

# 2018

ANNUAL REPORT  
& ACCOUNTS



**IKEJA HOTEL Plc**



## Certification of Financial Statements

In compliance with Section 60(2) of the Investment and Securities Act, 2007, we have reviewed the audited Financial Statements of the Group for the year ended 31 December 2018.

The Financial Statements, based on our knowledge, does not contain any untrue statement of any material fact or contain any misleading information in any respect.

The Financial Statements, and other financial information included therein, fairly present in all material respects the consolidated statement of financial position, consolidated financial performance and consolidated cash flows of the Group for the year ended 31 December 2018.

We are responsible for designing the internal controls and procedures surrounding the financial reporting process and assessing these controls in accordance with Section 60(2) of the Investment and Securities Act, 2007 and have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us by others within the entity. The controls, which are properly prepared, have been operating effectively during the year under reference.

Based on the foregoing, we, the undersigned, hereby certify that to the best of our knowledge and belief, the information contained in the audited Financial Statements of Ikeja Hotel Plc for the year ended 31 December 2018 are complete, accurate and free from any material misstatement.

**Theophilus E. Neta**  
Chief Operating Officer  
FRC/2013/ICAN/00000004775

26 March 2019

**Zacchaeus O. Adeyemo**  
Finance Manager  
FRC/2018/ICAN/00000017858

26 March 2019



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## FINANCIAL HIGHLIGHTS

	The Group			The Company		
	As at 31 December 2018	As at 31 December 2017	% Increase/ (Decrease)	As at 31 December 2018	As at 31 December 2017	% Increase/ (Decrease)
	N'000	N'000		N'000	N'000	
<b>Major statement of financial position items</b>						
Non-current assets	28,312,931	28,262,605	0	20,557,522	19,978,733	3
current assets	9,504,239	7,487,256	27	4,051,588	2,616,495	55
Equity attributable to equity holders of Parent	14,094,302	13,330,311	6	8,102,939	7,425,905	9
Non-controlling interest	4,355,626	4,014,257	9	-	-	-
Total equity	18,449,928	17,344,568	6	8,102,939	7,425,905	9
Non-current liabilities	9,232,847	9,073,159	2	9,751,962	9,020,644	8
Current liabilities	10,134,395	9,289,342	9	6,754,209	6,148,679	10
<b>Major statement of profit or loss and other comprehensive income items</b>						
Revenue	13,267,667	12,122,013	9	7,290,231	6,317,459	15
Profit before taxation	1,229,079	733,817	67	827,273	264,876	212
Profit for the year	1,105,359	603,612	83	677,034	135,646	399
<b>Profit attributable to:</b>						
Equity holders of the parent	763,991	105,869	514	-	-	-
Non-controlling interest	341,369	479,204	(29)	-	-	-
<b>Information per 50 Kobo ordinary share</b>						
Earning per share(Kobo)	53	29	83	33	7	365



## VISION & MISSION

### **VISION**

“TO BE THE PREFERRED HOSPITALITY  
AND TOURISM INVESTMENT COMPANY”

### **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.



## DIRECTORS AND OTHER CORPORATE INFORMATION

<b>Directors:</b>	<p>Country of Incorporation and Domicile: Nigeria RC 10845</p> <p>Chief Anthony Idigbe, SAN (Chairman) Mr. Toke Alex Ibru Mr. Ufuoma Ibru Mr. Alexander Thomopoulos Mr. Kunle Aluko Alhaji Abatcha Bulama, FCA Dr. Waheed Olagunju Mrs. Fadeke Olugbemi, FCA</p>
<b>Registered Office</b>	<p>84, Opebi Road Ikeja Lagos Tel: 02-2701060, 01-4480887 Website: <a href="http://www.ikejahotelplc.com">www.ikejahotelplc.com</a> Email: <a href="mailto:info@ikejahotelplc.com">info@ikejahotelplc.com</a></p>
<b>Company Secretaries:</b>	<p>Punuka Nominees Limited Plot 45 Oyibo Adjorho Street Off Ayinde Akinmade Street Off Admiralty Way Lekki Peninsula Phase 1, Lagos.</p>
<b>Bankers:</b>	<p>Diamond Bank Plc Zenith Bank Plc Union Bank Plc Sterling Bank Plc</p>
<b>Joint Auditors:</b>	<p>Messrs Ugochukwu, Ike &amp; Co (Chartered Accountants) 1, Obalodu Street Ilupeju - Lagos.</p>
	<p>Ahmed Zakari &amp; Co (Chartered Accountants) 22B, Oladipo Diya Crescent 2nd Avenue Estate Ikoyi-Lagos</p>
<b>Registrar:</b>	<p>Greenwich Registrars and Data Solutions Limited 274, Murtala Muhammed Way Yaba Lagos Email: <a href="mailto:info@gtlregistrars.com">info@gtlregistrars.com</a></p>



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 42<sup>nd</sup> Annual General Meeting of Ikeja Hotel Plc will hold at Sheraton Hotel Lagos, 30 Mobolaji Bank-Anthony Way, Ikeja on Monday, the 22<sup>nd</sup> of July 2019 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 31<sup>st</sup> December 2018 and to receive the report of the Directors, Audit Committee and Auditors thereon;
2. To re-elect retiring Directors:-
  - Mr. Abatcha Bulama as Director
  - Mr. Toke Alex-Ibru as Director
  - Mr. Kunle Aluko as Director
3. To authorize the Directors to fix the remuneration of the External Auditors.
4. To elect shareholder-members of the Audit Committee.

#### SPECIAL BUSINESS

5. 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, Greenwich Registrars & Data Solutions, 274 Murtala Muhammed Way, Yaba Lagos not less than 48 hours before the time of the meeting.

#### ii. RETIREMENT/RE-ELECTION OF DIRECTORS

Ms. Abatcha Bulama, Mr. Toke Alex-Ibru and Mr. Kunle Aluko are retiring by rotation at the current meeting in line with Section 259 of CAMA. The retiring Directors, being eligible, are offering themselves for re-election as Directors at the AGM.

The profiles of the Directors are contained in the Annual Report and on the Company's website.

#### iii. 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.

#### iv. 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](http://www.ikejahotelplc.com).

#### v. RIGHT OF SHAREHOLDERS TO ASK QUESTIONS

Pursuant to Rule 19.12 (c) of the Nigerian Stock Exchange's Rulebook, 2015, please note that it is the right of every shareholder to ask questions not only in the meeting but also in writing prior to the meeting. We urge that such questions be submitted to the Company Secretariat not later than July 8, 2019.

#### v. CLOSURE OF REGISTER

In accordance with Section 89 of Company and Allied Matters Act (CAMA), please note that the Register of Members and transfer books of the Company will be closed from Friday 12<sup>th</sup> of July 2019 to Thursday 18<sup>th</sup> July 2019, both dates inclusive.

BY ORDER OF THE BOARD

CHISOM UMEOFIA  
FRC/2019/NBA/00000019212  
For PUNUKA NOMINEES LIMITED  
Company Secretary

June 18, 2019



## BOARD OF DIRECTORS PROFILE

### **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 has been 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.





## BOARD OF DIRECTORS PROFILE (CONT'D)

**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 Ter rapinn Hospitality Conference in South Africa.



**DR. ALEXANDER A. THOMOPULOS**  
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.





## BOARD OF DIRECTORS PROFILE (CONT'D)

### 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, FCA 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





## BOARD OF DIRECTORS PROFILE (CONT'D)

### DR. 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. Dr. Olagunju resigned from the board on May 17, 2019 effective immediately.



### MRS. FADEKE OLUGBEMI, FCA Director

Fadeke Olugbemi 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 the Assets & Equity Investment Portfolio. Over the years she has garnered expertise in diverse areas of management including Financial & Risk Management, Investment, Treasury and performance management.

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

She 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. She obtained a Bachelor of Science Degree in Accounting from the prestigious Obafemi Awolowo University, Ife.





## MANAGEMENT TEAM

### **THEOPHILUS ENIOLA NETUFO, FCA** Chief Operating Officer

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. He also obtained MBA degree from Lagos State University in 1997.

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) having satisfactorily completed courses 1 and 2 of the Institute in 2016. He has put in several years of meritorious services in Professional Practice in multinational and hospitality organizations.

He served previously in top Management position with Coca-Cola Nigeria, (African Division) where he handled financial services responsibilities for Africa, Middle East and Europe. He attended regularly 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** General Manager

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

**D**istinguished shareholders, fellow directors, members of regulatory bodies and gentlemen of the press, I am happy to welcome you all to the 42nd Annual General Meeting of your company, Ikeja Hotel Plc; and it is my pleasure to present to you the Annual Report and the consolidated financial statements of Ikeja Hotel Plc and its subsidiaries for the financial year ended December 31, 2018.



### THE MACROECONOMIC ENVIRONMENT AND THE HOSPITALITY INDUSTRY

The trading environment for the period under review showed significant improvement for the activities of the Company when compared with the previous year. With oil prices stabilizing in the later part of 2017, the Nigerian economy has improved. And this has impacted the performance of your Company, as guest nights have risen and room revenue accelerated. Indeed, the Company recorded its largest increase over the past six years.

A report by PWC on the hospitality industry outlook for 2018-2022<sup>1</sup> shows that Nigeria is expected to be the fastest growing country, with a projected 12.6% compound annual increase. Additionally, a number of hotels are scheduled to open within the period. Although this may provide Sheraton Lagos Hotel with stiff competition, it will also expand the potential market while keeping the Average Daily Rate (ADR) growth in check. In addition, in light of the proposed renovations to the Hotel, we are optimistic that if concluded in good time, we would be able to retain our market share in the Nigerian hospitality market. Furthermore, continued improvement in the domestic economy will lead to a faster growth in guest nights. It is expected that growth in guest nights would be the principal driver of room revenue in Nigeria during the next five years.

As earlier reported and in line with the Securities and Exchange Commission (SEC) directive, the Board appointed the firm of Akintola Williams Deloitte (Deloitte) to conduct a forensic investigation into the affairs of the Company. The firm was formally appointed in January 2018 and has submitted its report to the Securities and Exchange Commission. We are expecting SEC decision on the forensic audit soon. We remain optimistic that the decision and recommendation of SEC based on the forensic audit would resolve the legacy issues.

### COMPANY PERFORMANCE

The Company's revenue increased from N6.32 billion in 2017 to N7.29 billion in 2018. This represents a 15.40% increase over the revenue posted in 2017.

Also, the Company's operating profit for the year 2018 increased by 63.14% from N946.64 million in 2017 to N1.54 billion. The profit after tax for 2018 of N677.03 million increased by 399.12% when compared with 2017 figure of N135.65 million.

### GROUP PERFORMANCE

Distinguished shareholders, the consolidated revenue for year 2018 increased by 9.45% from N12.12 billion in 2017 to N13.27 billion.

In addition, the group operating profit increased by 26.07% from N1.68 billion in 2017 to N2.11 billion in 2018 and

<sup>1</sup>Price Waterhouse Coopers(PWC) Report on "Hospitality Outlook, 2019-2022"



## CHAIRMAN'S STATEMENT (CONT'D)

equally profit after tax increased by 83.12% from N603.61 million in 2017 to N1.10 billion in 2018.

### DIVIDEND

Unfortunately, the Board of Directors is unable to recommend the payment of any dividend for the financial year under review. We are however hopeful that we would be able to declare interim dividend during the course of the year 2019.

### GOVERNANCE

High standards of corporate governance are fundamental to the sustainable operation of your Company. The Board is committed to ensuring that each Director continues to make valuable contribution to the growth of the business.

In addition, the Board strictly implements its corporate governance policies and has just recently approved a revised Share Dealing Policy in compliance with the Investment and Securities Act 2007 (ISA), the Securities Exchange Commission (SEC) rules and the SEC Code of Corporate Governance. This new policy aims to prevent insider dealing and promote the fair dealing in securities.

We have maintained a cordial relationship between the Company and the regulators as well as with the operator of its asset, Marriott International, key shareholders and staff and this has enhanced business confidence.

### THE TOURIST COMPANY OF NIGERIA

The Company's revenue for the period ended 31 December 2018 decreased by 26.5% to N3.6 billion, from the 18 months ended 31 December 2017. On a pro rata basis, revenue increased by 10.3%. The operating loss decreased by 50.0% due to improved margins, reduced loss on foreign exchange transactions and a shorter trading period. Competition remains aggressive, and price increases were challenging to pass on to the customer. Strict cost controls remain enforced in all operational departments.

