2016	-	-	482,189	482,189	624,263	1,106,452	-	-	90,946	90,946
Profit for the year	-	-	27,607	27,607	-	27,607	-	-	27,607	27,607
Items that will not be reclassified subsequent to profit or loss										
Re-measurement gain on defined benefit plans	-	-	509,796	509,796	624,263	1,134,059	-	-	118,553	118,553
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-
Dividends declared during the year	-	-	-	-	-	-	-	-	-	-
Contributions by and to owners of the business	-	-	-	-	-	-	-	-	-	-
At 31 December 2016	1,039,398	1,381,072	2,605,832	5,026,302	2,539,359	7,565,661	1,039,398	1,381,072	4,888,328	7,308,798

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 2016

	Notes	The Group		The Company	
		2016 N'000	2015 N'000	2016 N'000	2015 N'000
Profit after tax		1,134,059	660,180	118,553	208,818
Adjustment for:					
Depreciation of property, plant and equipment	8	775,796	753,924	420,652	413,541
Amortisation of intangible asset	10	4,183	3,192	2,023	2,023
Share of loss in investment accounted for using the equity method		57,512	37,395	-	-
Finance costs	32	674,006	575,167	674,006	575,167
Loss/(profit) on disposal of property, plant and equipment	31	937	(5,752)	(220)	(780)
Income tax expense	24.3	500,979	263,527	12,554	83,055
Net cash from operating activities before changes in working capital		3,147,472	2,287,633	1,227,568	1,281,824
Changes in:					
(Increase)/decrease in inventories		(44,142)	14,935	(86)	(4,798)
(Increase)/decrease in trade and other receivables		(158,055)	49,741	60,965	146,499
Decrease in other assets		1,577,101	321,410	1,402,211	232,095
Increase in loans and receivables		(2,261,008)	(690,853)	(2,261,008)	(690,853)
Decrease in due from related party		214,301	63,986	14,764	64,246
Decrease in due from unquoted investment		26,496	-	-	-
Decrease/(increase) in trade and other payables		(74,203)	785,280	(242,479)	369,031
Post employment benefits		(394,752)	(473,268)	(93,382)	(127,869)
Increase in deferred income		2,226,336	168,413	2,261,008	148,792
Increase in due to related parties		471,148	364,365	312,609	417,208
Cash generated from operating activities		4,730,694	2,891,642	2,682,170	1,836,175
Income tax paid	24.1	(285,141)	(577,208)	(123,906)	(457,829)
Net cash from operating activities		4,445,553	2,314,434	2,558,264	1,378,346
Cash flows from investing activities					
Purchase of property plant and equipment	8	(670,300)	(877,250)	(133,567)	(329,191)
Purchase of intangible assets	10	(12,813)	(6,670)	-	(2,615)
Adjustment in property plant and equipment		866	-	-	-
Proceed on disposal of property, plant and equipment		3,220	7,192	220	780
Additions to capital work in progress	9	(2,014,968)	(1,071,473)	(2,014,968)	(1,071,474)
Net cash used in investing activities		(2,693,995)	(1,948,201)	(2,148,315)	(1,402,500)
Cash flows from financing activities					
Finance costs	32	(674,006)	(575,167)	(674,006)	(575,167)
Dividend paid	22	-	(4,536)	-	-
Net cash used in financing activities		(674,006)	(579,703)	(674,006)	(575,167)
Net increase/(decrease) in cash and cash equivalents		1,077,552	(213,470)	(264,057)	(599,321)
Cash and cash equivalents at 1 January		3,209,381	3,422,851	557,638	1,156,959
Cash and cash equivalents at 31 December	35	4,286,933	3,209,381	293,581	557,638

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 2016

1. The Group

1.1 The reporting entity

1.1.1 The Group

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

1.2 The Company

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

The Hotel 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 These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The preparation of the Consolidated Financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the consolidated financial statements. The areas involving a higher degree of judgement or complexity or areas where assumptions or estimates are significant to the financial statements as disclosed below:

2.2 Functional and presentation currency

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

2.3 Going concern status

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December, 2016.

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

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

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

2.5 Critical accounting estimates and judgement

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

a. Asset useful lives and residual values:

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

b. Taxes

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

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

c. Provisions/contingencies

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

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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

d. Impairment of financial assets

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

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

e. Retirement benefit obligation

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

f. 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.

g. Allowances on trade receivables

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

h. Inventory provisions

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

3. Summary of Standards and Interpretations effective for the first time

The following represent amendments and revisions to the International Financial Reporting Standards and interpretations which are effective for annual periods beginning on or after 1 January 2016. These amendments and interpretations have been adopted where applicable in preparing the financial statements. The nature and the impact of each newly effective standard and amendments are described below:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

- a) Amendments to "IFRS 5 Non-current Assets Held for Sale and Discontinued Operations"**
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.
- b) 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.
- c) Amendments to IFRS 11 "Joint Arrangements" Accounting for Acquisitions of Interests in Joint Operations**
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.
- d) "IFRS 14 Regulatory Deferral Accounts"**
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.
- e) 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 other comprehensive income 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.
- f) Amendments to "IAS 16 Property, Plant and Equipment"**
"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."
- g) Amendments to "IAS 19 Employee Benefits"**
The amendment clarifies the requirements of determining the discount rate in a regional market sharing the same currency (for example, the Eurozone).
- h) Amendments to "IAS 27 Consolidated and Separate Financial Statements"**
Amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- i) Amendments to "IAS 34 Interim Financial Reporting"**
The Amendment discusses clarification of the meaning of disclosure of information 'elsewhere in the interim financial report.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

j) Amendments to "IAS 38 Intangible Assets"

"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."

k) Amendments to "IAS 41 Agriculture: Bearer Plants"

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

l) Amendments to "IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures"

The following issues have arisen in the context of applying the consolidation exception for investment entities:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a noninvestment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

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

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

4.1 Amendments effective from annual periods beginning on or after 1 January 2017**a) Amendments to IFRS 12 Disclosure of Interests in Other Entities**

This amendment clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

b) Amendments to IFRS for SMEs

Three amendments are however of larger impact:

- The standard now allows an option to use the revaluation model for property, plant and equipment as not allowing this option has been identified as the single biggest impediment to adoption of the IFRS for SMEs in some jurisdictions in which SMEs commonly revalue their property, plant and equipment and/or are required by law to revalue property, plant and equipment;
- The main recognition and measurement requirements for deferred income tax have been aligned with current requirements in IAS 12 Income Taxes (in developing the IFRS for SMEs, the IASB had already anticipated finalization of its proposed changes to IAS 12, however, these changes were never finalized); and
- The main recognition and measurement requirements for exploration and evaluation assets have been aligned with IFRS 6 Exploration for and Evaluation of Mineral Resources to ensure that the IFRS for SMEs provides the same relief as full IFRSs for these activities.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

c) Amendments to IAS 7 Statement of Cash Flows

This amendment to IAS7 clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

d) Amendments to IAS 12 Income Taxes

Amends to recognition of deferred tax assets for unrealized losses, IAS 12 Income Taxes clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

4.2 Amendments effective from annual periods beginning on or after 1 January 2018**a) Amendments to IFRS 2 Share-based Payment**

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

b) Amendments to IFRS 4 Insurance Contracts

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

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

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

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

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.
- Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
- Amends IFRS 15 Revenue from Contracts with Customers also clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

d) Amendments to IFRS 9 Financial Instruments

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however there are differences in the requirements applying to the measurement of an entity's own credit risk.
 - **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
 - **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
 - **Derecognition.** The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.
- e) Amendments to IAS 40 Investment Property**
Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.
- f) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards**
Amendments' resulting from Annual Improvements 2014–2016 Cycle, the amendment deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- g) Amendments to IAS 28 Investments in Associates and Joint Ventures**
This amendment Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment by investment basis, upon initial recognition.

