



IKEJA HOTEL PLC

(RC. 10845)

...Service par Excellence

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IKEJA HOTEL PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

DIRECTORS: Chief Anthony Idigbe, SAN (Chairman), Mr. Abatcha Bulama, Mr. Ufuoma Ibu, Mr. Toke Alex-Ibru,
Mr. Kunle Aluko, Dr. Alex Thomopoulos, Mrs. Fadeke Olugbemi, Mr. Theo Ericia Netufo, MD/CEO

IKEJA HOTEL PLC

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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IKEJA HOTEL PLC

Corporate Information

Country of Incorporation and Domicile:	Nigeria RC 10845
Directors:	Chief Anthony Idigbe, SAN (Chairman) Mr Theophilus Eniola Netufo, FCA (Managing Director) Mr. Toke Alex Ibru Mr. Ufuoma Ibru Ms. Ngozi Edozien - wef 1 September 2022 Mr. Kunle Aluko Alhaji Abatcha Bulama, FCA Mrs. Fadeke Olugbemi, FCA Dr. Alexander Thomopulos - up to 1 September 2022
Registered Office	84, Opebi Road Ikeja Lagos Tel: 02-2701060, 01-4480887 Website: www.ikejahotelplc.com Email: info@ikejahotelplc.com
Company Secretaries:	Punuka Nominees Limited Plot 45 Oyibo Adjarho Street Off Ayinde Akinmade Street Off Admiralty Way Lekki Peninsula Phase 1, Lagos.
Bankers:	Access Bank Plc Zenith Bank Plc Union Bank Plc Sterling Bank Plc
Joint Auditors:	Messrs Ugochukwu, Ike & Co (Chartered Accountants) 1, Obalodu Street Ilupeju - Lagos. Ahmed Zakari & Co (Chartered Accountants) 22B, Oladipo Diya Crescent 2nd Avenue Estate Ikoyi-Lagos
Registrars:	Greenwich Registrars and Data Solutions Limited 274, Murtala Muhammed Way Yaba Lagos Email: info@gtlregistrars.com

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 2022.

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, present fairly in all material respects the consolidated statement of financial position, consolidated statement of financial performance and consolidated statement of cash flows of the Group for the year ended 31 December 2022.

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 2022 are complete, accurate and free from any material misstatement.



Theophilus E. Netufo
Managing Director
FRC/2013/ICAN/00000004775

14 March 2023



Zacchaeus O. Adeyemo
Controller of Finance/CFO
FRC/2018/ICAN/00000017858

14 March 2023

IKEJA HOTEL PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors are pleased to submit to the members of Ikeja Hotel Plc (the "Company"), its report together with the audited financial statements for the year ended 31 December 2022.

1. Legal Status and principal activities

The Company was incorporated as Properties Development Limited 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 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 with the adoption of the going concern basis of accounting in preparing the annual financial statements.

3. Operating Result

	The Group		The Company	
	2022	2021	2022	2021
	N'000	N'000	N'000	N'000
Turnover	12,896,968	9,868,545	8,717,001	6,169,855
Profit/(loss) before taxation	(3,357,449)	200,934	849,529	206,650
Tax charge	(581,346)	(381,548)	(581,346)	(63,691)
Profit/(loss) after taxation	(3,938,795)	(180,614)	268,183	142,959

4. Additions to property, plant and equipment

Additions to property, plant and equipment during the year ended 31 December 2022 for the Group and Company amounted to N157 million and N157 million respectively (31 December 2021: N201.266 million and N80.996 million respectively). Details of movements in property, plant and equipment for the Group and Company are shown on Notes 7.1 and 7.2 respectively of the financial statements.