The Company incurred a comprehensive loss before recognizing the revaluation surplus of N1.4 billion. The loss included interest capitalized to shareholders' loans of N959 million and an unrealized loss on shareholders loans of N64 million due to their denomination in US Dollars.

### CAPITAL HOTELS PLC

It has been a tough year for Capital Hotel Plc mainly due to litigation against the Company which resulted in a garnishee order being placed on the Company's accounts.

However, Capital Hotel Plc recorded a turnover of N5.98 billion in 2018 as against N5.62 billion earned in 2017

representing an increase of 6.32%. Operating profit declined by 36.88% from N692.33 million in 2017 to N437.01 million in 2018 while profit after tax also decreased by 59.40% to N379.95 million compared to N935.91 million achieved in 2017.

### THE BOARD

The Board of Directors remained unchanged during the year 2018. The SEC appointed board still stands with: I, Chief Anthony Idigbe, SAN (Chairman), Alhaji Abatcha Bulama, Mrs. Fadeke Olugbemi, Dr. Alexander Thomopoulos, Mr. Kunle Aluko, Mr. Toke Alex-Ibrun, Mr. Ufuoma Ibrun and Mr. Waheed Olagunju sitting as your Board of Directors.

However, the Board received the resignation letter of Dr. Waheed Olagunju on May 17, 2019 and have accepted same. We wish him the very best in all his future endeavours and thank him for his exemplary commitment to the company.

### FUTURE OUTLOOK

The Board has the vision of transforming and illuminating the Nigerian hospitality sector. With the conclusion of the forensic audit, the Board hopes to resolve the legacy issues that have since plagued the Company.

Furthermore, as the Company continues renovation of its assets and diversification into different sectors of the hospitality industry, we remain optimistic that in the face of strong competition, the Company would continue to remain a leading player in the hospitality industry.

### CONCLUSION

Distinguished Shareholders, I would like to thank you for your unwavering support throughout the past year. I would also like to place on record my immense gratitude to the Board and employees of our Company for their hard work in 2018. Above all, I would like to thank God for his mercies, favour and grace on all of our dealings in the past year and I pray for a more prosperous year ahead.

Thank you and God bless.

**CHIEF ANTHONY IDIGBE, SAN**  
**CHAIRMAN**  
**BOARD OF DIRECTORS**  
**FRC/2014/NBA/00000010414**



## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018.

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:

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

**Dated: 26 March 2019**

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**Mr. Abatcha Bulama, FCA**  
Director  
FRC/2014/ICAN/00000006535

**Dated: 26 March 2019**



# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are pleased to submit to the members of the Ikeja Hotel Plc (the "Company"), its report together with the audited financial statements for the year ended 31 December 2018.

## 1. Legal Status and principal activities

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

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

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

## 2. State of Affairs

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

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

## 3. Operating Result

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Turnover	13,267,667	12,122,013	7,290,231	6,317,459
Operating Profit	2,114,114	1,676,900	1,544,299	946,638
Finance Cost	(717,026)	(681,762)	(717,026)	(681,762)
Profit before Taxation	1,229,079	733,817	827,273	264,876
Tax Charge	(123,720)	(130,205)	(150,239)	(129,230)
Profit after Taxation	1,105,359	603,612	677,034	135,646

## 4. Non-Current Assets

Additions to non-current assets during the year ended 31st December 2018 amounted to N451,910,000. Details of movements in non-current assets are shown on Note 8.1 (pg. 51).

## 5. Directors and Their Interest

The directors who held office for the year ended 31st December 2018, 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:

	2018		2017	
	No. of shares held <b>Direct</b>	<b>Indirect</b>	No. of shares held <b>Direct</b>	<b>Indirect</b>
Dr. Alexander Thomopoulos	1869205		1869205	
Mr Kunle Aluko (Aluko Moses)	60000		60000	



## REPORT OF THE DIRECTORS (CONT'D)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 6. Substantial Shareholdings

As at 31 December 2018, no shareholder held more than 5% of the issued capital of the Company, except as stated below:

Name	No. of 50k shares	%
Oma Investments Ltd	539,818,732	25.97
Wagmest Nigeria Limited	180,148,768	8.67
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

#### 7. 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.

#### 8. Corporate Governance

The directors are responsible for the corporate governance of the Company

The directors have a responsibility to ensure that proper accounting records are kept and that the financial status of the Company at all times disclosed with reasonable accuracy. The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004 and the Financial Reporting Council of Nigeria Act 2011. In this regards, the responsibility of the directors includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to fraud error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

As at the day of this report, the board consist of eight directors. The board meet regularly to decide on policy matters and direct the affairs of the Company. During these meetings, the directors also review the Company's performance, operations and finances and set standards for the ethical conduct of the business.

The directors who served during the year under review are;

Chief Anthony Idigbe, SAN  
Mr. Bulama Abatcha, FCA  
Mrs. Fadeke Olugbemi, FCA  
Mr. Kunle Aluko  
Dr. Alexander Thomopoulos  
Mr. Toke Alex- Ibru  
Mr. Ufuoma Ibru  
Mr. Waheed Olagunju

The Board met four times during the financial year (26 March 2018, 27 April 2018, 26 July 2018, 6 December 2018) In accordance with Section 258(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the record of directors' attendance at board meetings held during the financial year under review is set below:



## REPORT OF THE DIRECTORS (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

Name	No. attended
Chief Anthony Idigbe SAN	4
Mr. Bulama Abatcha, FCA	4
Mrs. Fadeke Olugbemi, FCA	4
Mr. Kunle Aluko	4
Dr. Thomopulos Alexander	2
Mr. Toke Alex- Ibru	2
Mr. Ufuoma Ibru	4
Mr. Waheed Olagunju	0

### 9. **Complaints Management Policy Framework**

The Board has approved the Complaints Management Policy and Procedure Manual and same is available on the company's website. The policy aims to establish a fair, impartial and objective complaints management policy for the handling of the complaints/enquires from shareholders, customers regulatory agencies and the other stakeholders.

### 10. **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.

### **©.) Employment of Physically challenged persons**

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

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

### **(d.) Employees' Involvement and Training**

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

### 11. **Dealing in Issuers' Shares Policy**

In accordance with the Post-Listing 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 is to be communicated periodically to derive compliance. In respect of the year ended 31 December 2018, the Directors of Ikeja Hotel Plc hereby confirm that:

A code of conduct regarding securities transactions by all Directors was adopted by the Company. A 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 Plc's code of conduct, regarding securities transactions by Directors.



## REPORT OF THE DIRECTORS (CONT'D)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 12. Board Committees

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

##### Finance, Risk and General Purpose Committee

The Finance, Risk and General-Purpose Committee Board met six times during the financial year (27 February 2018, 22 March 2018, 26 April 2018, 5 July 2018, 16 October 2018, 16 November 2018) the record of directors' attendance at this committee meetings held during the financial year under review is set below:

##### Finance, Risk and General-Purpose Committee

Mr Bulama Abatcha, FCA- (Chairman)	6
Mrs Fadeke Olugbemi, FCA	5
Mr Toke Alex- Ibru	4
Mr Ufuoma Ibru	6
Dr. Thomopulos Alexander	4

##### Nominations Establishment Governance Committee

The Nominations Establishment Governance Committee Board met five times during the financial year (27 February 2018, 26 April 2018, 5 July 2018, 5 November 2018, 16 November 2018) the record of directors' attendance at this committee meetings held during the financial year under review is set below:

##### Nominations Establishment Governance Committee

Mrs. Fadeke Olugbemi, FCA-(Chairman)	5
Mr. Toke Alex- Ibru	3
Mr. Ufuoma Ibru	4
Mr. Kunle Aluko	5
Mr. Bulama Abatcha, FCA	5

#### 13. 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. The Audit Committee met three times (16 January 2018, 22 March 2018, 15 October 2018) Those who served on the Audit Committee during the year under review and their attendance at the meeting are:

Chief Victor C.N. Oyolu, FCA (Chairman)	3
Alhaji Wahab A. Ajani	3
Mr. Adelakun Lukmon Adesola	2
Mr. Kunle Aluko	2
Dr. Thomopulos Alexander	1
Mr. Bulama Abatcha, FCA	3



## REPORT OF THE DIRECTORS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 14. Company Distributors

The company has no distributors.

### 15. Auditors

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

### 16. Donations

In compliance with Section 38(2) of the Companies and Allied Matters Act, CAP C20, LFN 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose during the 2018 financial year.

### 17. Compliance with regulatory requirement

All regulatory requirements were complied with during the year under review. There was no contravention.

#### BY ORDER OF THE BOARD

**Chisom Umeofia**

FRC/2019/NBA/00000019212

Punuka Nominees Ltd

Secretary

March 26, 2019



# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IKEJA HOTEL PLC



## 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 2018, 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 2018, 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 significant 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.



## INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE SHAREHOLDERS OF IKEJA HOTEL PLC

Key Audit Matters	How the matter was addressed in the audit
<p><b>a) Information technology (IT) systems and control over financial reporting</b></p> <p>"Processing of information with regards to financial reporting and daily routine activities of the entity's primary business are significantly reliant on the use of electronic processing systems which are also integrated. Controls are in place to ensure access rights to applications, operating systems and data used for financial information are significantly monitored, restricted and segregated. The significance of the use of electronic processing systems has its inherent complexities which would require tailored audit programs. Also failure of the IT systems could have severe impact on operations and compilation and integrity of financial information. Migration from SAP to a new application software People Soft was completed during the year. An IT migration project of this type presents inherent risks including the loss of integrity of key financial data being migrated, and the breakdown in operation or monitoring of IT dependent controls within critical business processes, which could lead to financial errors or misstatements and inaccurate financial reporting.</p>	<p>"Our responses in this area were covered by our in-house IT specialist. They include:</p> <ul style="list-style-type: none"> <li>- Tested access rights over the various aspects of technology relied upon for financial reporting.</li> <li>- Checked that new access requests for joiners were properly reviewed and authorized.</li> <li>- Checked that application user access rights were removed on a timely basis when an individual left or moved role.</li> <li>- Checked that access rights to applications were periodically monitored for appropriateness.</li> <li>- Reviewed password policies.</li> <li>- Reviewed disaster recovery policies and procedures.</li> </ul> <p>Tested controls over the implementation process and migration of key financial data from the legacy to the new single operating system.</p>
<p><b>b) Trade receivables impairment allowances:</b></p> <p>A 30 day credit period is allowed for trade receivables. Trade receivables are assessed for recoverability on an individual basis. Hence impairment allowances are only made when there are conditions indicating impairment of the carrying amount of the trade receivable as at the reporting date. The impairment of trade receivables involves significant judgment by management resulting in trade receivables included in KAM. Disclosures on Trade receivables impairment allowance are on Note 18."</p>	<p>We focused our testing of impairment of trade and other receivables on the key assumptions made by the management. Our audit procedures includes:</p> <ul style="list-style-type: none"> <li>• Reviewed revenue recognition policies &amp; controls.</li> <li>• Reviewed events after the reporting period to identify circumstances of trade receivables indicative of impairment.</li> <li>• Reviewed receivables ageing analysis &amp; adequacy of credit loss policies.</li> <li>• Sent out third party confirmation requests.</li> </ul>
<p><b>c) Valuation of long term employee benefits liability</b></p> <p>The Company implements a defined benefit plan in addition to a defined contribution plan imposed by the Pension Reform Act 2014. The carrying amount of the defined benefit plan is significant. Management contracts experts to carry out actuarial valuation of the defined benefit plan as required by IFRS 19. The valuation methods and assumptions therein adopted by the experts involves significant judgment resulting in the defined benefit plan included In Key audit matters. Further disclosures on the retirement benefit plan are on Note 26.2</p>	<p>Assessed competence, qualification, experience and objectivity of the expert/valuer. Reviewed basis of valuation for reasonableness by evaluating the underlying assumptions, estimates. Checked that basis of valuation is permissible under IFRS 19. Carried out independent review of data inputs for consistency with the assumptions and estimates applied. Assessed the adequacy of the disclosures pertaining the long term employee benefits liability in the consolidated and separate financial statements."</p>



## INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE SHAREHOLDERS OF IKEJA HOTEL PLC

### Other information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



## INDEPENDENT AUDITORS' REPORT (CONT'D) TO THE SHAREHOLDERS OF IKEJA HOTEL PLC

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditor's report are Ikechukwu Oguogor and Olukayode Lawal.