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

- a) IFRS 16 'Leases' - Effective for an annual periods beginning on or after 1 January 2019
- New standard that introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows;
 - IFRS 16 contains expanded disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that lease;
 - IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently;
 - IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk;



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

- 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.

4.4 New standards, amendments and interpretations issued but without an effective date

At the date of authorisation of these financial statements the following standards, amendments to existing standards and interpretations were in issue, but without an effective: This includes:

a) Amendments to IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss
- The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.
- Also a revised version of IFRS 9 incorporating requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.
- The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

b) Amendments to IFRS 10 and IAS 28 Consolidated Financial Statements and Investments in Associates and Joint Ventures

- Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:
 - Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
 - Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.
 - These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

5 Summary of significant accounting policies

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

a) Investments in subsidiaries

"The consolidated financial statements 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. "



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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"Control is usually present when an entity has:"

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

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

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

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

b) Investments in associates

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

c) Investments in joint ventures

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

d) Investments in special purpose entities (SPEs)

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

e) Business combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in order to obtain control of the acquiree (at the date of exchange). Costs incurred in connection with the acquisition are recognised in profit or loss as incurred. Where a business combination is achieved in stages, previously held interests in the acquiree are re-measured to fair value at the acquisition date (date the Group obtains control) and the resulting gain or loss, is recognised in profit or loss. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition profit or loss. If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement



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period, or additional assets or liabilities are recognised when new information about its existence is obtained during this period. Non-measurement period adjustments to contingent consideration(s) classified as equity are not remeasured. Non-measurement period adjustments to other contingent considerations are remeasured at fair value with changes in fair value recognised in profit or loss. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

f) Goodwill

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

g) Segment Reporting

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

h) Intangible assets**- Intangible assets acquired separately**

"Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. These charges are included in other expenses in profit or loss. Intangible assets with an indefinite useful life are tested for impairment annually. Other intangible assets are amortised from the date they are available for use. The useful lives is as follows:• Computer Software - 10 years Amortisation periods and methods are reviewed annually and adjusted if appropriate."

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

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

- Intangible assets generated internally

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

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

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

i) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own



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associated useful life and depreciation. Likewise, when a major inspection is performed, its costs is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

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

j) Subsequent costs

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

k) Derecognition of property, plant and equipment

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

l) Depreciation of property, plant and equipment

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

The estimated useful lives are as follows:

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

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

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

m) 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.

n) Discontinued operations and non-current assets held for sale

Discontinued operations and non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

Discontinued operations and non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. This is the case, when assets (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and the sale is considered to be highly probable.



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A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan has been initiated. Furthermore, the asset (or disposal group) has been actively marketed for sale at a price that is reasonable in relation to its current value. In addition, the sale is expected to qualify for recognition as a completed sale within one-year from the date that it is classified as held for sale.

5.1 Financial instruments

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

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

Financial instruments are recognised initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs (which is recognised in profit or loss). Equity instruments for which fair value is not determinable, are measured at cost and are classified as available-for-sale financial assets. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership."

5.2 Available-for-sale financial assets

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

5.3 Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Financial assets at fair value through profit and loss comprise derivative financial instruments, namely interest rate swaps and forward exchange contracts. Subsequent to initial recognition, financial assets at fair value through profit and loss are stated at fair value. Movements in fair values are recognised in profit or loss, unless they relate to derivatives designated and effective as hedging instruments, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The Group designates certain derivatives as hedging instruments in fair value hedges of recognised assets and liabilities and firm commitments, and in cash flow hedges of highly probable forecast transactions and foreign currency risks relating to firm commitments. The effective portion of fluctuations in the fair value of interest rate swaps used to hedge interest rate risk and that qualify as fair value hedges are recognised together with finance costs. The ineffective portion of the gain or loss is recognised in other expenses or other income. Fluctuations in the fair value of forward exchange contracts used to hedge currency risk of future cash flows, and the fair value of foreign



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currency monetary items on the statement of financial position, are recognised directly in other expenses or other income. This policy has been adopted as the relationship between the forward exchange contracts and the item being hedged does not meet certain conditions in order to qualify as a hedging relationship.

5.4 Loans and receivables

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

5.5 Held-to-maturity financial assets

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

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

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

5.6 Recognition and measurement

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

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

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

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.



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

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

5.7 Reclassifications

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

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

5.8 Impairment of financial assets**a) Financial assets carried at amortised cost**

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

- Significant financial difficulty of the issuer or debtor;
 - A breach of contract, such as a default or delinquency in payments;
 - It becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flow from a Group of financial assets since the initial recognition of those assets, 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.



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The cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement on equity instruments) are not reversed through the income statement. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit and loss, the impairment loss is reversed through the income statement.

5.9 Financial liabilities

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

a) Interest bearing borrowings

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

b) Offsetting financial instruments

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

c) Cash and cash equivalents

"Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term. Bank overdrafts are shown within borrowing in current liabilities."

d) Non-derivative financial liabilities

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

e) Equity instruments

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



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

5.10 Impairment of non-financial assets

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

5.10.1 Reversals

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

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

5.11 Inventories

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

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

5.12 Borrowing costs

"Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred."

5.13 Trade payables

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

5.14 Bank overdrafts and interest-bearing borrowings

Bank overdrafts and interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

5.15 Employee benefits

5.15.1 Defined contribution plans

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



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

5.15.2 Defined benefit plan

"The terms of the defined benefit pension plan define the amount that employees will receive on retirement. These amounts are dependent on factors such as age, years of service and compensation, and are determined independently of the contributions payable or the investments of the scheme. The defined benefit liability recognised on the statement of financial position is the difference between the present value of the defined benefit obligations and the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. Actuarial gains and losses are recognised in full in the year in which they occur in other 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.