5. Bonus and rights issues

The Company at its Annual General Meeting held on 28 July 2022 authorised the Board of Directors to consider options such as bonus issue, rights issue, cancellation of unissued shares and debt to equity conversion in procuring the Company's compliance with the Corporate Affairs Commission's directive on unissued shares by the deadline date of 31 December 2022. Accordingly, the Board approved as follows:

5.1 Rights issue of 1,133,888,945 (One Billion, One Hundred and Thirty-Three Million, Eight Hundred and Eighty-Eight Thousand, Nine Hundred and Forty-Five) units of 50k ordinary shares at the rate of N1 per share on the basis of 6 new ordinary shares for every 11 units of ordinary shares held in the Company to members whose names appear in the register of members at the qualification date.

5.2 Bonus issue of 1 share for every 3 shares held in the company amounting to 692,932,133 units of ordinary shares and a nominal value of N346,466,066.50 at the nominal rate of 50kobo per share and to be set off from the Company's retained earnings. The bonus shares are to be allotted to shareholders whose names appear in the register of members as at the qualification date.

6. Dividend

The Board of Directors propose a dividend of 7¹/₂ kobo per 50kobo ordinary share amounting to N155,909,730 on the existing issued ordinary shares of 2,078,796,399 units for the year ended 31 December 2022, which shall be presented to the shareholders for ratification at the next Annual General Meeting. Withholding tax at the applicable rate will be deducted at the time of payment.

IKEJA HOTEL PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

7. Directors and their interest

The Directors who held office for the year ended December 31, 2022, 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 301 and 302 of the Companies and Allied Matters Act 2020 and the listing requirement of the Nigerian Stock Exchange are noted below:

	2022		2021	
	No. of shares held		No. of shares held	
	Direct	Indirect	Direct	Indirect
Dr. Alexander Thomopulus	1,869,205	-	1,869,205	-
Mr Kunle Aluko (Aluko Moses)	60,000	-	60,000	-

8. Substantial Shareholdings

As at 31 December 2022, 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	544,536,537	26.19
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

9. 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.

10. Corporate Governance

The Directors are responsible for the corporate governance of the Company. The Financial Reporting Council of Nigeria released the Nigerian Code of Corporate Governance (NCCG) 2018 and required compliance by public interest entities. The Board has taken necessary steps to ensure yearly compliance by the Company with the requirements of the NCCG Code.

As at the day of this report, the Board consist of eight Directors. The Board meets 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	Independent Non-Executive Director - Chairman
Mr Theophilus Eniola Netufo, FCA	Managing Director/CEO
Alhaji Bulama Abatcha, FCA	Independent Non-Executive Director
Mrs. Fadeke Olugbemi, FCA	Non-Executive Director
Mr. Kunle Aluko	Non-Executive Director
Dr. Alexander Thomopulos	Non-Executive Director (Resigned effective September 1, 2022)
Mr. Toke Alex- Ibru	Non-Executive Director
Mr. Ufuoma Ibru	Non-Executive Director

The Board met seven times during the financial year (January 16 2022, March 15 2022, April 21 2022, July 21, 2022, August 25, 2022, October 20 2022 and November 17 2022). In accordance with Section 284(2) of the Companies and Allied Matters Act 2020, the record of directors' attendance at board meetings held during the financial year under review is set below:

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

Name	No. attended
Chief Anthony Idigbe SAN	7
Mr Theophilus Eniola Netufo (MD)	6
Alhaji Bulama Abatcha, FCA	7
Mrs. Fadeke Olugbemi, FCA	6
Mr. Kunle Aluko	7
Dr. Thomopoulos Alexander	1
Mr. Toke Alex- Ibru	6
Mr. Ufuoma Ibru	7

11. Board appointments

The Company has a Board-approved Nomination Policy which sets out the procedure for appointing directors. Considerations for Board appointments include: diversity, conflict of interest, practical wisdom and good judgement, financial literacy, specialized professional skills amongst other requirements. Ms Ngozi Edozien was appointed as a casual director to fill the vacancy created by Dr Thomopolus' exit.

12. Remuneration policy

The Company has a Board-approved Remuneration Policy, which is reviewed periodically.

13. Risk management framework

The Board Finance, Risk and General-Purpose Committee oversees the effectiveness of the Company's risk management and internal controls and make recommendations to the Board.