**Oguogor J. I, FCA**  
**FRC/2013/ICAN/0000003423**  
**For: Ugochukwu, Ike & Co.**  
**(Chartered Accountants)**  
**Lagos, Nigeria**

**Dated: 26 March 2019**



**Olukayode Lawal, FCA**  
**FRC/2013/ICAN/0000000748**  
**For: Ahmed Zakari & Co.**  
**(Chartered Accountants)**  
**Lagos, Nigeria**

**Dated: 26 March 2019**





## REPORT OF THE STATUTORY AUDIT COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2018

To the members of Ikeja Hotel Plc

In accordance with the provision of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Ikeja Hotel Plc hereby report on the financial statements for the Year Ended December 31, 2018 as follows:

We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the cooperations 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 Year Ended December 31, 2018 was satisfactory and reinforce the Group's internal control systems.

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

**Chief Victor C. N. Oyolu, FCA**  
**FRC/2013/ICAN/00000003347**  
**Chairman, Audit Committee**  
**26 March 2019**

Members of the Audit Committee are:	
Chief Victor C.N. Oyolu	Chairman/Shareholder
Alhaji Wahab A. Ajani	Shareholder
Mr. Adelakun Lukmon Adesola	Shareholder
Mr. Bulama Abatcha	Director
Mr. Kunle Aluko	Director
Dr. Alexander Thomopoulos	Director

The cover features a central black diamond containing the title. The background is a collage of financial and business-related images: a hand writing in a notebook with a red pen, a calculator, stacks of gold coins, a blue-tinted city skyline, and a line graph on a document with a blue pen. A decorative pattern of white, orange, and grey diamonds is at the top.

# CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 DECEMBER 2018



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Notes	The Group		The Company	
		2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>Assets</b>					
<b>Non current assets</b>					
Property, plant and equipment	8	5,949,416	6,230,647	3,888,645	3,976,574
Investment Property	9	4,630,087	4,630,087	-	-
Capital work in progress	10	6,529,985	6,320,396	4,238,336	4,111,841
Intangible asset	11	4,487,764	4,500,948	8,995	10,185
Investment in subsidiaries	12	-	-	4,444,518	4,444,518
Investment accounted for using the equity method	13	147,014	315,023	798,722	798,722
Loan to related party	14	6,455,477	6,151,565	6,455,477	6,151,565
Due from related parties	15	113,188	113,939	722,829	485,328
Long term investment	16	-	-	-	-
		<b>28,312,931</b>	28,262,605	<b>20,557,522</b>	19,978,733
<b>Current assets</b>					
Inventories	17	670,302	990,549	55,333	266,695
Trade and other receivables	18	1,162,044	1,162,538	770,733	671,749
Other receivables and prepayments	19	1,379,570	967,589	700,735	722,714
Cash and cash equivalents	20	6,292,323	4,366,580	2,524,787	955,337
		<b>9,504,239</b>	7,487,256	<b>4,051,588</b>	2,616,495
<b>Total assets</b>		<b>37,817,170</b>	35,749,861	<b>24,609,110</b>	22,595,228
<b>Equity and liabilities</b>					
Ordinary shares	28.2	1,039,398	1,039,398	1,039,398	1,039,398
Share premium	29	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	30	11,673,832	10,909,841	5,682,469	5,005,435
Revaluation reserve	31	-	-	-	-
<b>Equity attributable to equity holders of the Parent</b>		<b>14,094,302</b>	13,330,311	<b>8,102,939</b>	7,425,905
Non-controlling interest	32	4,355,626	4,014,257	-	-
<b>Total equity</b>		<b>18,449,928</b>	17,344,568	<b>8,102,939</b>	7,425,905
<b>Non-current liabilities</b>					
Due to related parties	24	6,286,936	5,613,549	7,835,409	7,155,293
Retirement benefit obligations	26	2,334,784	2,532,920	1,728,301	1,636,723
Deferred tax	25.2	611,127	926,690	188,252	228,628
		<b>9,232,847</b>	9,073,159	<b>9,751,962</b>	9,020,644
<b>Current liabilities</b>					
Trade and other payables	21	4,054,306	3,709,527	1,252,102	1,113,701
Deferred income	22	5,259,561	4,978,414	5,085,665	4,781,753
Dividend payable	23	109,845	109,845	16,691	16,691
Deposit for shares	44	93,600	93,600	93,600	93,600
Current tax payables	25.1	617,083	440,748	306,151	142,934
		<b>10,134,395</b>	9,332,134	<b>6,754,209</b>	6,148,679
<b>Total liabilities</b>		<b>19,367,242</b>	18,405,293	<b>16,506,171</b>	15,169,323
<b>Total equity and liabilities</b>		<b>37,817,170</b>	35,749,861	<b>24,609,110</b>	22,595,228

These consolidated financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 26 March 2019

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

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

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

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



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME As AT 31 DECEMBER 2018

	Notes	The Group		The Company	
		2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>Continuing operations</b>					
Revenue	36.2	<b>13,267,667</b>	12,122,013	<b>7,290,231</b>	<b>6,317,459</b>
Cost of sales	36.3	<b>(9,540,474)</b>	(8,416,675)	<b>(4,670,742)</b>	<b>(4,119,632)</b>
Gross profit		<b>3,727,193</b>	3,705,338	<b>2,619,489</b>	2,197,827
Other income	33	<b>354,415</b>	505,205	<b>144,800</b>	64,519
Sales and marketing expenses		<b>(236,584)</b>	(519,592)	<b>(236,584)</b>	(228,097)
Administrative expenses	35	<b>(1,730,910)</b>	(2,014,051)	<b>(983,406)</b>	(1,087,611)
<b>Operating profit</b>		<b>2,114,114</b>	1,676,900	<b>1,544,299</b>	946,638
Finance costs	34	<b>(717,026)</b>	(681,762)	<b>(717,026)</b>	(681,762)
Share of loss in investment accounted for using the equity method		<b>(168,009)</b>	(261,321)	-	-
Profit before tax		<b>1,229,079</b>	733,817	<b>827,273</b>	264,876
Income tax expense	25.3	<b>(123,720)</b>	(130,205)	<b>(150,239)</b>	(129,230)
<b>Profit for the year from continuing operations</b>		<b>1,105,359</b>	603,612	<b>677,034</b>	135,646
<b>Profit attributable to:</b>					
Equity holders of the parent		<b>763,991</b>	124,408	<b>677,034</b>	135,646
Non-controlling interest		<b>341,369</b>	479,204	-	-
<b>Profit for the year</b>		<b>1,105,359</b>	603,612	<b>677,034</b>	<b>135,646</b>
<b>Other comprehensive income:</b>					
Re-measurement gain/(Loss) of defined benefit plan	26.2	-	(18,539)	-	(18,539)
<b>Other comprehensive income for the year</b>		-	(18,539)	-	(18,539)
<b>Total comprehensive income for the year</b>		<b>1,105,359</b>	585,073	<b>677,034</b>	117,107
<b>Total comprehensive income for the year attributable to:</b>					
Equity holders of the parent		<b>763,991</b>	105,869	<b>677,034</b>	117,107
Non-controlling interest		<b>341,369</b>	479,204	-	-
		<b>1,105,359</b>	585,073	<b>677,034</b>	117,107
Basic earnings per share (Kobo)		<b>53</b>	29	<b>33</b>	7

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 AS AT 31 DECEMBER 2018

	The Group						The Company				
	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Revaluation reserve	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
<b>Attributable to equity holders of the Parent</b>											
At 1 January 2017	1,039,398	1,381,072	2,605,833	-	5,026,303	2,539,359	7,565,662	1,039,398	1,381,072	4,888,328	7,308,798
Changes in equity for 2017	-	-	124,408	-	124,408	479,204	603,612	-	-	135,646	135,646
Profit for the year	-	-	(18,539)	-	(18,539)	-	(18,539)	-	-	(18,539)	(18,539)
Re-measurement Loss on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	105,869	-	105,869	479,204	585,073	-	-	117,107	117,107
Effect of reversal of impairment on subsidiary	-	-	4,062,568	-	4,062,568	531,075	4,593,643	-	-	-	-
Share of revaluation reserve in Subsidiary	-	-	-	-	-	464,619	464,619	-	-	-	-
Transfer from revaluation reserve	-	-	4,135,571	4,135,571	8,271,142	-	8,271,142	-	-	-	-
Transfer to retained earnings	-	-	-	(4,135,571)	(4,135,571)	-	(4,135,571)	-	-	-	-
At 31 December 2017	1,039,398	1,381,072	10,909,841	-	13,330,311	4,014,257	17,344,569	1,039,398	1,381,072	5,005,435	7,425,905
<b>Attributable to equity holders of the parent</b>											
At 1 January 2018	1,039,398	1,381,072	10,909,841	-	13,330,311	4,014,257	17,344,569	1,039,398	1,381,072	5,005,435	7,425,905
Changes in equity for 2018	-	-	763,991	-	763,991	341,369	1,105,359	-	-	677,034	677,034
Profit for the year	-	-	763,991	-	763,991	341,369	1,105,359	-	-	677,034	677,034
Re-measurement Loss on defined benefit plans	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	763,991	-	763,991	341,369	1,105,359	-	-	677,034	677,034
At 31 December 2018	<b>1,039,398</b>	<b>1,381,072</b>	<b>11,673,832</b>	-	<b>14,094,302</b>	<b>4,355,626</b>	<b>18,449,928</b>	<b>1,039,398</b>	<b>1,381,072</b>	<b>5,682,469</b>	<b>8,102,939</b>

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

Refer to note (47.3) ... for explanation of changes in the opening balances for year 2018





## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	The Group		The Company	
		2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>Profit before tax</b>		<b>1,229,079</b>	733,817	<b>827,273</b>	264,876
<b>Adjustment for:</b>					
Depreciation of property, plant and equipment	8	<b>731,041</b>	712,524	<b>349,025</b>	344,224
Amortisation of intangible asset	35	<b>163,454</b>	142,574	<b>2,024</b>	2,024
Share of loss in investment accounted for using the equity method		<b>168,009</b>	261,321	-	-
Prior Period adjustment: income tax		-	15,000	-	15,000
Finance costs	34	<b>717,026</b>	681,762	<b>717,026</b>	681,762
Loss/(profit) on disposal of property, plant and equipment	33	-	(18,139)	-	(15,228)
Write back of impairment allowance		<b>(185,604)</b>	-	-	-
Remeasurement gain on retirement benefit	25.3	-	(18,539)	-	(18,539)
<b>Net cash from operating activities before changes in working capital</b>		<b>2,823,004</b>	2,510,320	<b>1,895,348</b>	1,274,119
<b>Changes in:</b>					
(Increase)/decrease in inventories		<b>320,246</b>	(441,260)	<b>211,362</b>	4,948
(Increase)/decrease in trade and other receivables		<b>494</b>	(125,321)	<b>(98,984)</b>	(291,160)
Decrease in other assets		<b>(411,981)</b>	92,783	<b>21,979</b>	113,462
Increase in loans and receivables		<b>(303,912)</b>	(236,629)	<b>(303,912)</b>	(236,629)
Decrease in due from related party		<b>751</b>	(751)	<b>(237,501)</b>	(750)
Increase in investment in subsidiaries		-	-	-	(3,598)
Intercompany dividends		<b>26,744</b>	-	-	-
Decrease/(increase) in trade and other payables		<b>354,206</b>	612,357	<b>138,401</b>	260,759
Post employment benefits		<b>(198,136)</b>	143,421	<b>91,578</b>	301,736
Increase in deferred income		<b>281,147</b>	387,349	<b>303,912</b>	236,629
Increase in due to related parties		<b>673,387</b>	593,106	<b>680,116</b>	455,521
Cash generated from operating activities		<b>3,565,950</b>	3,535,375	<b>2,702,299</b>	2,115,037
Income tax paid	25.1	<b>(262,948)</b>	(253,587)	<b>(27,398)</b>	(199,339)
<b>Net cash from operating activities</b>		<b>3,303,002</b>	3,281,788	<b>2,674,901</b>	1,915,698
<b>Cash flows from investing activities</b>					
Purchase of property plant and equipment	8	<b>(451,910)</b>	(457,538)	<b>(263,196)</b>	(219,678)
Purchase of intangible assets	11	<b>(834)</b>	(23,173)	<b>(834)</b>	-
Adjustment in property plant and equipment		<b>2,100</b>	-	<b>2,100</b>	-
Proceed on disposal of property, plant and equipment		-	18,139	-	15,228
Additions to capital work in progress	10	<b>(209,589)</b>	(2,052,482)	<b>(126,495)</b>	(367,730)
<b>Net cash used in investing activities</b>		<b>(660,233)</b>	(2,515,054)	<b>(388,425)</b>	(572,180)
<b>Cash flows from financing activities</b>					
Finance costs	34	<b>(717,026)</b>	(681,762)	<b>(717,026)</b>	(681,762)
Dividend paid	23	-	(5,225)	-	-
Loan repaid		-	(350,352)	-	(350,352)
<b>Net cash used in financing activities</b>		<b>(717,026)</b>	(1,037,339)	<b>(717,026)</b>	(1,032,114)
Net increase/(decrease) in cash and cash equivalents		<b>1,925,743</b>	(270,605)	<b>1,569,450</b>	311,404
Cash and cash equivalents at 1 January		<b>4,366,580</b>	4,637,285	<b>955,337</b>	643,933
<b>Cash and cash equivalents at 31 December</b>	37	<b>6,292,323</b>	4,366,580	<b>2,524,787</b>	955,337

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 2018

### 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, Charles Hampton and IHL Services Limited with 100% shareholdings.