5.15.3 Termination benefits

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

5.15.4 Short-term employee benefits

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

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

5.16 Provisions

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

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

5.17 Restructuring

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



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5.18 Segment reporting

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

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

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

5.19 Revenue recognition

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

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

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

5.19.1 Sale of service

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

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

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

5.20 Investment return

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

5.21 Dividend**5.21.1 Dividend distributions**

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

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5.21.2 Unclaimed dividend

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

5.22 Taxation

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

5.22.1 Deferred tax

"Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control of the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Group's policy to reinvest undistributed profits arising in group companies. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and liabilities are offset where the entity has a legal enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

5.23 Finance income and finance costs**5.23.1 Finance income**

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

5.23.2 Finance costs

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



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5.24 Earnings per share

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

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

5.25 Share capital

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

6 Risk Management Framework

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

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

The Group has exposure to the following risks:

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

Strategic risk

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

Capital Management Policies, Objectives and Approach

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

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

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

Approach to capital management

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

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



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

Credit risk

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

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

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

Exposure to risk

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

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Financial assets				
Loans and receivables	5,914,936	3,653,928	5,914,936	3,653,928
Investments accounted for using the equity method	576,344	633,856	798,722	798,722
Trade and other receivables	1,037,217	879,162	380,590	441,555
Cash and cash equivalents	4,637,285	3,660,553	643,933	1,008,110
	12,165,782	8,827,499	7,738,182	5,902,315

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.



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An analysis of trade receivables - Group

Note	Carrying amount N'000	Neither impaired nor past due N'000	Past due but not impaired				
			31-60 days N'000	61-90 days N'000	91-120 days N'000	121-180 days N'000	Over 181 days N'000
2016 14	1,138,732	800,801	163,930	42,366	32,637	85,978	13,020
2015 14	926,600	540,399	191,162	66,712	14,218	106,198	7,911

An analysis of trade receivables - Company

Note	Carrying amount N'000	Neither impaired nor past due N'000	Past due but not impaired				
			31-60 days N'000	61-90 days N'000	91-120 days N'000	121-180 days N'000	Over 181 days N'000
2016 14	433,146	229,986	110,191	21,010	22,521	39,474	9,964
2015 14	431,756	228,639	145,672	44,671	2,957	1,906	7,911

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

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

Operational risk

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

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

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

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



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Financial risk

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

Liquidity risk

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

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

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

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

Contractual maturity analysis for financial liabilities - Group

	Due within one year N'000	Due after one year N'000	Total N'000
At 31 December 2016			
Financial liabilities			
Other liabilities	10,590,038	-	10,590,038
Trade and other payables	3,076,616	-	3,076,616
Dividend payable	115,070	-	115,070
	<u>13,781,723</u>	<u>-</u>	<u>13,781,723</u>
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>11,304,501</u>	<u>-</u>	<u>11,304,501</u>

Contractual maturity analysis for financial liabilities - Company

	Due within one year N'000	Due after one year N'000	Total N'000
At 31 December 2016			
Financial liabilities			
Other liabilities	11,876,260	-	11,876,260
Trade and other payables	852,939	-	852,939
Dividend payable	16,691	-	16,691
	<u>12,745,890</u>	<u>-</u>	<u>12,745,890</u>
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>10,570,517</u>	<u>-</u>	<u>10,570,517</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.



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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.

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 2016****Assets**

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

Liabilities

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



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	Fair value N'000	Amortised cost N'000	Carrying amount N'000
At 31 December 2015			
Assets			
Cash and cash equivalents	3,660,553	-	3,660,553
Trade and other receivables	-	879,162	879,162
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>4,533,090</u>	<u>8,827,499</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>11,639,903</u>	<u>-</u>	<u>11,639,903</u>
The Company			
At 31 December 2016			
Assets			
Cash and cash equivalents	643,933	-	643,933
Trade and other receivables	-	380,590	380,590
Loans and receivables	-	5,914,936	5,914,936
Investments accounted for using the equity method	798,722	-	798,722
	<u>1,442,655</u>	<u>6,295,526</u>	<u>7,738,181</u>
Liabilities			
Trade and other payables	852,939	-	852,939
Bank overdrafts	350,352	-	350,352
Other liabilities	11,876,260	-	11,876,260
	<u>13,079,551</u>	<u>-</u>	<u>13,079,551</u>
	Fair value N'000	Amortised cost N'000	Carrying amount N'000
At 31 December 2015			
Assets			
Cash and cash equivalents	1,008,110	-	1,008,110
Trade and other receivables	-	441,555	441,555
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>4,095,483</u>	<u>5,902,315</u>
Liabilities			
Trade and other payables	1,096,283	-	1,096,283
Bank overdraft	450,472	-	450,472
Other liabilities	9,457,544	-	9,457,544
	<u>11,004,298</u>	<u>-</u>	<u>11,004,298</u>

7.2 Fair valuation methods and assumptions

Cash and cash equivalents, trade receivables, trade payables and short term borrowings are assumed to approximate their carrying amounts due to the short-term nature of these financial instruments.

The fair value of publicly traded financial instruments is generally based on quoted market prices, with unrealised gains in a separate component of equity at the end of the reporting year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

7.3 Fair value measurements recognised in the statement of financial position
Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

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

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

8. Property, plant and equipment

	Land N'000	Building N'000	Hotel equipment N'000	Office furniture, fittings and equipment N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
8.1 The Group							
Cost							
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	706,676	11,550	13,554	877,250
Reclassification	-	-	1,890	(3,580)	1,690	-	-
Disposals in the year	-	-	-	-	-	(13,285)	(13,285)
At 1 January 2016	3,440,742	1,524,741	2,123,921	5,166,388	166,830	455,283	12,877,905
Additions in the year	-	66,125	177,374	373,244	23,207	30,350	670,300
Adjustment	-	-	-	(1,083)	-	-	(1,083)
Disposals in the year	-	-	(8,752)	-	-	(3,540)	(12,292)
At 31 December 2016	3,440,742	1,590,866	2,292,543	5,538,549	190,037	482,093	13,534,830
Depreciation							
At 1 January 2015	-	637,435	1,502,949	2,841,081	130,400	427,809	5,539,674
Disposals during the year	-	-	-	-	-	(11,845)	(11,845)
Charge for the year	-	48,326	190,642	478,275	19,975	16,705	753,922
At 1 January 2016	-	685,761	1,693,591	3,319,356	150,375	432,669	6,281,751
Disposals during the year	-	-	(4,595)	-	-	(3,540)	(8,135)
Adjustment	-	-	-	(217)	-	-	(217)
Charge for the year	-	48,593	232,840	450,262	20,403	23,698	775,796
At 31 December 2016	-	734,354	1,921,836	3,769,401	170,778	452,827	7,049,196
Carrying amount							
At 31 December 2016	3,440,742	856,512	370,707	1,769,148	19,259	29,266	6,485,634
At 31 December 2015	3,440,742	838,980	430,330	1,847,032	16,455	22,614	6,596,153

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

There is no impairment charge during the year.