14. Communication Policy

The Board has approved the Communication Policy and same is available on the Company's website. The policy establishes rules of communication, use of the Company's communication facilities, representation of the Company in the media and other third parties, and confidentiality of company information and procedures.

15. Human Resources Policy

(a.) Recruitment

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

(b.) Diversity and inclusion

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

(c.) Employment of physically challenged persons

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

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

(d.) Employees' involvement and training

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

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

16. Dealing in issuers' shares policy (continued) and insider information disclosure 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 December 31, 2021, the Directors of Ikeja Hotel Plc hereby confirm that: A code of conduct regarding securities transactions by all Directors was adopted by the Company. The Board also reviewed and updated the Policy.

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. The Board also adopted an Insider Information Disclosure Policy to outline rules with respect to the proper use and disclosure of price sensitive information pertaining to the Company's securities.

17. 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 five times during the financial year (January 17, 2022, March 14, 2022, April 19, 2022, July 19, 2022 and October 18, 2022). 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 members	No. attended
Alhaji Bulama Abatcha, FCA- (Chairman)	5
Mrs Fadeke Olugbemi, FCA	5
Mr Toke Alex- Ibru	5
Mr Ufuoma Ibru	5
Dr. Thomopulos Alexander	0

Nominations Establishment Governance Committee

The Nominations Establishment Governance Committee Board met three times during the financial year (April 19, 2022, July 19, 2022 and October 18, 2022). The record of directors' attendance at this committee meetings held during the financial year under review is set below:

	No. attended
Mrs. Fadeke Olugbemi, FCA-(Chairman)	3
Mr. Toke Alex- Ibru	2
Mr. Ufuoma Ibru	3
Mr. Kunle Aluko	3
Alhaji Bulama Abatcha	3

18. Audit Committee

In accordance with Section 404(3) of the Companies and Allied Matters Act 2020, the Company has an Audit Committee comprising two non-executive directors and three representatives of the shareholders carrying out its function as set out in Section 404(7) of the Companies and Allied Matters Act 2020. The Audit Committee met five times (January 17, 2022, March 14, 2022, April 19, 2022, July 19, 2022 and October 18, 2022). Those who served on the Audit Committee during the year under review and their attendance at the meetings are:

	No. attended
Alhaji Bulama Abatcha, FCA- (Chairman)	5
Alhaji Wahab A. Ajani	5
Mr. Adelokun Lukmon Adesola	5
Mr. Kunle Aluko	5
Mr. Peter Eyanuku	5

19. Company Distributors

The Company has no distributors.

IKEJA HOTEL PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 N'000	2021 N'000
20. Donations		
Donations made by Company during the year was as follows:		
Veritas University Abuja	-	1,000
Bethesda Home for the blind	200	-
Centre for Destitute Empowerment International	198	-
	<u>398</u>	<u>1,000</u>

In compliance with the relevant provisions of the Companies and Allied Matters Act, 2020, the Company did not make any donation or gift to any political party, political association or for any political purpose during the 2022 financial year. (2021: Nil)

21. Impact of COVID -19

Information on the impact of COVID-19 on the operations of the Company are on note 50 of the financial statements.

22. Compliance with regulatory requirement

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

23. Auditors

Ahmed Zakari & Co and Ugochukwu, Ike & Co being Joint Auditors have indicated their willingness to continue in offices as the Company's Auditors in accordance with Section 401(2) of the Companies and Allied Matters Act, 2020

BY ORDER OF THE BOARD



Olubunmi Tadema
FRC/2022/PRO/NBA/002/910787
Punuka Nominees Ltd, FRC/2022/COY/160581
Secretary
14 March 2023

IKEJA HOTEL PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

In accordance with the provisions of the Companies and Allied Matters Act, 2020, the Directors are responsible for the preparation of consolidated and separate financial statements which give a true and fair view of the state of affairs of the Group at 31 December 2022 and of its profit or loss and other comprehensive income for the year then ended.