#### 1.2 The Company

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

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

#### 1.3 Corporate office

The registered office of the company is 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 business centre services, advisory and consultancy services.

### 2. Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011.

#### 2.1 Basis of measurement

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

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

#### 2.2 Functional and presentation currency

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 2.3 Going concern status

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

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December, 2018.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

### d. **Impairment of financial assets**

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

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

### e. **Retirement benefit obligation**

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

### f. **Investment property**

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

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

### g. **Allowances on trade receivables**

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

### h. **Inventory provisions**

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

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

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

#### 3.1 **Amendments effective from annual periods beginning 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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.

As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows;

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

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

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

- IFRS 16 supersedes the following Standards and Interpretations:

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

### **b Amendment to IAS 23 Investment and Joint Ventures**

On 12 October 2017, the IASB published 'Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)' to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019. Effective date of IFRIC 23

### **c) Amendment to IAS 12- Income Tax**

IFRIC 23 'Uncertainty over Income Tax Treatments' was issued by the IASB on 7 June 2017 and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted.

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently;
- IFRS 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk;
- IFRS 16 supersedes the following Standards and Interpretations:
  - a) IAS 17 Leases;
  - b) IFRIC 4 Determining whether an Arrangement contains a Lease;
  - c) SIC-15 Operating Leases—Incentives; and
  - d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

### 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."

#### "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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### c) **Investments in joint ventures**

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

### d) **Investments in special purpose entities (SPEs)**

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

### e) **Business combinations**

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

### f) **Goodwill**

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

### g) **Segment Reporting**

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

### - **De-recognition of Intangible Assets**

Intangible assets are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceed as applicable, is recognised in profit or loss.

### - **Intangible assets generated internally**

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

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

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

### i) **Property, plant and equipment**

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

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

### j) **Subsequent costs**

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

### k) **Derecognition of property, plant and equipment**

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

### l) **Depreciation of property, plant and equipment**

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

The estimated useful lives are as follows:

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

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

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

### m) **Non current assets held for sale**

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

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

### n) **Reclassifications**

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

### 5.1 **Financial instruments**

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 5.2 Available-for-sale financial assets

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

### 5.3 Financial assets at fair value through profit and loss

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

### 5.4 Loans and receivables

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

### 5.5 Held-to-maturity financial assets

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

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

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

### 5.6 Recognition and measurement

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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

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

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

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

### 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;



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

The disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flow from a Group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group:

- i) adverse changes in the payment status of issuers or debtors in the Group; or
- ii) national or local economic conditions that correlate with defaults on the asset of the Group

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

### b) **Assets classified as available for sale**

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

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

## 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."



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 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.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 5.15.3 Termination benefits

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

### 5.15.4 Short-term employee benefits

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

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

### 5.16 Provisions

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

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

### 5.17 Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Future operating losses are not provided for.

### 5.18 Segment reporting

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

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

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

### 5.19 Revenue recognition

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

### 5.19.1 Sale of service

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

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

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

### 5.20 Investment return

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

### 5.21 Dividend

#### 5.21.1 Dividend distributions

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

#### 5.21.2 Unclaimed dividend

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

### 5.22 Taxation

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

#### 5.22.1 Deferred tax

"Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

### 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### **The Group has exposure to the following risks:**

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

### **Strategic risk**

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

### **Capital Management Policies, Objectives and Approach**

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

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

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

### **Approach to capital management**

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

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

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

### **Credit risk**

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 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			
		2018	2017	2018	2017		
		N'000	N'000	N'000	N'000		
<b>Financial assets</b>							
Loans and receivables		6,455,477	6,151,565	6,455,477	6,151,565		
Investments accounted for using the equity method		147,014	315,023	798,722	798,722		
Trade and other receivables		1,162,044	1,162,538	770,733	671,749		
Cash and cash equivalents		6,292,323	4,366,580	2,524,787	955,337		
		<b>14,056,859</b>	<b>11,995,706</b>	<b>10,549,719</b>	<b>8,577,374</b>		
<b>An analysis of trade receivables - Group</b>							
		Past due but not impaired					
Note	Carrying amount	Neither	31-60 days	61-90 days	91-120 days	121-180 days	Over 181 days
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
2018	14	727,783	321,680	283,212	53,896	22,992	27,736
2017	14	1,370,814	683,217	387,492	51,675	11,931	146,501
<b>An analysis of trade receivables - Company</b>							
		Past due but not impaired					
Note	Carrying amount	Neither	31-60 days	61-90 days	91-120 days	121-180 days	Over 181 days
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
2018	14	727,783	321,680	283,212	53,896	22,992	27,736
2017	14	733,074	359,627	287,923	11,552	3,274	70,698

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.

### 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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### Financial risk

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

### Liquidity risk

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

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

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

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

### Contractual maturity analysis for financial liabilities - Group

	Due within one year N'000	Due after one year N'000	Total N'000
<b>At 31 December 2018</b>			
<b>Financial liabilities</b>			
Other liabilities	5,970,244	9,232,847	15,203,091
Trade and other payables	4,054,306	-	4,054,306
Dividend payable	109,845	-	109,845
	<b>10,134,395</b>	<b>9,232,847</b>	<b>19,367,242</b>
<b>At 31 December 2017</b>			
<b>Financial liabilities</b>			
Other liabilities	11,126,311	-	11,126,311
Trade and other payables	3,709,527	-	3,709,527
Dividend payable	109,845	-	109,845
	<b>14,945,682</b>	<b>-</b>	<b>14,945,682</b>

### Contractual maturity analysis for financial liabilities - Company

	Due within one year N'000	Due after one year N'000	Total N'000
<b>At 31 December 2018</b>			
<b>Financial liabilities</b>			
Other liabilities	5,485,416	9,751,962	15,237,378
Trade and other payables	1,252,102	-	1,252,102
Dividend payable	16,691	-	16,691
	<b>6,754,209</b>	<b>9,751,962</b>	<b>16,506,171</b>
<b>At 31 December 2017</b>			
<b>Financial liabilities</b>			
Other liabilities	12,173,580	-	12,173,580
Trade and other payables	1,113,701	-	1,113,701
Dividend payable	16,691	-	16,691
	<b>13,303,972</b>	<b>-</b>	<b>13,303,972</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

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

### **Market risk**

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

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

### **Foreign exchange risk**

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

### **Price risk**

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

## **7. Fair value determination**

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

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

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

### **7.1 Financial instruments and fair values**

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### The Group

#### At 31 December 2018

##### Assets

Cash and cash equivalents	6,292,323	-	6,292,323
Trade and other receivables	-	1,162,044	1,162,044
Loans and receivables	-	6,455,477	6,455,477
Investments accounted for using the equity method	147,014	-	147,014
	<b>6,439,338</b>	<b>7,617,521</b>	<b>14,056,859</b>

##### Liabilities

Trade and other payables	4,054,306	-	4,054,306
Bank overdrafts	-	-	-
Other liabilities	6,080,089	-	6,080,089
	<b>10,134,395</b>	<b>-</b>	<b>10,134,395</b>

#### At 31 December 2017

##### Assets

Cash and cash equivalents	4,366,580	-	4,366,580
Trade and other receivables	-	1,162,538	1,162,538
Loans and receivables	-	6,151,565	6,151,565
Investments accounted for using the equity method	315,023	-	315,023
	<b>4,681,603</b>	<b>7,314,103</b>	<b>11,995,706</b>

##### Liabilities

Trade and other payables	3,709,527	-	3,709,527
Bank overdrafts	-	-	-
Other liabilities	11,126,311	-	11,126,311
	<b>14,835,838</b>	<b>-</b>	<b>14,835,838</b>

#### The Company

#### At 31 December 2018

##### Assets

Cash and cash equivalents	2,524,787	-	2,524,787
Trade and other receivables	-	770,733	770,733
Loans and receivables	-	6,455,477	6,455,477
Investments accounted for using the equity method	798,722	-	798,722
	<b>3,323,509</b>	<b>7,226,210</b>	<b>10,549,719</b>

##### Liabilities

Trade and other payables	1,252,102	-	1,252,102
Bank overdrafts	-	-	-
Other liabilities	5,502,107	-	5,502,107
	<b>13,287,281</b>	<b>-</b>	<b>13,287,281</b>

#### At 31 December 2017

##### Assets

Cash and cash equivalents	955,337	-	955,337
Trade and other receivables	-	671,749	671,749
Loans and receivables	-	6,151,565	6,151,565
Investments accounted for using the equity method	798,722	-	798,722
	<b>1,754,059</b>	<b>6,823,314</b>	<b>8,577,373</b>

##### Liabilities

Trade and other payables	1,113,701	-	1,113,701
Bank overdraft	-	-	-
Other liabilities	12,173,580	-	12,173,580
	<b>13,287,281</b>	<b>-</b>	<b>13,287,281</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 7.2 Fair valuation methods and assumptions

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

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

### 7.3 Fair value measurements recognised in the statement of financial position

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

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

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 8. Property, plant and equipment

	Land N'000	Building N'000	Hotel equipment N'000	Office equipment furniture and fittings N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
<b>8.1 The Group</b>							
<b>Cost</b>							
<b>At 1 January 2017</b>	3,440,742	1,591,598	4,441,554	3,391,065	191,689	482,093	13,538,741
Additions in the year	-	96,632	206,640	121,361	32,905	-	457,538
Reclassification	-	-	-	-	-	-	-
Disposals in the year	-	-	(9,860)	-	-	(191,249)	(201,109)
<b>At 31 December 2017</b>	<b>3,440,742</b>	<b>1,688,230</b>	<b>4,638,334</b>	<b>3,512,426</b>	<b>224,594</b>	<b>290,844</b>	<b>13,795,170</b>
<b>At 1 January 2018</b>	3,440,742	1,688,230	4,638,334	3,512,426	224,594	290,844	13,795,170
Additions in the year	-	19,777	194,573	109,705	127,855	-	451,910
Disposals	-	-	-	-	-	-	-
Adjustment	-	-	(2,100)	-	-	-	(2,100)
<b>At 31 December 2018</b>	<b>3,440,742</b>	<b>1,708,007</b>	<b>4,830,807</b>	<b>3,622,131</b>	<b>352,449</b>	<b>290,844</b>	<b>14,244,980</b>
<b>Depreciation</b>							
At 1 January 2017	-	735,087	3,137,665	2,555,101	172,430	452,824	7,053,107
Charge for the year	-	50,725	416,582	217,501	15,316	12,401	712,525
Eliminated on disposal	-	-	(9,860)	-	-	(191,249)	(201,109)
<b>At 31 December 2017</b>	<b>-</b>	<b>785,812</b>	<b>3,544,387</b>	<b>2,772,602</b>	<b>187,746</b>	<b>273,976</b>	<b>7,564,523</b>
<b>Depreciation</b>							
At 1 January 2018	-	785,812	3,544,387	2,772,602	187,746	273,976	7,564,523
Charge for the year	-	37,363	412,229	235,166	34,017	12,266	731,041
Eliminated on disposal	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
<b>At 31 December 2018</b>	<b>-</b>	<b>823,175</b>	<b>3,956,616</b>	<b>3,007,768</b>	<b>221,763</b>	<b>286,242</b>	<b>8,295,564</b>
<b>Carrying amount</b>							
<b>At 31 December 2018</b>	<b>3,440,742</b>	<b>884,832</b>	<b>874,191</b>	<b>614,363</b>	<b>130,686</b>	<b>4,602</b>	<b>5,949,416</b>
<b>At 31 December 2017</b>	<b>3,440,742</b>	<b>902,418</b>	<b>1,093,947</b>	<b>739,824</b>	<b>36,848</b>	<b>16,868</b>	<b>6,230,647</b>

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

Adjustment represents difference in opening balances.