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8.2. The Company

	Land N'000	Building N'000	Hotel equipment N'000	Office furniture, fittings and equipment N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
Cost							
At 1 January 2015	3,084,350	741,367	1,848,822	71,380	153,590	238,357	6,137,866
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 1 January 2016	3,084,350	745,849	2,160,091	71,580	166,830	233,714	6,462,414
Additions in the year	-	-	93,496	1,363	23,207	15,500	133,566
Adjustment	-	-	(1,083)	-	-	-	(1,083)
Disposals in the year	-	-	-	-	-	(3,540)	(3,540)
At 31 December 2016	3,084,350	745,849	2,252,504	72,943	190,037	245,674	6,591,357
Depreciation							
At 1 January 2015	-	403,583	853,796	48,262	130,400	228,404	1,664,445
Disposals in the year	-	-	-	-	-	(4,643)	(4,643)
Charge for the year	-	28,346	355,032	4,463	19,975	5,724	413,540
At 1 January 2016	-	431,929	1,208,828	52,725	150,375	229,485	2,073,342
Disposals in the year	-	-	-	-	-	(3,540)	(3,540)
Adjustment	-	-	(217)	-	-	-	(217)
Charge for the year	-	28,346	357,719	4,784	20,403	9,400	420,652
At 31 December 2016	-	460,275	1,566,330	57,509	170,778	235,345	2,490,237
Carrying amount							
At 31 December 2016	3,084,350	285,574	686,174	15,434	19,259	10,329	4,101,120
At 31 December 2015	3,084,350	313,920	951,263	18,855	16,455	4,229	4,389,072

Depreciation charged is included in the administrative expenses 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	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
9 Capital work in progress				
At 1 January	2,252,946	1,181,472	1,729,143	657,669
Additions in the year	2,014,968	1,071,474	2,014,968	1,071,474
At 31 December	4,267,914	2,252,946	3,744,111	1,729,143

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



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	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
10. Intangible asset				
Computer software Cost				
At 1 January	33,266	26,596	20,236	17,621
Additions in the year	12,813	6,670	-	2,615
At 31 December	<u>46,079</u>	<u>33,266</u>	<u>20,236</u>	<u>20,236</u>
Amortization				
At 1 January	9,865	6,673	6,004	3,981
Charge for the year	4,183	3,192	2,023	2,023
At 31 December	<u>14,048</u>	<u>9,865</u>	<u>8,027</u>	<u>6,004</u>
Carrying amount	<u>32,031</u>	<u>23,401</u>	<u>12,209</u>	<u>14,232</u>
11. 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.

11.1 Subsidiaries undertakings

All shares in subsidiaries undertakings are ordinary shares

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

11.2 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 2016			
Revenue	-	5,372,395	
(Loss)/profit after tax	(870)	1,274,450	(2,997)
Total assets	360,720	9,043,043	1,054,603
Total liabilities	476,403	3,801,755	180,979
Equity	<u>(115,683)</u>	<u>5,241,289</u>	<u>871,186</u>
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>



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12. 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.

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Current assets	236,880	170,714	-	-
Non current asset	1,024,053	1,093,295	-	-
Current liabilities	162,858	120,672	-	-
Non current liabilities	2,182,475	1,355,938	-	-
Income	194,395	196,243	-	-
Expenses	251,907	233,638	-	-
At 1 January	633,856	671,251	798,722	798,722
Share of loss of joint venture	(57,512)	(37,395)	-	-
At 31 December	576,344	633,856	798,722	798,722

	The Group			The Company		
	US \$'000	2016 N'000	2015 N'000	US \$'000	2016 N'000	2015 N'000
13 Loan to related party						
At 1 January	18,642	3,653,928	2,963,075	18,642	3,653,928	2,963,075
Interest capitalised	932	283,832	148,792	932	283,832	148,792
Exchange revaluation	-	1,977,176	542,061	-	1,977,176	542,061
At 31 December	19,574	5,914,936	3,653,928	19,574	5,914,936	3,653,928

Loans from related party relates to receivable from The Tourist Company of Nigeria Plc. The interest rate of 5% (2015 : 5%) has been set on the Company's fixed borrowing. Of these fixed borrowings 100% (2015 : 100%) is for periods longer than 12 months. The Company had no unutilised borrowing facilities at 31 December 2016 (2015 : Nil).

Terms of the above loan:

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

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
14. Due from related parties				
Federal Palace/Sun current account	-	15,635	-	15,635
Hans Gremlin Nigeria Limited	-	-	484,579	483,708
Charles Hampton Limited	108,470	108,470	-	-
AVIS - Current Account	31,122	31,122	-	-
GMI & Co	113,188	113,188	-	-
Felfan Limited	59,074	59,074	-	-
	311,854	327,489	484,579	499,343
Impairment allowance (Note 14.1)	(198,666)	-	-	-
	113,188	327,489	484,579	499,343

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

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


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	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
15. Long term investments-Unquoted				
ICON Stockbroker	7,421	7,421	-	-
A. Savoia Ltd	2,571	2,571	-	-
Charles Hampton	3,499	3,499	-	-
Felfan	13,005	13,005	-	-
	26,496	26,496	-	-
Impaired during the year	(26,496)	-	-	-
	-	26,496	-	-
16. Inventories				
Food and beverage	113,572	96,251	61,377	46,085
Maintenance supplies	141,876	163,925	66,633	71,639
Operating supplies	207,657	166,314	92,972	116,471
General stores	86,184	78,657	50,661	37,362
	549,289	505,147	271,643	271,557
Inventory to the value of N579.9 million (2015 : N510.7 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 N30.6 million (2015 : N5.6 million).				
17. Trade and other receivables				
Trade receivables	1,138,732	926,600	433,146	431,756
Advance to employees	77,144	113,282	16,052	34,945
	1,215,876	1,039,882	449,198	466,701
Allowances for impairment losses	(178,659)	(160,720)	(68,608)	(25,146)
Net trade receivables	1,037,217	879,162	380,590	441,555
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.				
18. Other current assets				
Withholding tax receivable	722,194	771,511	623,634	630,358
Sheraton Brand Hotels	10,557	9,380	10,557	9,380
Prepayments (Note 18.1)	182,406	81,315	93,013	30,613
Advances to suppliers	225,985	1,775,267	108,973	1,568,037
	1,141,142	2,637,473	836,177	2,238,388
Allowances for impairment losses	(80,770)	-	-	-
	1,060,372	2,637,473	836,177	2,238,388