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 and separate financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied.
- iv. It is appropriate for the consolidated financial statements to be prepared on a going concern basis.

The Directors accept responsibility for the consolidated and separate 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, 2020.

The Directors are of the opinion that the consolidated and separate 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 2022.

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

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

Signed on behalf of the Board of Directors by:



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

14 March 2023



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

14 March 2023

IKEJA HOTEL PLC

STATEMENT OF CORPORATE RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

In accordance with Section 405 of the Companies and Allied Matters Act, 2020, the Managing Director/Chief Executive Officer and the Controller of Finance/Chief Finance Officer hereby certify that the officers who signed the audited consolidated and separate financial statements of the Group for the year ended 31 December 2022 have reviewed the audited consolidated and separated financial statements and based on their knowledge the:

- i. Audited consolidated and separate financial statements do not contain any untrue statement of material fact or omit to state a material fact which would make the financial statement misleading in light of the circumstances in which the statement was made.
- ii. Audited consolidated and separate financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the Group as of and for the periods covered by the audited financial statements.

We certify that the officers who signed the audited consolidated and separate financial statements:

- i. Are responsible for establishing and maintaining internal controls and have designed such internal controls to ensure that material information relating to the Company and its subsidiaries is made known to the officer by other officers of the company, particularly during the period in which the audited financial statement report is being prepared.
- ii. Have evaluated the effectiveness of the Group's internal controls within 90 days prior to the date of its audited consolidated and separate financial statements.
- iii. Certify that the Group's internal controls are effective as of that date.

We further certify that the officers who signed the audited consolidated and separate financial statements have disclosed to the Group's external auditors and audit committee that:

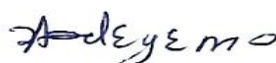
There were no significant deficiencies in the design or operation of internal controls which could adversely affect the Group's ability to record, process, summarise and report financial data, and have identified for the Group's auditors any material weaknesses in internal controls.

There was no fraud that involved management or other employees who have significant roles in the Group's internal control.

We confirm that there were no changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.



Theophilus E. Netufo
Managing Director
FRC/2013/ICAN/00000004775
14 March 2023



Zacchaeus O. Adeyemo
Controller of Finance/CFO
FRC/2018/ICAN/00000017858
14 March 2023

IKEJA HOTEL PLC

REPORT OF THE STATUTORY AUDIT COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2022

To the members of Ikeja Hotel Plc

In accordance with the provision of Section 404(7) of the Companies and Allied Matters Act, 2020 of Nigeria, the members of the Audit Committee of Ikeja Hotel Plc hereby report on the financial statements for the year ended 31 December 2022.

We have exercised our statutory functions under the Companies and Allied Matters Act, 2020 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 31 December 2022 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 and with the effectiveness of the Company's system of accounting and internal control.



Alhaji Abatcha Bulama
FRC/2014/ICAN/00000006535
Chairman, Audit Committee
14 March 2023

Members of the Audit Committee are:

Alhaji Bulama Abatcha, FCA- (Chairman)
Alhaji Wahab A. Ajani
Mr. Adelokun Lukmon Adesola
Mr. Kunle Aluko
Mr. Peter Eyanuku

Chairman
Shareholder
Shareholder
Director
Shareholder

Independent Auditors' Report To the Shareholders of Ikeja Hotel Plc

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Ikeja Hotel Plc. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2022, 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 2022, and its consolidated financial performance and 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, 2020.

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.

Emphasis of matter

We draw your attention to notes 26.2 and 47 relating to the concluded forensic audit instituted at the instance of the Securities and Exchange Commission (SEC) on the affairs of the Company. The Board expects that the outcome of the investigation will provide for a resolution of all legacy matters which were the object of the investigation. Our opinion is not qualified in this regard.

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.