There is no impairment charge during the year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	Land	Building N'000	Hotel equipment N'000	Office Furniture fittings and equipment N'000	computer equipment N'000	Motor vehicles N'000	Total N'000
<b>8.2 The Company</b>							
<b>Cost</b>							
At 1 January 2017	3,084,350	745,849	2,252,504	72,943	190,037	245,674	6,591,357
Additions	-	19,721	160,964	6,088	32,905	-	219,678
Disposals in the year	-	-	(9,860)	-	-	(191,249)	(201,109)
At 31 December 2017	3,084,350	765,570	2,403,608	79,031	222,942	54,425	6,609,926
At 1 January 2018	3,084,350	765,570	2,403,608	79,031	222,942	54,425	6,609,926
Additions in the year	-	11,381	118,116	5,844	127,855	-	263,196
Adjustment	-	-	(2,100)	-	-	-	(2,100)
<b>At 31 December 2018</b>	<b>3,084,350</b>	<b>776,951</b>	<b>2,519,624</b>	<b>84,875</b>	<b>350,797</b>	<b>54,425</b>	<b>6,871,022</b>
<b>Depreciation</b>							
At 1 January 2017	-	460,275	1,566,330	57,509	170,778	235,345	2,490,237
Charge for the year	-	28,733	290,011	4,997	15,316	5,167	344,224
Eliminated on disposal	-	-	(9,860)	-	-	(191,249)	(201,109)
At 31 December 2017	-	489,008	1,846,481	62,506	186,094	49,263	2,633,352
At 1 January 2018	-	489,008	1,846,481	62,506	186,094	49,263	2,633,352
Charge for the year	-	29,920	276,078	3,848	34,017	5,162	349,025
Eliminated on disposal	-	-	-	-	-	-	-
<b>At 31 December 2018</b>	<b>-</b>	<b>518,928</b>	<b>2,122,559</b>	<b>66,354</b>	<b>220,111</b>	<b>54,425</b>	<b>2,982,377</b>
<b>Carrying amount</b>							
<b>At 31 December 2018</b>	<b>3,084,350</b>	<b>258,023</b>	<b>397,065</b>	<b>18,521</b>	<b>130,686</b>	<b>-</b>	<b>3,888,645</b>
<b>At 31 December 2017</b>	<b>3,084,350</b>	<b>276,562</b>	<b>557,127</b>	<b>16,525</b>	<b>36,848</b>	<b>5,162</b>	<b>3,976,574</b>

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

Adjustment represents adjustment in opening balances.

There is no impairment charge during the year.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>9 Investment Property</b>	<b>4,630,087</b>	4,630,087	-	-
Investment property disclosed in the group financial statements relates to its subsidiary, Charles Hampton & Company Limited in which it has 89.9% interest and was consolidated with the Group for the first time in the year 2017. The property comprise land held for future development. Investment property is measured using the fair value model.				
<b>10. Capital work in progress</b>				
At 1 January	<b>6,320,396</b>	4,361,258	<b>4,111,841</b>	3,744,111
Additions in the year	<b>209,589</b>	2,052,482	<b>126,495</b>	367,730
Impairment loss	-	(93,344)	-	-
At 31 December	<b>6,529,985</b>	6,320,396	<b>4,238,336</b>	4,111,841

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

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>11. Intangible asset</b>				
<b>11.1 Computer software</b>				
<b>Cost</b>				
At 1 January	<b>69,253</b>	46,080	<b>20,236</b>	20,236
Additions in the year	<b>834</b>	23,173	<b>834</b>	-
At 31 December	<b>70,087</b>	69,253	<b>21,070</b>	20,236
<b>Amortization</b>				
At 1 January	<b>20,973</b>	14,047	<b>10,051</b>	8,027
Charge for the year	<b>14,018</b>	6,926	<b>2,024</b>	2,024
At 31 December	<b>34,991</b>	20,973	<b>12,075</b>	10,051
<b>Carrying amount</b>	<b>35,096</b>	48,280	<b>8,995</b>	10,185
<b>11.2 Goodwill</b>	<b>4,452,668</b>	4,452,668	-	-
	<b>4,487,764</b>	4,500,948	<b>8,995</b>	10,185

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 12. Investment in subsidiary

Hans Gremlin Nigeria Limited	<b>4,440,919</b>	4,440,919
IHL Services Limited	<b>100</b>	100
Charles Hampton and Company Limited	<b>3,499</b>	3,499
	<b>4,444,518</b>	4,444,518

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

### 12.1 Subsidiaries undertakings

All shares in subsidiaries undertakings are ordinary shares

Subsidiaries	Country of incorporation	Proportion of ownership	Principal activities
<ul style="list-style-type: none"> <li>Hans Gremlin Nigeria Limited</li> <li>Capital Hotels Plc</li> </ul>	Nigeria	75%	Special purpose vehicle.
<ul style="list-style-type: none"> <li>IHL Services Limited</li> </ul>	Nigeria	100%	Operation of hotels and restaurants, apartment letting, recreational facilities, night clubs and a business center.
<ul style="list-style-type: none"> <li>Charles Hampton</li> </ul>	Nigeria	89.9%	Advisory and consultancy services to undertake advisory management on all types of businesses.
			To Carry on Business as an Investment company amongst others

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

	Hans-Gremlin Nigeria Limited N'000	Capital Hotel Plc N'000	IHL Services Limited N'000	Charles Hampton and Company Limited N'000
<b>31 December 2018</b>				
Revenue	<b>39,494</b>	<b>5,977,436</b>	-	-
(Loss)/profit after tax	<b>(735)</b>	<b>513,726</b>	<b>(2,033)</b>	<b>(22,870)</b>
Total assets	<b>6,334,272</b>	<b>10,082,764</b>	<b>1,036,833</b>	<b>5,103,115</b>
Total liabilities	<b>583,648</b>	<b>3,558,880</b>	<b>71,399</b>	<b>706,856</b>
Equity	<b>5,750,623</b>	<b>6,523,884</b>	<b>965,434</b>	<b>4,396,259</b>
<b>31 December 2017</b>				
Revenue	-	5,622,013	182,541	-
(Loss)/profit after tax	(750)	780,510	(26,443)	(23,054)
Total assets	6,334,272	5,340,922	933,616	5,102,720
Total liabilities	582,914	3,819,331	86,435	685,828
Equity	5,751,358	6,021,799	847,181	5,102,720



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 13. Investment accounted for using the equity method

The Company holds 12.18% interest in Tourist Company of Nigeria (TCN). The terms of the contractual arrangement confers on Ikeja Hotel Plc the right to participate in the strategic operating and financial decisions of TCN. Therefore, Ikeja Hotel Plc's investment in TCN is accounted for using the equity method.

#### Aggregate amounts relating to investment in joint venture include:

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
At 1 January	<b>315,023</b>	576,344	<b>798,722</b>	798,722
Share of loss of joint venture	<b>(168,009)</b>	(261,321)	-	-
At 31 December	<b>147,014</b>	315,023	<b>798,722</b>	798,722

### 14. Loan to related party

	The Group		The Company		The Company	
	2018 US \$'000	2018 N'000	2017 N'000	2018 US \$'000	2018 N'000	2017 N'000
At 1 January	<b>17,040</b>	<b>6,151,565</b>	5,914,936	17,040	<b>6,151,565</b>	5,914,936
Interest capitalised	<b>842</b>	<b>303,912</b>	181,307	842	<b>303,912</b>	181,307
Exchange revaluation	-	-	55,322	-	-	55,322
At 31 December	<b>17,882</b>	<b>6,455,477</b>	6,151,565	<b>17,882</b>	<b>6,455,477</b>	6,151,565

Loan to related party relates to receivable from The Tourist Company of Nigeria Plc. The interest rate of 5% (2017 : 5%) has been set on the Company's fixed borrowing. Of these fixed borrowings 100% (2017 : 100%) is for periods longer than 12 months. The Company had no unutilised borrowing facilities at 31 December 2018 (2017 : 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.

### 15. Due from related parties

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Hans Gremlin Nigeria Limited	-	-	<b>485,313</b>	484,578
Charles Hampton Limited	-	109,221	<b>237,516</b>	750
AVIS - Current Account	<b>31,122</b>	31,122	-	-
GMI & Co	<b>113,188</b>	113,188	-	-
Felfan Limited	<b>59,074</b>	59,074	-	-
	<b>203,384</b>	312,605	<b>722,829</b>	485,328
Impairment allowance (Note 15.1)	<b>(90,196)</b>	(198,666)	-	-
	<b>113,188</b>	113,939	<b>722,829</b>	485,328

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 15.3 Impairment Allowance

On due from related parties  
Write back of impairment charges

<b>198,667</b>	198,666	-	-
<b>(108,471)</b>	-	-	-
<b>90,196</b>	198,666	-	-

### 16. Long term investments-Unquoted

ICON Stockbroker  
A. Savoia Ltd  
Charles Hampton  
Felfan

Impairment allowance

The Group		The Company	
2018	2017	2018	2017
N'000	N'000	N'000	N'000
<b>7,421</b>	7,421	-	-
<b>2,571</b>	2,571	-	-
-	-	-	-
<b>13,005</b>	13,005	-	-
<b>22,997</b>	22,997	-	-
<b>(22,997)</b>	(22,997)	-	-
-	-	-	-

### 17. Inventories

Food and Beverage  
Maintenance supplies  
Operating supplies  
General store  
Inventory WIP

The Group		The Company	
2018	2017	2018	2017
N'000	N'000	N'000	N'000
<b>120,847</b>	201,210	<b>55,333</b>	70,090
<b>76,476</b>	88,979	-	88,979
-	122,680	-	94,390
-	105,047	-	13,326
<b>472,979</b>	472,633	-	-
<b>670,302</b>	990,549	<b>55,333</b>	266,695

Inventory to the value of N55.3 million (2017: N266.7 million) are carried at net realisable value. A total inventory value of N206.3 million was written off inventory and charged to the statement of profit or loss and other comprehensive income. (2017: Nil)

### 18. Trade and other receivables

Trade receivables  
Advance to employees

Allowances for impairment losses  
Net trade receivables

<b>1,311,774</b>	1,370,814	<b>783,003</b>	733,074
<b>40,624</b>	54,984	<b>3,931</b>	18,048
<b>1,352,398</b>	1,425,798	786,934	751,122
<b>(190,354)</b>	(263,260)	<b>(16,201)</b>	(79,373)
<b>1,162,044</b>	1,162,538	<b>770,733</b>	671,749

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>19. Other receivables and prepayments</b>				
Withholding tax receivable	913,149	578,638	627,429	464,636
Sheraton Brand Hotels	-	88,531	-	88,531
Advances to suppliers	255,584	153,585	55,923	91,682
	<b>1,168,733</b>	820,754	<b>683,352</b>	644,849
Prepayments (Note 19.1)	210,837	146,833	17,383	77,865
	<b>1,379,570</b>	967,587	<b>700,735</b>	722,714
Allowances for impairment losses	-	-	-	-
	<b>1,379,570</b>	967,587	<b>700,735</b>	722,714

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>19.1 Prepayments</b>				
P/P Hotel License	-	-	-	-
P/PM PC's Software	11,160	19,294	11,160	19,294
Rent	1,809	3,638	1,809	3,638
Maintenance	14,035	4,673	-	4,673
Dues and subscription	2,343	4,052	2,343	4,052
Insurance	255	100,610	255	36,683
Supplies	144,662	-	-	-
Staff benefits	30,752	-	-	-
Others (Note 19.1.1)	5,821	14,566	1,816	9,525
	<b>210,837</b>	146,833	<b>17,383</b>	77,865