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	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
18.1 Prepayments				
P/P Hotel License	4,341	8,063	-	1,504
P/PM PC's Software	6,248	8,313	6,248	4,279
Prepaid rent	5,278	8,568	5,278	5,568
Prepaid maintenance	16,194	1,595	2,237	1,172
Prepaid maintenance system	381	-	-	-
Prepaid dues and subscription	5,593	4,764	1,571	736
Prepaid insurance	73,448	13,403	76,528	11,854
Prepaid others (Note 18.1.1)	70,923	36,609	1,151	5,500
	<u>182,406</u>	<u>81,315</u>	<u>93,013</u>	<u>30,613</u>
18.1.1 This represents prepayment made on workers compensation, Intranet and Human resources.				
19. Cash and cash equivalents				
Cash and cash equivalents consists of cash on hand, balances with banks and fixed deposits with banks.				
Cash in hand	4,695	4,452	633	933
Cash at bank	4,399,541	639,096	409,984	365,919
	<u>4,404,236</u>	<u>643,548</u>	<u>410,617</u>	<u>366,852</u>
Allowance for doubtful balances	(639)	(639)	(372)	(372)
	<u>4,403,597</u>	<u>642,909</u>	<u>410,245</u>	<u>366,480</u>
Fixed deposits (Note 19.1)	233,688	3,017,644	233,688	641,630
Cash and cash equivalents as per statement of financial position	<u>4,637,285</u>	<u>3,660,553</u>	<u>643,933</u>	<u>1,008,110</u>
19.1 Fixed deposits				
This amount relates to deposit with Diamond Bank Nigeria Plc.				
20. Trade and other payables				
Trade payables	333,658	326,047	122,876	112,587
Accrued expenses	801,713	828,237	345,287	366,418
CHP Hospitality and Tourism Limited	625,254	625,254	-	-
Advance deposits	774	144,267	222,370	194,717
Due to Starwood Eame License and Service Company	59,290	39,727	31,644	39,727
Service charge distribution	72,955	58,110	37,685	28,916
VAT Payable	362,369	98,800	16,348	10,473
Other liabilities (Note 20.1)	70,992	341,699	70,992	341,699
Other credit balances (Note 20.2)	749,611	689,377	5,737	1,746
	<u>3,076,616</u>	<u>3,151,518</u>	<u>852,939</u>	<u>1,096,283</u>

20.1 This amount represent difference in retained earnings due to configuration issues with the accounting package used by the company (SAGE) now provided for.

20.2 This amount represent credit balance in trade receivables, outstanding consumption tax and other account payables.
The fair value of accounts payable and accruals approximately at their carrying value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
21. Deferred income				
Ikeja Hotel (Note 21.1)	4,545,124	2,284,116	4,545,124	2,284,116
Capital Hotel (Note 21.2)	45,941	80,613	-	-
	4,591,065	2,364,729	4,545,124	2,284,116
21.1	This relates to interest receivable from the loan granted to Tourist Company of Nigeria Plc, which are payable when cashflow allows.			
21.2	This relates to advance payment received for the use of hotel services ie swimming pool, spa and other health services.			
22. Dividend payable				
At 1 January	115,070	119,604	16,691	16,691
Declared during the year	-	-	-	-
Payment during the year	-	(4,534)	-	-
At 31 December	115,070	115,070	16,691	16,691
23. Due to related parties				
Capital Hotels Plc	-	-	1,115,540	1,273,579
IHL Services Limited	-	-	563,794	564,294
Federal Palace/Sun International	3,633	-	3,633	-
Alurum Investment Ltd/Omamo Trust Limited.	2,471,793	2,206,958	2,471,793	2,206,958
Minabo Limited	1,444,117	1,289,390	1,444,117	1,289,390
Associated Ventures International Limited	1,100,900	1,052,947	1,100,900	1,052,947
	5,020,443	4,549,295	6,699,777	6,387,168
24 Taxation Account				
24.1 Current tax payables				
At 1 January	579,818	984,662	242,188	647,095
Payment in the year	(285,141)	(577,208)	(123,906)	(457,829)
Charge for the year (Note 24.3)	239,901	172,364	69,125	52,922
At 31 December	534,578	579,818	187,407	242,188
	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.			
24.2. Deferred taxation				
At 1 January	676,248	585,085	295,835	265,702
Charge for the year (Note 24.3)	261,078	91,163	(56,571)	30,133
At 31 December	937,326	676,248	239,264	295,835
24.3 Income tax expense				
Income tax	209,203	146,654	60,060	42,636
Education tax	30,698	25,710	9,065	10,286
	239,901	172,364	69,125	52,922
Deferred taxation	261,078	91,163	(56,571)	30,133
	500,979	263,527	12,554	83,055



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
24.4 The tax expense for the year is reconciled to the profit/(loss) for the year as follows:				
Profit/(loss) before tax	1,607,431	824,257	103,500	192,423
Tax @ 30%	482,229	(118,311)	31,049	57,726
Deductible items	388,377	535,191	104,932	124,589
Balancing charge	66	820	66	820
Capital allowance	(661,468)	(271,047)	(75,987)	(140,500)
Education tax	30,697	25,710	9,065	10,286
Deferred tax effect	261,078	91,164	(56,571)	30,133
Tax expense for the year	500,979	263,527	12,554	83,054
Profit/(loss) after tax	1,106,452	560,730	90,946	109,369
24.5 The tax rate is reconciled to the effective tax rate as follows:				
Tax rate	30	30	30	30
Deductible items	24	186	101	65
Capital allowance	(41)	(119)	(73)	(73)
Education tax	2	7	9	5
Deferred tax effect	16	23	(55)	16
Total effective tax rate	31	127	12	43

25. Retirement benefit obligation

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

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
Defined contribution plan (Note 25.1)	-	-	-	-
Defined benefit plan (Note 25.2)	2,389,499	2,784,251	1,334,987	1,428,370
	2,389,499	2,784,251	1,334,987	1,428,370
25.1 Defined contribution plan				
At 1 January	-	-	-	-
Contribution in the year	191,602	161,645	111,568	105,773
Remittance during the year	(191,602)	(161,645)	(111,568)	(105,773)
At 31 December	-	-	-	-



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
25.2 Defined benefit plan				
At 1 January	2,784,251	3,257,519	1,428,370	1,556,239
Current service cost	294,768	373,990	149,326	174,475
Interest cost	139,661	176,105	139,661	176,103
Curtailement/settlement	-	(148,368)	-	(148,368)
Adjustments	(186,940)		(186,940)	
Payments in the year	(614,634)	(775,545)	(167,823)	(230,629)
Re-measurement gain on defined benefit plan	(27,607)	(99,450)	(27,607)	(99,450)
At 31 December	<u>2,389,499</u>	<u>2,784,251</u>	<u>1,334,987</u>	<u>1,428,370</u>
Present value of defined benefit obligation	2,389,499	2,784,251	1,334,987	1,428,370
Fair value of plan assets	-	-	-	-
Unrecognised past service costs	-	-	-	-
Unrecognised actuarial gains/losses	-	-	-	-
Movement in defined benefit plans				
At 1 January	2,784,251	3,257,519	1,428,370	1,556,239
Current service cost	294,768	373,990	149,326	174,475
Interest costs	139,661	176,105	139,661	176,103
Actuarial gains recognised	(27,607)	(99,450)	(27,607)	(99,450)
Curtailement and settlement	-	-	-	(148,368)
Payment in the year	(614,634)	(775,545)	(167,823)	(230,629)
Plan amendments	(186,940)	-	(186,940)	-
	<u>2,389,499</u>	<u>2,932,619</u>	<u>1,334,987</u>	<u>1,428,370</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 2016.