Key audit matters	How the matter was addressed in the audit
<p>a) Trade receivables impairment allowance:</p> <p>The calculation of impairment allowance on trade receivables is based on the requirements of IFRS 9 which stipulates a change from the Incurred Loss Model under IAS 39 to the Expected Credit Loss Model (ECL). The Company adopts the application of the simplified approach under the ECL model in calculating impairments on trade receivables. The simplified approach under the ECL model is based on a provision matrix and involves the following steps:</p> <p>Creating groups for trade receivables based on similar credit risks characteristics.</p> <p>Collection of historical loss rates data and determining the period of applicability of the data.</p>	<p>We reviewed the Company's governance policies on the implementation of appropriate credit controls and credit risks practices over its trade receivables.</p> <p>We reviewed internal controls around the ECL impairment model by testing the design and implementation and operating effectiveness of the key controls related to the model including:</p> <ul style="list-style-type: none"> - Evaluation of critical sources of external information applied to the model. - Assessing users understanding of the workings of the model.

Key audit matters**How the matter was addressed in the audit**

Determination of the expected loss rates for each of the groups of trade receivables created based on established periods for which receivables are past due.

Carry out necessary adjustments on the expected loss rates to reflect the effect of forward looking macro economic conditions expected to exist at the reporting date.

Determination of the expected credit losses

The calculation of the impairment allowance on the trade receivables is a key audit matter because it involves the use of significant judgement in the determination of the estimates and assumptions applied. Further disclosure are on notes 15 and 48.6

b) Valuation of long term employee benefits liability

The Company implements a defined benefit plan in addition to a defined contribution plan imposed by the Pension Reform Act 2014. The carrying amount of the defined benefit plan is significant. Management contracts experts to carry out actuarial valuation of the defined benefit plan as required by IAS 19. The valuation methods and assumptions therein adopted by the experts involves significant judgment resulting in the defined benefit plan included In KAM. Further disclosures on the retirement benefit plan are on Note 27.

c) Loans from related parties

The Company has outstanding loan balances due to related parties. The terms of these balances were mutually agreed but not formally documented and executed. Interest at 12% per annum are compounded annually on the outstanding loan balances. No payment of either principal or interest has been made. The forensic audit instituted by the Securities and Exchange Commission (SEC) had been concluded. The Board expects that the outcome of the forensic audit would provide an opportunity for a resolution to all legacy issues around these balances. Further disclosures are on note 26.2.

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, 2020 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.

Implementation of controls to guard against unauthorized changes to variables applied in the model

We challenged the reasonability and rational of management's judgements in the application of estimates and assumptions used in the model based on our understanding and knowledge of the Company's business, industry characteristics of the trade receivables groups created and existing macro economic conditions.

Tested the accuracy of historical data and the determination of the expected loss rates for the groups of the trade receivables established.

Performed a recomputation of the impairment allowance based on the ECL model and compared the outcome of our result with the allowance computed by management.

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 IAS 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 financial statements.

We had examined predecessor audit working papers for consistency of the carrying amounts of the reported loan balances.

Examined available information relating to the loan balances.

Sent out third party confirmation requests.

Obtained management representation.

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

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

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

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

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance to 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.

Report on Other Legal and Regulatory Matters

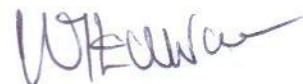
In compliance with the requirements of schedule 5 of the Companies and Allied Matters Act, 2020. We confirm that:

- We have obtained all information and explanation which to the best of our knowledge and belief were necessary for the purpose of the audit.
- The Group has kept proper books of account so far as appears from our examination of those books and returns adequate for the audit have been received from branches not visited by us.
- The Group and Company's statements of financial position and profit or loss and other comprehensive income are in agreement with the books of account.