**19.1.1** This represents prepayment made on workers compensation, Intranet and Human resources.

### 20. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances and fixed deposits with banks.

Cash in hand	918	1,469	335	418
Cash at bank	2,760,408	1,606,895	2,312,561	924,480
	<b>2,761,326</b>	1,608,364	<b>2,312,896</b>	924,898
Allowance for doubtful balances	-	-	-	-
	<b>2,761,326</b>	1,608,364	<b>2,312,896</b>	924,898
Fixed deposits (Note 20.1)	3,530,997	2,758,216	211,891	30,439
Cash and cash equivalents as per statement of financial position	<b>6,292,323</b>	4,366,580	<b>2,524,787</b>	955,337

### 20.1 Fixed deposits

This are placements with banks in Nigeria

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>21. Trade and other payables</b>				
Trade payables	<b>1,193,288</b>	916,531	<b>468,677</b>	124,942
Accrued expenses	<b>810,390</b>	627,834	<b>366,939</b>	245,590
CHP Hospitality and Tourism Limited	<b>625,254</b>	625,254	-	-
Advance deposits	<b>640,156</b>	526,719	<b>252,141</b>	281,544
Due to Starwood Eame License and Service Company	<b>9,424</b>	18,120	<b>9,424</b>	18,120
Service charge distribution	<b>43,327</b>	41,638	<b>43,327</b>	41,638
VAT Payable	<b>347,849</b>	302,061	<b>16,892</b>	17,460
Unclaimed dividend (Note 21.1)	<b>51,879</b>	-	<b>51,879</b>	-
Other liabilities (21.2)	-	70,992	-	70,992
Other credit balances (Note 21.3)	<b>332,739</b>	580,378	<b>42,823</b>	313,414
	<b>4,054,306</b>	3,709,527	<b>1,252,102</b>	1,113,700

21.1 This amount represents total unclaimed dividend returned by registrar.

21.2 The amount represents difference in retained earnings due to configuration issues with the SAGE accounting package is which was previously provided for. In managements best judgement, this does not represent a crystallizable obligation and has been written back to the income statement.

21.3 This amount represent credit balance in trade receivables, outstanding consumption tax and other account payables.

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

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>22. Deferred income</b>				
Ikeja Hotel (Note 22.1)	<b>5,085,665</b>	4,781,753	<b>5,085,665</b>	4,781,753
Capital Hotel (Note 22.2)	<b>31,641</b>	54,406	-	-
Charles Hampton	<b>142,255</b>	142,255	-	-
	<b>5,259,561</b>	4,978,414	<b>5,085,665</b>	4,781,753

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

22.2 This relates to advance payment received for the use of hotel services ie swimming pool, spa and other health services.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>23. Dividend payable</b>				
At 1 January	<b>109,845</b>	109,845	<b>16,691</b>	16,691
Declared during the year	-	-	-	-
Payment during the year	-	-	-	-
At 31 December	<b>109,845</b>	109,845	<b>16,691</b>	16,691
<b>24. Due to related parties</b>				
Capital Hotels Plc	-	-	<b>763,713</b>	984,351
IHL Services Limited	-	-	<b>784,760</b>	557,393
Federal Palace/Sun International	<b>4,247</b>	4,093	<b>4,247</b>	4,093
Alurum Investment Ltd/Omamo Trust Limited.	<b>3,097,221</b>	2,765,292	<b>3,097,221</b>	2,765,292
Minabo Limited	<b>1,811,501</b>	1,617,411	<b>1,811,501</b>	1,617,411
Associated Ventures International Limited	<b>1,373,967</b>	1,226,753	<b>1,373,967</b>	1,226,753
	<b>6,286,936</b>	5,613,549	<b>7,835,409</b>	7,155,293
<b>25 Taxation Account</b>				
<b>25.1 Current tax payables</b>				
At 1 January	<b>440,748</b>	538,494	<b>142,934</b>	187,407
Payment in the year	<b>(262,948)</b>	(253,587)	<b>(27,398)</b>	(199,339)
Charge for the year (Note 25.3)	<b>439,283</b>	140,841	<b>190,615</b>	139,866
Over/under provision	-	15,000	-	15,000
At 31 December	<b>617,083</b>	440,748	<b>306,151</b>	142,934
The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 and the Education Tax Act, CAP E4, LFN 2004 as amended.				
<b>25.2. Deferred taxation</b>				
At 1 January	<b>926,690</b>	937,326	<b>228,628</b>	239,264
Charge for the year (Note 25.3)	<b>(315,563)</b>	(10,636)	<b>(40,376)</b>	(10,636)
At 31 December	<b>611,127</b>	926,690	<b>188,252</b>	228,628
<b>25.3 Income tax expense</b>				
Income tax	<b>280,326</b>	125,483	<b>173,978</b>	125,483
Education tax	<b>30,919</b>	14,383	<b>16,637</b>	14,383
Minimum Tax	-	975	-	-
Prior years underprovision	<b>128,038</b>	-	-	-
	<b>439,283</b>	140,841	<b>190,615</b>	139,866
Deferred taxation	<b>(315,563)</b>	(10,636)	<b>(40,376)</b>	(10,636)
	<b>123,720</b>	130,205	<b>150,239</b>	129,230



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>25.4 The tax expense for the year is reconciled to the profit/(loss) for the year as follows:</b>				
Profit/(loss) before tax	<b>1,229,079</b>	733,817	<b>827,273</b>	264,876
Tax @ 30%	<b>368,724</b>	220,145	<b>248,182</b>	79,464
Deductible items	<b>391,044</b>	207,190	<b>185,909</b>	346,896
Balancing charge	<b>18,267</b>	15,228	<b>13,118</b>	15,228
Capital allowance	<b>(369,671)</b>	(316,106)	<b>(273,231)</b>	(316,106)
Education tax	<b>30,919</b>	14,383	<b>16,637</b>	14,383
Deferred tax effect	<b>(315,563)</b>	(10,636)	<b>(40,376)</b>	(10,636)
Tax expense for the year	<b>123,720</b>	130,205	<b>150,239</b>	129,230
Profit/(loss) after tax	<b>1,105,359</b>	603,612	<b>677,034</b>	135,646
<b>25.5 The tax rate is reconciled to the effective tax rate as follows:</b>				
	%	%	%	%
Tax rate	<b>30</b>	30	<b>30</b>	30
Deductible items	<b>32</b>	28	<b>22</b>	131
Balancing charge	<b>1</b>	2	<b>2</b>	6
Capital allowance	<b>(30)</b>	(43)	<b>(33)</b>	(119)
Education tax	<b>3</b>	2	<b>2</b>	5
Deferred tax effect	<b>(26)</b>	(1)	<b>(5)</b>	(4)
Total effective tax rate	<b>10</b>	18	<b>18</b>	49
<b>26. Retirement benefit obligation</b>				
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 partly funded 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.			



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Defined contribution plan (Note 26.1)	-	-	-	-
Defined benefit plan (Note 26.2)	<b>2,334,784</b>	2,532,920	<b>1,728,301</b>	1,636,723
	<b>2,334,784</b>	2,532,920	<b>1,728,301</b>	1,636,723
<b>26.1 Defined contribution plan</b>				
At 1 January	-	-	-	-
Contribution in the year	-	198,642	-	118,608
Remittance during the year	-	(198,642)	-	(118,608)
At 31 December	-	-	-	-
	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>26.2 Defined benefit plan</b>				
At 1 January	<b>2,532,920</b>	2,389,499	<b>1,636,723</b>	1,334,987
Current service cost	<b>163,138</b>	355,406	<b>163,138</b>	171,044
Interest cost	<b>173,343</b>	154,966	<b>173,343</b>	154,966
Curtailment/settlement	-	(89,756)	-	(89,756)
Adjustments	<b>1,968</b>	46,943	<b>1,968</b>	46,943
Payments in the year	<b>(435,034)</b>	(342,677)	<b>(145,320)</b>	-
Provision written back	<b>(101,551)</b>	-	<b>(101,551)</b>	-
Re-measurement gain on defined benefit plan	-	18,539	-	18,539
At 31 December	<b>2,334,784</b>	2,532,920	<b>1,728,301</b>	1,636,723
Present value of defined benefit obligation	<b>2,334,784</b>	2,532,920	<b>1,728,301</b>	1,636,723
Fair value of plan assets	-	-	-	-
Unrecognised past service costs	-	-	-	-
Unrecognised actuarial gains/losses	-	-	-	-
<b>Movement in defined benefit plans</b>				
At 1 January	<b>1,636,723</b>	1,334,987	<b>1,636,723</b>	1,334,987
Current service cost	<b>163,138</b>	171,044	<b>163,138</b>	171,044
Interest costs	<b>173,343</b>	154,966	<b>173,343</b>	154,966
Actuarial gains recognised	<b>(101,551)</b>	18,539	<b>(101,551)</b>	18,539
Curtailment and settlement	-	(89,756)	-	(89,756)
Payment in the year	<b>(145,320)</b>	-	<b>(145,320)</b>	-
Plan amendments	<b>1,968</b>	46,943	<b>1,968</b>	46,943
	<b>1,728,301</b>	1,636,723	<b>1,728,301</b>	1,636,723



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 31 December

Discount rate  
Inflation rate  
Future salary increases

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
Discount rate	12.00%	10.71%	12.00%	10.71%
Inflation rate	10.71%	12.00%	10.71%	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 2018.

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 on 26 February 2019 by D.A. Agbelese (FRC/2014/IODN/00000008032).

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>27. Current borrowings</b>				
Bank overdraft	-	-	-	-
<b>28. Share capital</b>				
<b>28.1 Authorised</b>				
4,000,000,000 Ordinary shares of 50 kobo each	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
<b>28.2 Issued and fully paid</b>				
2,078,796,399 ordinary shares of 50 kobo each	<u>1,039,398</u>	<u>1,039,398</u>	<u>1,039,398</u>	<u>1,039,398</u>
<b>29. Share premium</b>				
<b>At 31 December</b>	<u>1,381,072</u>	<u>1,381,072</u>	<u>1,381,072</u>	<u>1,381,072</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>30. Retained earnings</b>				
At 1 January	<b>10,909,841</b>	2,605,833	<b>5,005,435</b>	4,888,328
Profit attributable to the owners of the company	<b>763,991</b>	124,408	<b>677,034</b>	135,646
Re-measurement gain/(loss) on defined benefit plan	-	(18,539)	-	(18,539)
Effect of reversal of impairment on subsidiary	-	4,062,568	-	-
Transfer from revaluation reserve	-	4,135,571	-	-
At 31 December	<b>11,673,832</b>	10,909,841	<b>5,682,469</b>	5,005,435
<b>31. Revaluation reserve</b>	-	4,135,571	-	-
<b>Transfer to retained earnings</b>	-	(4,135,571)	-	-
	-	-	-	-
<p>This represent revaluation surplus arising from the fair value measurement of an investment property in the Company's subsidiary, Charles Hampton. This investment property is disclosed in Note 9.</p>				
<b>32. Non controlling interest</b>				
At 1 January	<b>4,014,257</b>	2,539,359	-	-
Effect of reversal of impairment in subsidiary	-	531,075	-	-
Share of profit	<b>341,369</b>	479,204	-	-
Share of revaluation reserve in Subsidiary	-	464,619	-	-
At 31 December	<b>4,355,626</b>	4,014,257	-	-
<b>33. Other income</b>				
Exchange gain	<b>55,487</b>	255,080	<b>12,583</b>	897
Fee income	<b>427</b>	-	-	-
Other services rendered (Note 33.1)	-	86,214	-	-
Interest earned income	<b>68,259</b>	85,405	<b>880</b>	439
Sales of scrap	<b>14,144</b>	50,428	<b>6,838</b>	47,955
Dividend received	-	-	<b>26,744</b>	-
Insurance claim	<b>26,763</b>	-	<b>26,763</b>	-
Profit on disposal of property, plant and equipment	-	18,138	-	15,228
Sundry receipts	<b>3,731</b>	-	-	-
Unclaimed dividend	-	3,218	-	-
Write-back of impairment allowance	<b>185,604</b>	6,722	<b>70,992</b>	-
	<b>354,415</b>	505,205	<b>144,800</b>	64,519
<b>33.1</b> The amount represents the value of other services rendered for Exxon Mobil in the year (2017)(Nil:2018).				
<b>34. Finance costs</b>				
Interest expense	<b>717,026</b>	681,762	<b>717,026</b>	681,762