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 2017 by D.A. Agbelese (FRC/2014/IODN/0000008032).


 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
26. Current borrowings				
Bank overdraft				
Bank overdraft represent facilities obtained from one of the Nigeria Bank at an interest rate of 16%.	350,352	450,472	350,352	450,472
27. Share capital				
27.1 Authorised				
4,000,000,000 Ordinary shares of 50 kobo each	2,000,000	2,000,000	2,000,000	2,000,000
27.2 Issued and fully paid				
2,078,796,399 ordinary shares of 50 kobo each	1,039,398	1,039,398	1,039,398	1,039,398
28. Share premium				
At 31 December	1,381,072	1,381,072	1,381,072	1,381,072
29. Retained earnings				
At 1 January	2,096,037	1,670,122	4,769,775	4,560,957
Profit attributable to the owners of the company	482,189	326,465	90,946	109,368
Re-measurement gain on defined benefit plan	27,607	99,450	27,607	99,450
At 31 December	2,605,832	2,096,037	4,888,328	4,769,775
30. Non controlling interest				
At 1 January	1,915,096	1,680,831	-	-
Share of profit	624,263	234,265	-	-
At 31 December	2,539,359	1,915,096	-	-
31. Other income				
Exchange gain	1,216,565	237,576	109,103	98,750
Fee income	290,416	220,112	16,362	61,671
Other services rendered (Note 31.2)	126,160	126,298	-	-
Income from investment of uncleared dividend	2,281	1,035	-	-
Interest earned (Note 31.3)	47,095	70,401	-	453
Interest income on term deposit	59,461	95,096	-	-
Sales of scrap	3,012	25,911	-	17,225
Profit on disposal of property, plant and equipment	220	5,752	220	780
Provision no longer required	27	-	27	-
Uncleared cheques (Note 31.1)	-	19,340	-	19,340
	1,745,237	801,521	125,712	198,219
31.1				
These amount represents various cheques issued since 2014 that were not presented till date, now staled.				
31.2				
The amount represent the value of other services rendered for Exxon Mobil.				
31.3				
This represent interest on loan to Ikeja Hotel Plc.				
32. Finance costs				
Interest expense	674,006	575,167	674,006	575,167



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
33. Administrative expenses				
Directors' remuneration	34,373	45,922	10,100	10,100
Employee costs	354,381	584,743	172,943	421,427
Depreciation of property, plant and equipment	775,796	753,924	420,651	413,542
Amortisation of intangible assets	4,183	3,192	2,023	2,023
Management fees	69,907	75,236	47,128	75,236
Operators incentive fee	216,263	165,510	81,953	48,185
Legal and professional fees	149,474	145,372	134,148	123,374
Insurance	68,290	89,526	31,782	52,892
Medical expenses	2,122	63,237	55,362	61,887
Transport and travelling	26,399	21,345	20,885	15,401
Repairs and maintenance	23,158	25,983	18,645	22,223
Bank charges and commission	12,705	11,262	699	1,024
Audit fee	17,600	17,600	9,000	9,000
Rent and rate	20,932	34,901	12,133	19,556
Advertising and publicity	20,626	8,854	8,460	3,876
Printing and stationary	11,160	6,774	7,902	4,732
Communication expenses	10,268	8,596	8,729	6,309
Impairment loss (Note 33.1)	225,163	-	-	-
Provision for doubtful account balances	85,475	28,245	16,770	446
Donation and subscription	6,179	11,699	5,949	11,417
Provision for obsolete stock	13,926	5,592	13,926	5,592
Loss on disposal of property, plant and equipment	937	-	-	-
Other administrative expenses	75,290	58,837	37,120	23,357
	2,224,607	2,166,350	1,116,310	1,331,599
33.1 Impairment loss	26,496	-	-	-
On investment	198,667	-	-	-
On due from related parties	225,163	-	-	-

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	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
34.1.1 Business segment				
Revenue				
Rooms	6,424,278	5,818,124	3,579,453	3,335,416
Food and beverage	3,870,323	3,498,550	1,536,757	1,352,343
Other minor operating departments	570,436	538,412	347,757	327,976
	10,865,037	9,855,086	5,463,967	5,015,735
34.1.2 Cost of sales				
Rooms	1,343,703	1,027,252	786,196	577,744
Food and beverage	2,559,632	1,815,131	1,011,628	612,473
Other minor operating departments	3,600,488	3,626,368	1,630,072	1,659,057
	7,503,823	6,468,751	3,427,896	2,849,274
Gross profit	3,361,214	3,386,335	2,036,071	2,166,461
Gross profit margin (%)	31	34	37	43

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 N'000	2015 N'000	2016 N'000	2015 N'000
35. Reconciliation of cash and cash equivalents				
Cash in hand	4,695	4,452	633	933
Cash at bank	4,399,541	639,096	409,984	365,919
	4,404,236	643,548	410,617	366,852
Time deposits	233,688	3,017,644	233,688	641,630
Provision for doubtful balance	(639)	(639)	(372)	(372)
As per statement of financial position	4,637,285	3,660,553	643,933	1,008,110
Bank overdraft	(350,352)	(450,472)	(350,352)	(450,472)
As per statement of cash flows	4,286,933	3,210,081	293,581	557,638
36. Basic and diluted earnings per share				
Earnings per share (basic and diluted) have been computed for each year on the profit after tax attributable to ordinary shareholders and divided by the number of issued and fully paid up N0.50 kobo ordinary shares during the year.				
Profit after taxation	1,106,452	560,730	90,946	109,368
Number of shares	2,078,796	2,078,796	2,078,796	2,078,796
Earnings per share (Kobo)	53	27	4	5
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	3,618	1,800	1,800
Directors	27,355	33,635	7,500	7,500
	34,373	40,653	10,100	10,100
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
	N'000	N'000	N'000	N'000
37.4 Staff costs				
Personnel compensation comprised:				
Salaries and wages	2,752,616	2,587,857	1,821,339	1,656,580
Short-term employee benefits	191,602	161,645	111,568	105,773
Defined benefit gratuity scheme	434,429	550,095	288,987	350,580
	3,378,647	3,299,597	2,221,894	2,112,933



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group		The Company	
	2016 Number	2015 Number	2016 Number	2015 Number
37.5 The average number of persons employed during the year by category				
Management staff	81	76	50	45
Non-management staff	999	1,010	563	580
	1,080	1,086	613	625
37.6 Scale of employees' remuneration				
N	N			
250,001 - 500,000	3	3	3	3
500,001 - 750,000	287	286	208	210
750,001 - 1,000,000	197	198	66	68
1,000,001 - 1,250,000	214	218	81	81
1,250,001 - 1,500,000	169	164	71	72
1,500,001 - 1,750,000	65	66	64	66
1,750,001 - 2,000,000	61	64	62	64
Above 2,000,001	84	87	58	61
	1,080	1,086	613	625