Omoniyi Falaiye, FCA
FRC/2014/ICAN/00000007055
For: Ugochukwu, Ike & Co.
(Chartered Accountants)
Lagos, Nigeria

15 March 2023



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

15 March 2023



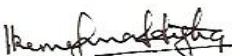

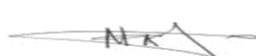
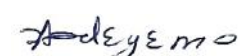
IKEJA HOTEL PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	The Group		The Company	
		2022 N'000	2021 N'000	2022 N'000	2021 N'000
Assets					
Non current assets					
Property, plant and equipment	7.	6,927,608	17,791,198	6,927,608	7,217,268
Capital work in progress	9.	67,842	5,163,458	67,842	66,713
Intangible asset	10.	18,329	4,487,149	18,329	16,938
Investment in subsidiaries	11.	-	-	4,444,518	4,444,518
Investment accounted for using the equity method	12.	-	-	798,722	798,722
Deferred tax assets	28.	-	-	-	220,392
		<u>7,013,779</u>	<u>27,441,805</u>	<u>12,257,019</u>	<u>12,764,551</u>
Current assets					
Inventories	14.	223,605	247,297	223,605	191,704
Trade receivables	15.	863,604	1,083,143	863,604	627,068
Other receivables and prepayments	16.	872,080	822,108	869,787	501,394
Loan to related party	17.	9,952,308	9,409,927	9,952,308	9,409,927
Amount due from related parties	18.	-	-	643,738	734,581
Financial investments	19.	2,332,655	-	-	-
Cash and cash equivalents	20.	8,605,724	4,844,019	5,494,754	3,836,334
		<u>22,849,976</u>	<u>16,406,494</u>	<u>18,047,796</u>	<u>15,301,008</u>
Total assets		<u>29,863,755</u>	<u>43,848,299</u>	<u>30,304,815</u>	<u>28,065,559</u>
Equity and liabilities					
Share capital	21.	1,039,398	1,039,398	1,039,398	1,039,398
Share premium	22.	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	23.	5,551,514	6,413,223	5,686,510	5,448,269
Capital reserve	10.2	1,832	-	-	-
Revaluation reserve	24.	-	3,121,799	-	-
Equity attributable to equity holders of the Parent					
Non-controlling interest	25.	7,973,816 (190,903)	11,955,492 8,806,428	8,106,980 -	7,868,739 -
Total equity		<u>7,782,913</u>	<u>20,761,920</u>	<u>8,106,980</u>	<u>7,868,739</u>
Non-current liabilities					
Amount due to related parties	26.	9,888,824	8,833,554	10,668,541	10,124,918
Retirement benefit obligations	27.	533,726	454,864	533,726	454,864
Deferred tax	28.	159,133	758,146	159,133	-
		<u>10,581,683</u>	<u>10,046,564</u>	<u>11,361,400</u>	<u>10,579,782</u>
Current liabilities					
Trade and other payables	29.	2,506,564	3,961,289	2,004,704	1,420,867
Deferred income	30.	8,742,793	8,241,618	8,600,538	8,062,665
Dividend payable	31.	16,691	105,960	16,691	16,691
Deposit for shares	44.	93,600	93,600	93,600	93,600
Current tax payables	32.1	139,511	637,348	120,902	23,215
		<u>11,499,159</u>	<u>13,039,815</u>	<u>10,836,435</u>	<u>9,617,038</u>
Total liabilities		<u>22,080,842</u>	<u>23,086,379</u>	<u>22,197,835</u>	<u>20,196,820</u>
Total equity and liabilities		<u>29,863,755</u>	<u>43,848,299</u>	<u>30,304,815</u>	<u>28,065,559</u>

These consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 14 March 2023 and were signed on its behalf:

			
Chief Anthony Idigbe, SAN Chairman FRC/2014/NBA/00000010414	Alh. Abatcha Bulama, FCA Director FRC/2014/ICAN/00000006535	Mr. Theophilus E. Netufo, FCA Managing Director/CEO FRC/2013/ICAN/00000004775	Mr. Zacchaeus O. Adeyemo Controller of Finance/CFO FRC/2018/ICAN/00000017858

The accompanying notes on pages 19 to 54 and the other national disclosures on pages 56 to 58 form an integral part of these consolidated financial statements.