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group		The Company	
	2018	2017	2018	2017
	N'000	N'000	N'000	N'000
<b>35. Expenses by nature (Administrative expenses)</b>				
<b>The nature of administrative expenses comprises of:</b>				
Directors' remuneration	10,780	9,470	8,910	7,600
Directors' Expenses	108,270	106,587	82,384	64,277
Employee costs	134,761	408,210	79,360	240,407
Depreciation of property, plant and equipment	731,042	712,524	349,026	344,224
Amortisation of intangible assets	163,454	142,574	2,024	2,024
Management fees	86,478	80,166	69,926	60,756
Operators incentive fee	109,353	94,790	109,353	94,790
Legal	5,850	27,590	5,100	13,311
Professional fees	119,930	95,462	99,131	90,182
Insurance	48,601	62,112	48,601	25,923
Medical expenses	8,376	7,765	8,377	5,953
Transport and travelling	11,672	10,263	4,885	3,530
Repairs and maintenance	3,282	7,948	3,168	6,983
Bank charges and commission	1,439	22,161	784	8,146
Audit fee	17,685	17,350	8,400	8,000
Rent and rate	6,799	16,528	6,799	8,560
Advertising and publicity	2,861	16,035	2,861	5,721
Printing and stationery	2,879	3,068	2,854	2,468
Communication expenses	7,893	9,023	7,893	9,023
Subscriptions and donations	4,362	4,736	4,027	3,516
Sec penalty***	33,624	-	33,624	-
Annual General Meeting expenses	28,634	25,876	10,978	13,349
Other	82,885	133,813	34,941	68,868
	<b>1,730,910</b>	<b>2,014,051</b>	<b>983,406</b>	<b>1,087,611</b>

### \*\*\*SEC penalty

The payment relates to penalty for late filing of returns

### 36. Segment information

#### 36.1 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.

#### 36.2 Revenue from contracts with customers

##### Revenue

	The Group		The Company	
	2018	2017	2018	2017
	N'000	N'000	N'000	N'000
Rooms	7,863,950	7,180,760	4,629,521	4,077,168
Food and beverage	4,277,018	3,842,476	2,011,984	1,790,217
Services rendered to third party	-	182,541	-	-
Other minor operating departments	1,126,699	916,236	648,726	450,074
	<b>13,267,667</b>	<b>12,122,013</b>	<b>7,290,231</b>	<b>6,317,459</b>

Total revenue from contracts shown above are derived from external customers. Asset recognised from dealings with external customers are disclosed in trade receivables in note 18

#### 36.3 Cost of sales

Rooms	3,198,375	1,513,494	1,032,689	877,824
Food and beverage	2,485,615	2,674,021	1,516,173	1,373,452
Operating overheads	3,856,484	4,229,160	2,121,880	1,868,356
Salaries and other staff cost	-	-	-	-
	<b>9,540,474</b>	<b>8,416,675</b>	<b>4,670,742</b>	<b>4,119,632</b>
<b>Gross profit</b>	<b>3,727,193</b>	<b>3,705,338</b>	<b>2,619,489</b>	<b>2,197,827</b>
<b>Gross profit margin (%)</b>	<b>28</b>	<b>31</b>	<b>36</b>	<b>35</b>

Salaries and wages and pension cost included in cost of sales

	3,123,605	3,227,864	1,389,001	1,363,362
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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 (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group		The Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
<b>37. Reconciliation of cash and cash equivalents</b>				
Cash in hand	918	1,469	335	418
Cash at bank	2,760,408	1,606,895	2,312,561	924,480
	<b>2,761,326</b>	1,608,364	<b>2,312,896</b>	924,898
Time deposits	3,530,997	2,758,216	211,891	30,439
Allowance for doubtful balance (Note 37.1)	-	-	-	-
<b>As per statement of financial position</b>	<b>6,292,323</b>	4,366,580	<b>2,524,787</b>	955,337
Bank overdraft	-	-	-	-
<b>As per statement of cash flows</b>	<b>6,292,323</b>	4,366,580	<b>2,524,787</b>	955,337

**37.1** Allowances for doubtful balances relate to unconfirmed bank balances in a subsidiary.

### 38. Basic and diluted earnings per share

Earnings per share (basic and diluted) have been computed for each year on the profit after tax attributable to ordinary shareholders and divided by the number of issued and fully paid up N0.50 kobo ordinary shares during the year.

Profit after taxation	1,105,359	603,612	677,034	135,646
Number of shares	2,078,796	2,078,796	2,078,796	2,078,796
Earnings per share (Kobo)	53	29	33	7

### 39. Information regarding directors and employees

#### 39.1 Compensation of key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the company directly or indirectly, including all the directors (whether executive or otherwise). Below is the key management compensation during the year:

#### 39.1.1 Emolument of the Directors

Chairman's fee	1,770	1,270	1,500	1,270
Other Directors fee	8,800	8,400	7,200	6,600

#### 39.2 Scale of directors' remuneration

The number of directors excluding the Chairman whose expenses fell within the following ranges are:

	Number	Number	Number	Number
NO - N100,000	-	-	-	-
N100,001 - above	14	14	7	7
	<b>14</b>	<b>14</b>	<b>7</b>	<b>7</b>

#### 39.3 Staff costs

Personnel compensation comprised:

	N'000	N'000	N'000	N'000
Salaries and wages	3,040,605	2,638,118	1,390,176	1,603,769
Short-term employee benefits	168,388	198,642	78,186	118,608
Defined benefit gratuity scheme	-	656,542	-	326,010
	<b>3,208,993</b>	<b>3,493,302</b>	<b>1,468,362</b>	<b>2,048,387</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

		The Group		The Company	
		2018	2017	2018	2017
		Number	Number	Number	Number
<b>39.4</b>	<b>The average number of persons employed during the year by category</b>				
	Management staff	67	81	32	42
	Non-management staff	1,015	1,016	442	443
		<b>1,082</b>	<b>1,097</b>	<b>474</b>	<b>485</b>
<b>39.5</b>	<b>Scale of employees' remuneration</b>				
	<b>N</b>	<b>N</b>			
	250,001 - 500,000	500,000	274	242	-
	500,001 - 750,000	750,000	67	74	5
	750,001 - 1,000,000	1,000,000	253	148	101
	1,000,001 - 1,250,000	1,250,000	249	390	129
	1,250,001 - 1,500,000	1,500,000	78	77	78
	1,500,001 - 1,750,000	1,750,000	40	48	40
	1,750,001 - 2,000,000	2,000,000	28	24	28
	Above 2,000,001	2,000,001	93	94	93
			<b>1,082</b>	<b>1,097</b>	<b>474</b>
					<b>485</b>

### 40. Related party transaction

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

		Transactions	Balance	Transactions	Balance
		2018	2017	2017	2018
		N'000	N'000	N'000	N'000
<b>40.1</b>	<b>The Tourist Company of Nigeria Plc</b>				
	Ikeja Hotel Plc is a shareholder of the Company and some directors on the Board of the Company also serve on the Board of Ikeja Hotel Plc.	154	4,247	14,453	4,093
	Transaction in the year relate to fee income received for support services.				
<b>40.2</b>	<b>Hans-Gremlins (Nigeria) Limited</b>				
	The company is a subsidiary of Ikeja Hotel Plc and some of the directors serve on the board of both companies.	735	485,313	750	485,313
	Transaction in the year related to expenses incurred by Ikeja Hotel on behalf of Hans Gremlin.				
<b>40.3</b>	<b>Minabo Limited</b>				
	One of the directors of Ikeja Hotel Plc is also a director of Minabo Limited. Transaction in the year relate to interest payable on outstanding loan liability.	194,089	1,811,501	173,294	1,617,411
<b>40.4</b>	<b>Associated Ventures International Limited</b>				
	One of the directors of the Company is also a director of Associated Ventures International Limited. Transaction relates to interest payable on outstanding loan balance	147,214	1,373,967	26,037	1,226,753
<b>40.5</b>	<b>Alurum Investment Limited/Oma Trust Limited</b>				
	One of the directors of the Company is also a director of Oma Trust Limited.	331,929	3,097,221	296,501	2,765,292
	Transaction in the year was in respect of interest accrued on outstanding loan liability.				



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

	Transactions N'000	Balance 2018 N'000	Transactions N'000	Balance 2017 N'000
<b>40.8 Capital Hotels Plc</b> Capital Hotels Plc is a member of the Ikeja Hotel Group.  Transactions in the year relate to: - interest paid/payable on loan	<b>220,638</b>	<b>763,713</b>	131,189	984,351
<b>40.9 Charles Hampton</b> Capital Hotels Plc is a member of the Ikeja Hotel Group.  Transaction in the year relates to expenses borne on their behalf	<b>234,697</b>	<b>234,697</b>	750	750
<b>40.10 IHL Services Limited</b> IHL Services Limited is a member of the Ikeja Hotel Group. Transaction in the year relates to expenses borne on their behalf	<b>1,390</b>	<b>784,760</b>	-	557,393
<b>40.11 Punuka Attorneys &amp; Solicitors</b>  The Firm provides secretarial services to Ikeja Hotel Plc. The Chairman of the Board of Ikeja Hotel Plc is the Senior Partner in the Firm	<b>5,208</b>	-	-	-

### 41. Financial commitments

The directors are of the opinion that all known liabilities and commitments have been taken into consideration in the preparation of these consolidated financial statements. These liabilities are relevant in assessing the Company's state of affairs.

### 42. Management/technical service agreement

The Ikeja Hotel Plc entered into an agreement with Marriotts Eame License and Services Company BVBA to manage Sheraton Lagos Hotel on its behalf for which a basic fee of 1.5% of total revenue together with an incentive fee of 3% of adjusted gross operating profit of the Hotel during each financial year. This agreement has been registered with the National Office for Technology Acquisition and Promotion (NOTAP).

### 43. Support services agreement

The Company has an agreement with The Tourist Company of Nigeria Plc to provide support services to the latter until 30 September 2017. In terms of this agreement, The Tourist Company of Nigeria Plc is obligated to pay the following annual fees to Ikeja Hotel Plc:

#### 43.1 Basic fee

A basic fee equal to 0.45% per annum of the gross revenue of The Tourist Company of Nigeria Plc. This is exclusive of any taxes and is denominated and payable in Naira.

#### 43.2 Incentive fee

An incentive fee of 1.5% per annum of the adjusted net profit of The Tourist Company of Nigeria Plc. This fee is exclusive of any taxes and is denominated and payable in Naira.

### 44. Deposit for shares

This represents deposits made by Next International Limited for 31,200,000 units of shares at N3.00 each yet to be allotted.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

### 45. Contingencies

#### 45.1 Guarantees and other capital commitments

The directors are of the opinion that all known liabilities and commitments have been taken into consideration in the preparation of the consolidated financial statements. The liabilities are relevant in assessing the group's state of affairs. (2017: Nil)

#### 45.2 Pending litigations and claims

There were a total of twelve (12) lawsuits involving the Company out of which 9 of the suits are against the Company as at 31 December 2018. In the Directors best judgement based on reliance on the assessment of it's the Company's legal counsel, no material claims are likely to arise against the Company from the suits and there are no other suits involving the Company outside the number disclosed. The Directors are not aware of any threatened or pending litigations which may affect the continuous operations of the Company.

The above legal advise was giving by G.M. Ibru & Co (FRC/2013/NIM/0000003510)

### 46. Events after the reporting date

The Directors are of the opinion that there were no significant events after the reporting date which would have had any material effect on the state of affairs as at 31 December 2018 and on the profit or loss for the year ended on that day which require disclosure in these financial statements.

### Changes in comparative figures

#### 47 Group

##### 1. Goodwill

Reported Balance in the prior year financial statements  
Restated comparative number in current year financial statements

**N'000**

5,933,902  
4,452,668  
1,481,234

The Computation of goodwill was revised to incorporate the proportionate of share of Non Controlling Interest in the nets assets of the consolidated subsidiary compared with the net assets acquired. The effect was an increase in the cost of investment and a reduction in the amount of goodwill.

##### 2. Inventory

Reported Balance in the prior year financial statements  
Restated comparative number in current year financial statements

1,051,658  
990,549  
61,109

Changes due to the restated balance of inventory in the financial statements of a subsidiary from N534 million to N473 million.