38. Related party transaction

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

	Value of transactions in the year	
	2016 N'000	2015 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.	16,362	678,092
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.	-	51,226
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.	98,332	138,149
38.4 Associated Ventures International Limited		
One of the directors of the Company is also a director of Associated Ventures International Limited.		
Transaction relates to interest payable on outstanding loan balance.	63,840	10,243
38.5 Oma Trust Limited		
One of the directors of the Company is also a director of Oma Trust Limited.		
Transaction in the year was in respect of interest accrued on outstanding loan liability.	180,670	180,670
38.6 Minet Nigeria Limited		
A director in the Company is also a director in Ikeja Hotel Plc.		
It provides insurance brokerage services to the Company.	18,345	18,345



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Value of transactions in the year	
	2016 N'000	2015 N'000
38.7 AVI Services Limited		
The Company has certain directors in common with Ikeja Hotel Plc It provides a staff transport service to Ikeja Hotel Plc, operates a car hire business at the Hotel.	96,907	96,907
38.8 Capital Hotels Plc		
Capital Hotels Plc is a member of the Ikeja Hotel Group. Transactions in the year relate to: - interest paid/payable on loan	158,039	23,010
39. Deposit for shares		
This amount represents deposit made by next international Nigeria limited for N31,200,000 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. Contingencies		
43.1 Guarantees and other capital commitments		
The directors are of the opinion that all known liabilities and commitments have been into consideration in the preparation of the consolidated financial statements. The liabilities are relevant in assessing the group's state of affairs.		



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

43.2 Pending litigations and claims

No provision in relation to litigation and claims has been recognised in the consolidated financial statements. This was based on the Directors' opinion and legal advisers of the company.

44. Events after the reporting date

The Directors are of the opinion that there were no significant events after the reporting date which would have had any material effect on the state of affairs as at 31 December 2016 and on the profit or loss for the year ended on that day which require disclosure in these 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.



Oguta Meeting Room, Sheraton Lagos



Other national disclosures




 STATEMENT OF VALUE ADDED
 FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group				The Company			
	2016 N'000	%	2015 N'000	%	2016 N'000	%	2015 N'000	%
Revenue	10,865,037		9,855,086		5,463,967		5,015,735	
Other income	1,745,237		801,521		125,712		198,219	
	12,610,274		10,656,607		5,589,679		5,213,954	
Cost of goods and services - foreign	(286,170)		(240,746)		(129,081)		(123,421)	
Cost of goods and services - local	(5,888,224)		(4,962,916)		(2,040,547)		(1,796,468)	
Value added	6,435,880	100	5,452,945	100	3,420,051	100	3,294,065	100
Applied as follows:								
To pay employees:								
Salaries wages and other staff costs	3,378,647	52	3,299,597	61	2,221,894	65	2,112,933	64
To providers of capital:								
Finance costs	674,006	10	575,167	11	674,006	20	575,167	17
To pay Government:								
Income and Education tax	239,901	4	172,364	3	69,125	2	52,922	2
To provide for assets replacement:								
Depreciation of property, plant and equipment	775,796	12	753,924	14	420,651	12	413,542	13
Retained for future expansion:								
- Deferred taxation	261,078	4	91,163	2	(56,571)	(2)	30,133	1
- Retained profit for the year	1,106,452	18	560,730	10	90,946	3	109,368	3
Value added	6,435,880	100	5,452,945	100	3,420,051	100	3,294,065	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

	2016 N'000	2015 N'000	2014 N'000	2013 N'000	2012 N'000
Statement of financial position					
Assets					
Property, plant and equipment	6,485,634	6,596,153	6,474,266	5,633,581	5,331,498
Capital work in progress	4,267,914	2,252,946	1,181,472	1,255,194	850,400
Intangible assets	32,031	23,401	19,923	16,055	18,062
Investments	576,344	633,856	671,251	780,454	785,065
Loans to related party	5,914,936	3,653,928	2,963,075	2,820,741	1,864,974
Long term investment	-	26,496	26,496	-	-
Net current (liabilities)/assets	(1,363,930)	1,254,617	2,362,474	2,265,690	3,107,688
Non-current liabilities	(8,347,268)	(8,009,794)	(8,027,534)	(7,018,630)	(7,553,838)
Net assets	7,565,661	6,431,603	5,671,423	5,753,085	4,403,849
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	2,605,832	2,096,037	1,670,122	1,769,067	384,895
	5,026,302	4,516,507	4,090,592	4,189,537	2,805,365
Non-controlling interest	2,539,359	1,915,096	1,680,831	1,563,548	1,598,484
Total equity	7,565,661	6,431,603	5,771,423	5,753,085	4,403,849
Statement of profit or loss and other comprehensive income					
Revenue	10,865,037	9,855,086	10,065,898	11,223,700	11,263,224
Profit before tax	1,607,431	824,257	562,632	1,627,040	2,610,266
Income tax expense	(500,979)	(263,527)	(559,698)	(632,234)	(593,936)
Profit for the year	1,106,452	560,730	2,934	994,806	2,016,330
Other comprehensive income for the year	27,607	99,450	93,672	380,347	93,672
	1,134,059	660,180	96,606	1,375,153	2,110,002
Per share data:					
Earnings (kobo) - Basic and diluted	53	27	14	48	97
Net assets (kobo)	364	309	278	277	212

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

	2016 N'000	2015 N'000	2014 N'000	2013 N'000	2012 N'000
Statement of financial position					
Assets					
Property, plant and equipment	4,101,120	4,389,071	4,473,421	4,005,936	3,709,883
Capital work in progress	3,744,111	1,729,143	657,669	884,423	161,147
Intangible assets	12,209	14,232	13,640	8,876	-
Investment in subsidiary	4,440,919	4,440,919	4,440,919	4,440,919	4,440,919
Investments accounted for using the equity method	798,722	798,722	798,722	798,722	798,722
Loans to related party	5,914,936	3,653,928	2,963,075	2,820,741	1,786,804
Due from related party	484,579	499,343	563,589	483,730	481,342
Net current (liabilities)/assets	(3,913,770)	(223,741)	862,293	874,662	(19,642)
Non-current liabilities	(8,274,028)	(8,111,373)	(7,791,901)	(6,947,323)	(6,299,709)
Net assets	7,308,798	7,190,245	6,981,427	7,370,686	5,059,466
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	4,888,328	4,769,775	4,560,957	4,950,216	2,638,996
Total equity	7,308,798	7,190,245	6,981,427	7,370,686	5,059,466
Statement of profit or loss and other comprehensive income					
Revenue	5,463,967	5,015,735	5,227,731	6,505,108	6,954,476
Profit/(loss) before tax	103,500	192,423	(360,728)	1,346,528	2,115,919
Income tax expense	(12,554)	(83,055)	(122,202)	(470,177)	(667,610)
Profit/(loss) for the year	90,945	109,368	(482,930)	876,351	1,448,309
Other comprehensive income/(loss) for the year	27,607	99,450	93,672	35,108	(742,669)
Total comprehensive income/(loss) for the year	118,552	208,818	(389,258)	911,459	705,640
Per share data:					
Earnings/(loss) (kobo) - Basic	4	5	(23)	42	70
Net assets (kobo)	352	346	336	355	243

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.

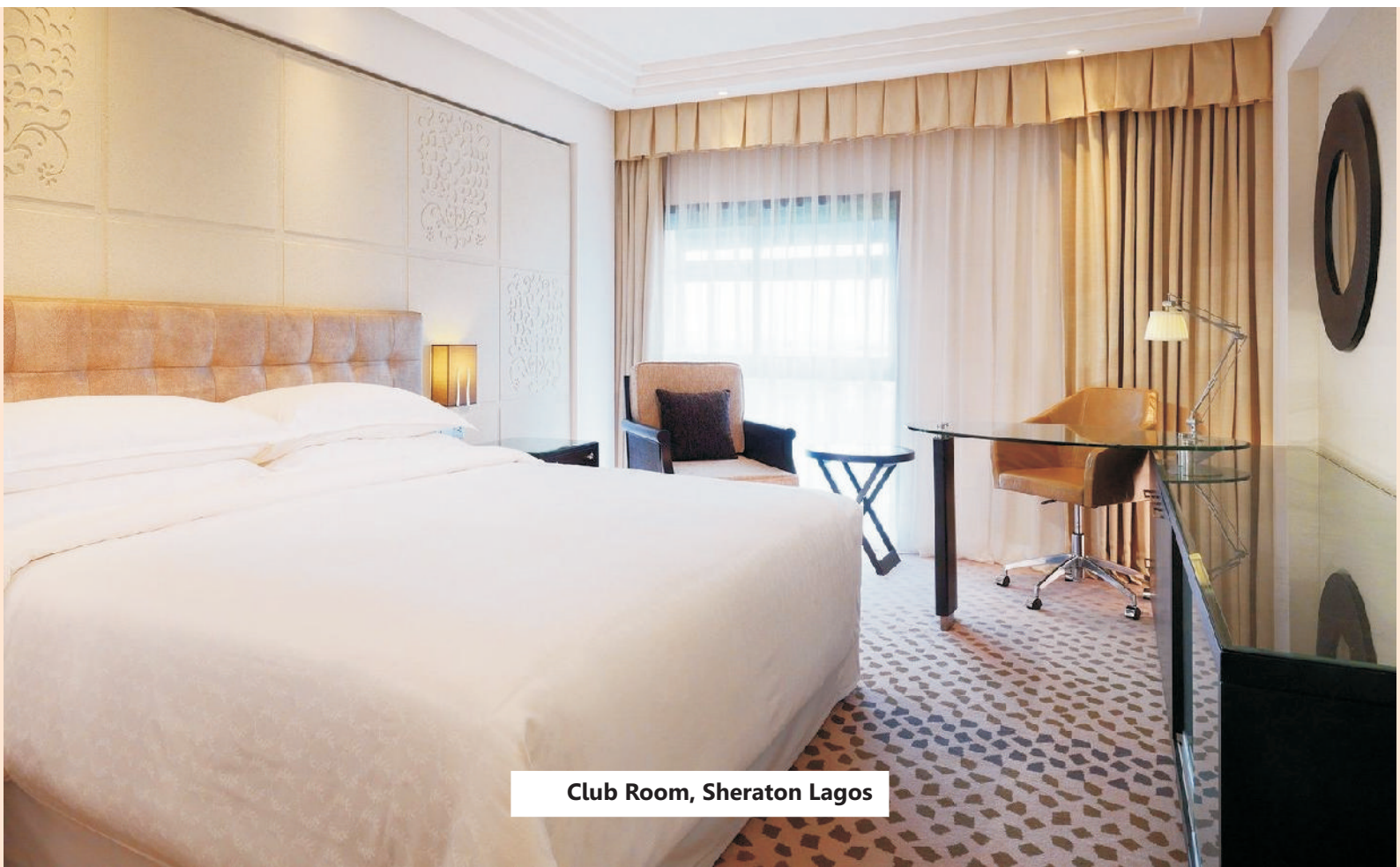


SHAREHOLDERS INFORMATION

IKEJA HOTEL PLC RANGE ANALYSIS AS AT DECEMBER 31, 2016						
Range			Number of Shareholders	%	Units Held	%
1	-	1,000	1,056	7.93%	516,351	0.02%
1,001	-	5,000	4,141	31.08%	9,499,653	0.46%
5,001	-	10,000	3,881	29.13%	25,587,157	1.23%
10,001	-	100,000	3,740	28.07%	96,934,357	4.66%
100,001	-	500,000	396	2.97%	73,291,869	3.53%
500,001	-	1,000,000	34	0.26%	23,452,639	1.13%
1,000,001	-	10,000,000	48	0.36%	139,097,044	6.69%
10,000,001	-	and above	26	0.20%	1,710,417,329	82.28%
			13,322	100%	2,078,796,399	100%

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



Club Room, Sheraton Lagos



PROXY FORM



IKEJA HOTEL PLC

40th ANNUAL GENERAL MEETING to be held at the Lagos Sheraton Hotel, 30 Mobolaji Bank Anthony Way, Maryland, Lagos on 25th October, 2017, at 11 a.m

I/We

Being a shareholder of Ikeja Hotel Plc, hereby appoint:

Or failing him/her, the Chairman of the meeting as my/our proxy at the Annual General Meeting to be held on 25th October 2017, at 11.00am and any adjournment thereof.

Dated this _____ day of _____, 2017

RESOLUTIONS	FOR	AGAINST
To receive the Audited Financial Statements for the years ended December 31, 2012 to December 31, 2016, and the Reports of the Directors, auditors and Statutory Audit Committee thereon.		
To ratify the appointment of the following Directors: i. Chief Anthony Idigbe, S.A.N ii. Mrs Fadeke Alamutu iii. Mr Toke Alex Ibru iv. Mr Ufuoma Ibru v. Dr. Alexander Thomopulos vi. Mr Kunle Aluko vii. Alhaji Abatcha Bulama viii. Mr. Waheed Olagunju		
<ul style="list-style-type: none"> • To appoint new auditors • To authorize Directors to fix the remuneration of the Auditors • To elect Members of the Statutory Audit Committee. • To approve the remuneration of the Directors 		
Please mark the appropriate box with an 'x' to indicate how you wish your votes to be cast on the resolutions set above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion		



Before posting the above form, please Sign/ tear off this part and retain it for admission to the meeting.

ADMISSION CARD

Please admit To the 40th annual general meeting of Ikeja Hotel Plc , which will take place at the Sheraton Hotel, 30 Mobolaji Bank Anthony Way, Ikeja, Lagos on 25th October 2017 at 11.00am

SURNAME

FIRST NAME

ADDRESS

IMPORTANT

Name of Shareholder (in BLOCK LETTERS)

.....
Signature of person attending



Lobby-Lounge, Sheraton Lagos