##### 3. Retained earnings

Reported Balance in the prior year financial statements  
Restated comparative number in current year financial statements

6,864,084  
10,909,841  
(4,045,757)

Changes due to the reclassification of the revaluation reserve balance of N4.135 billion to retained earnings, the effect of the restated net loss in a subsidiary from N8.5 million to N23 million and other sundry adjustments.

##### 4. Non controlling interest (NCI)

Reported Balance in the prior year financial statements  
Restated comparative number in current year financial statements

5,509,575  
4,014,257  
1,495,318

Changes significantly due to the effect of the recognition of the proportionate share of the cost of investment in subsidiaries amounting to N1.584 billion due to NCI in a subsidiary, Hams Gremlin Limited and other sundry adjustments.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 31 DECEMBER 2018

<p><b>5. Revaluation reserve</b> Reported Balance in the prior year financial statements      Restated comparative number in current year financial statements</p>	<p>4,135,571 - <u>4,135,571</u></p>
<p>Changes due to the reclassification of the reported revaluation reserve to group retained earnings as it relates to investment property in a subsidiary Charles Hampton &amp; Company Limited.</p>	
<p><b>6. Trade and other payables</b> Reported Balance in the prior year financial statements Restated comparative number in current year financial statements Change due to the restatement of the reported balance of payables in the financial statements of Charles Hampton and Company Limited from N611.432 million to N654.120 million.</p>	<p>3,666,839 3,709,527 <u>(42,688)</u></p>
<p><b>7. Other income</b> Reported Balance in the prior year financial statements Restated comparative number in current year financial statements</p>	<p>504,309 505,205 <u>(896)</u></p>
<p>Changes due the reclassification of current period exchange gain recorded in retained earnings.</p>	
<p><b>8. Administrative expenses</b> Reported Balance in the prior year financial statements Restated comparative number in current year financial statements</p>	<p>1,999,446 2,014,051 <u>(14,605)</u></p>
<p>Changes due to the restatement of the reported balance of some classes administrative expenses in the financial statements of Charles Hampton &amp; Company Limited which impacted on the total reported balance from N8.450 million to N23.055 million. This also impacted on group profit before and after tax attributable to the owners and non controlling interest.</p>	
<p><b>B The Company</b></p>	
<p><b>1. Investment in subsidiaries</b> Reported Balance in the prior year financial statements Restated comparative number in current year financial statements</p>	<p>4,440,919 4,444,518 <u>(3,599)</u></p>
<p>Changes due to the reclassification of the cost of investment of Ikeja Hotel Plc in Charles Hampton and Company Limited and IHL Services Limited previously reported under related party balances</p>	
<p>Reclassified cost of investment Charles Hampton and Company Limited IHL Services Limited</p>	<p>3,499 100 <u>3,599</u></p>
<p><b>2. Due to related parties</b> Reported Balance in the prior year financial statements Restated comparative number in current year financial statements</p>	<p>7,151,694 7,155,293 <u>(3,599)</u></p>
<p>Changes due to the reclassification of the cost of investment of Ikeja Hotel Plc in Charles Hampton and Company Limited and IHL Services Limited previously reported under related party balances.</p>	



**OTHER  
NATIONAL  
DISCLOSURE**





## STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2018

	The Group				The Company			
	2018 N'000	%	2017 N'000	%	2018 N'000	%	2017 N'000	%
Revenue	<b>13,267,667</b>		12,122,013		<b>7,290,231</b>		6,317,459	
Other income	<b>354,415</b>		505,205		<b>144,800</b>		64,519	
	<b>13,622,082</b>		12,627,218		<b>7,435,031</b>		6,381,978	
Cost of goods and services - foreign	<b>(2,485,615)</b>		(2,674,021)		<b>(1,516,173)</b>		(1,373,452)	
Cost of goods and services - local	<b>(5,037,499)</b>		(4,046,446)		<b>(2,555,148)</b>		(2,111,871)	
<b>Value added</b>	<b>6,098,968</b>	<b>100</b>	5,906,751	100	<b>3,363,710</b>	<b>100</b>	2,896,655	100
<b>Applied as follows:</b>								
<b>To pay employees:</b>								
Salaries wages and other staff costs	<b>3,258,366</b>	<b>53</b>	3,636,074	62	<b>1,468,361</b>	<b>44</b>	1,603,769	<b>55</b>
<b>To providers of capital:</b>								
Finance costs	<b>717,026</b>	<b>12</b>	681,762	12	<b>717,026</b>	<b>21</b>	681,762	24
<b>To pay Government:</b>								
Income and Education tax	<b>439,283</b>	<b>7</b>	140,841	2	<b>190,615</b>	<b>6</b>	139,866	5
<b>To provide for assets replacement:</b>								
Depreciation of property, plant and equipment	<b>894,496</b>	<b>15</b>	855,098	14	<b>351,050</b>	<b>10</b>	346,248	12
<b>Retained for future expansion:</b>								
- Deferred taxation	<b>(315,563)</b>	<b>(5)</b>	(10,636)	-	<b>(40,376)</b>	<b>(1)</b>	(10,636)	(0)
- Retained profit for the year	<b>1,105,359</b>	<b>18</b>	603,612	11	<b>677,034</b>	<b>20</b>	135,646	5
<b>Value added</b>	<b>6,098,968</b>	<b>100</b>	5,906,751	100	<b>3,363,710</b>	<b>100</b>	2,896,655	100

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



## FINANCIAL SUMMARY GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 N'000	2017 N'000	2016 N'000	2015 N'000	2014 N'000
<b>Statement of financial position</b>					
<b>Assets</b>					
Property, plant and equipment	5,949,416	6,230,647	6,485,634	6,596,153	6,474,266
Investment Property	4,630,087	4,630,087			
Capital work in progress	6,529,985	6,320,396	4,267,914	2,252,946	1,181,472
Intangible assets	4,487,764	4,500,948	32,031	23,401	19,923
Investment	147,014	315,023	576,344	633,856	671,251
Loans to related party	6,455,477	6,151,565	5,914,936	3,653,928	2,963,075
Long term investment	-	-	-	26,496	26,496
Net current (liabilities)/assets	(516,968)	(1,730,939)	(1,363,930)	1,254,617	2,362,474
Non-current liabilities	(9,232,847)	(9,073,159)	(8,347,268)	(8,009,794)	(8,027,534)
<b>Net assets</b>	<b>18,449,928</b>	<b>17,344,568</b>	<b>7,565,661</b>	<b>6,431,603</b>	<b>5,671,423</b>
<b>Equity and reserves</b>					
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	11,673,832	10,909,841	2,605,832	2,096,037	1,670,122
Revaluation reserve	-	-	-	-	-
	14,094,302	13,330,311	5,026,302	4,516,507	4,090,592
Non-controlling interest	4,355,626	4,014,257	2,539,359	1,915,096	1,680,831
<b>Total equity</b>	<b>18,449,928</b>	<b>17,344,568</b>	<b>7,565,661</b>	<b>6,431,603</b>	<b>5,771,423</b>
<b>Statement of profit or loss and other comprehensive income</b>					
<b>Revenue</b>	<b>13,267,667</b>	<b>12,122,013</b>	<b>10,865,037</b>	<b>9,855,086</b>	<b>10,065,898</b>
Profit/(loss) before tax	1,229,079	733,817	1,607,431	824,257	562,632
Income tax expense	(123,720)	(130,205)	(500,979)	(263,527)	(559,698)
<b>Profit/(loss) for the year</b>	<b>1,105,358</b>	<b>603,612</b>	<b>1,106,452</b>	<b>560,730</b>	<b>2,934</b>
Other comprehensive income/(loss) for the year	-	(18,539)	27,607	99,450	93,672
<b>Total comprehensive income/(loss) for the year</b>	<b>1,105,358</b>	<b>585,073</b>	<b>1,134,059</b>	<b>660,180</b>	<b>96,606</b>
<b>Per share data:</b>					
Earnings/(loss) (kobo) - Basic	53	29	53	27	14
Net assets (kobo)	888	834	364	309	278

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 FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 N'000	2017 N'000	2016 N'000	2015 N'000	2014 N'000
<b>Statement of financial position</b>					
<b>Assets</b>					
Property, plant and equipment	3,888,645	3,976,574	4,101,120	4,389,071	4,473,421
Capital work in progress	4,238,336	4,111,841	3,744,111	1,729,143	657,669
Intangible assets	8,995	10,185	12,209	14,232	13,640
Investment in subsidiary	4,444,518	4,444,518	4,440,919	4,440,919	4,440,919
Investments accounted for using the equity method	798,722	798,722	798,722	798,722	798,722
Loans to related party	6,455,477	6,151,565	5,914,936	3,653,928	2,963,075
Net current (liabilities)/assets	(1,979,792)	(3,046,856)	(3,429,191)	275,602	1,425,882
Non-current liabilities	(9,751,962)	(9,020,644)	(8,274,028)	(8,111,373)	(7,791,901)
	<b>8,102,939</b>	<b>7,425,905</b>	<b>7,308,798</b>	<b>7,190,244</b>	<b>6,981,427</b>
<b>Net assets</b>					
<b>Equity and reserves</b>					
Share capital	1,039,398	1,039,398	1,039,398	1,039,398	1,039,398
Share premium reserve	1,381,072	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	5,682,469	5,005,435	4,888,328	4,769,775	4,560,957
	<b>8,102,939</b>	<b>7,425,905</b>	<b>7,308,798</b>	<b>7,190,245</b>	<b>6,981,427</b>
<b>Statement of profit or loss and other comprehensive income</b>					
<b>Revenue</b>	<b>7,290,231</b>	<b>6,317,459</b>	<b>5,463,967</b>	<b>5,015,735</b>	<b>5,227,731</b>
Profit/(loss) before tax	827,273	264,876	103,500	192,423	(360,728)
Income tax expense	(150,239)	(129,230)	(12,554)	(83,055)	(122,202)
	<b>677,034</b>	<b>135,645</b>	<b>90,945</b>	<b>109,368</b>	<b>(482,930)</b>
Other comprehensive income/(loss) for the year	-	(18,539)	27,607	99,450	93,672
<b>Total comprehensive income/(loss) for the year</b>	<b>677,034</b>	<b>117,106</b>	<b>118,552</b>	<b>208,818</b>	<b>(389,258)</b>
<b>Per share data:</b>					
Earnings/(loss) (kobo) - Basic	33	7	4	5	(23)
Net assets (kobo)	390	357	352	346	336

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.



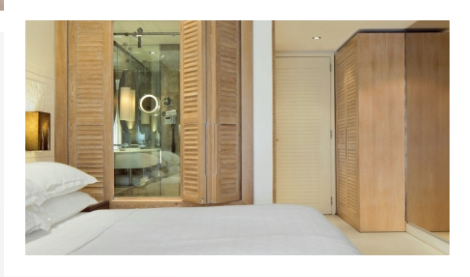
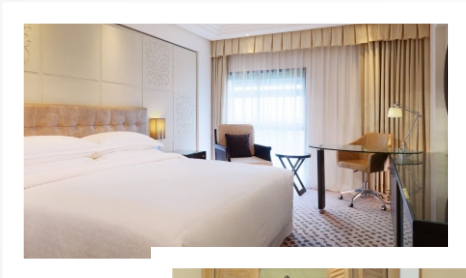
## SHAREHOLDERS INFORMATION

IKEJA HOTEL PLC RANGE ANALYSIS AS AT DECEMBER 31, 2017						
Range			Number of Shareholders	%	Units Held	%
1	-	1,000	1,058	7.94%	518,351.00	0.02%
1,001	-	5,000	4,144	31.10%	9,507,553.00	0.46%
5,001	-	10,000	3,879	29.11%	25,572,137.00	1.23%
10,001	-	100,000	3,739	28.06%	96,842,077.00	4.66%
100,001	-	500,000	397	2.98%	73,389,269.00	3.53%
500,001	-	1,000,000	34	0.26%	23,452,639.00	1.13%
1,000,001	-	10,000,000	48	0.36%	139,097,044.00	6.69%
10,000,001	-	And Above	26	0.20%	1,710,417,329.00	82.28%
			<b>13,325</b>	<b>100%</b>	<b>2,078,796,399</b>	<b>100%</b>

### SHARE CAPITAL HISTORY

Date	Authorised (N)		Issued and Fully Paid (N)		Consideration
	Increase	Cumulative	Increase	Cumulative	
November 1972	20,000	20,000	20,000	20,000	Cash
October 1980	11,000,000	11,200,000		20,000	Cash
June 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





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