IKEJA HOTEL PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	The Group		The Company	
		2022 N'000	2021 N'000	2022 N'000	2021 N'000
Continuing operations					
Revenue from contract with customers	33.	12,896,968	9,868,545	8,717,001	6,169,855
Cost of sales	34.	(9,259,364)	(7,212,209)	(5,509,793)	(3,909,399)
Gross profit/(loss)		3,637,604	2,656,336	3,207,208	2,260,456
Other income	35.	158,922	384,968	107,301	84,632
Sales and marketing expenses	36.1	(318,194)	(244,187)	(318,194)	(244,187)
Administrative expenses	36.2	(5,906,130)	(1,661,721)	(1,075,433)	(939,258)
Operating profit/(loss)	39.	(2,427,798)	1,135,396	1,920,882	1,161,643
Finance income	37.	129,836	11,535	6,464	11,535
Finance costs	38.	(1,059,487)	(945,997)	(1,077,817)	(966,528)
Profit/(loss) before tax		(3,357,449)	200,934	849,529	206,650
Income tax expense	32.2	(581,346)	(381,548)	(581,346)	(63,691)
Profit/(loss) for the year from continuing operations		(3,938,795)	(180,614)	268,183	142,959
Profit/(loss) attributable to:					
Equity holders of the parent	23.	(3,953,566)	17,754	268,183	142,959
Non-controlling interest	25.	14,769	(198,368)	-	-
Profit/(loss) for the year		(3,938,795)	(180,614)	268,183	142,959
Other comprehensive income:					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Re-measurement gain on defined benefit plan	27.5	(29,942)	126,921	(29,942)	126,921
Other comprehensive income for the year		(29,942)	126,921	(29,942)	126,921
Total comprehensive income for the year		(3,968,737)	(53,693)	238,241	269,880
Total comprehensive income for the year attributable to:					
Equity holders of the parent		(3,983,508)	144,675	238,241	269,880
Non-controlling interest		14,769	(198,368)	-	-
		(3,968,737)	(53,693)	238,241	269,880
Basic earnings per share (Kobo)		(189)	(9)	13	7

The accompanying notes on pages 19 to 54 and the other national disclosures on pages 56 to 58 form an integral part of these consolidated financial statements.

IKEJA HOTEL PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	The Group							The Company				
	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Capital reserve	Revaluation surplus N'000	Total N'000	Non controlling interest N'000	Total equity N'000	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
Attributable to equity holders of the parent												
At 1 January 2021	1,039,398	1,381,072	6,268,548	-	3,121,799	11,810,817	9,004,796	20,815,613	1,039,398	1,381,072	5,178,389	7,598,859
Changes in equity for the year 2021												
Comprehensive income for the year:												
Loss for the year	-	-	17,754	-	-	17,754	(198,368)	(180,614)	-	-	142,959	142,959
Total loss for the year	-	-	17,754	-	-	17,754	(198,368)	(180,614)	-	-	142,959	142,959
Re-measurement gain on defined benefit plan	-	-	126,921	-	-	126,921	-	126,921	-	-	126,921	126,921
Total comprehensive income	-	-	144,675	-	-	144,675	(198,368)	(53,693)	-	-	269,880	269,880
At 31 December 2021	1,039,398	1,381,072	6,413,223	-	3,121,799	11,955,492	8,806,428	20,761,920	1,039,398	1,381,072	5,448,269	7,868,739
Attributable to equity holders of the parent												
At 1 January 2022	1,039,398	1,381,072	6,413,223	-	3,121,799	11,955,492	8,806,428	20,761,920	1,039,398	1,381,072	5,448,269	7,868,739
Changes in equity for the year 2022												
Comprehensive income for the year:												
Profit/(loss) for the year	-	-	(3,953,566)	-	-	(3,953,566)	14,769	(3,938,795)	-	-	268,183	268,183
Total Profit/(loss) for the year	-	-	(3,953,566)	-	-	(3,953,566)	14,769	(3,938,795)	-	-	268,183	268,183
Re-measurement gain on defined benefit plan	-	-	(29,942)	-	-	(29,942)	-	(29,942)	-	-	(29,942)	(29,942)
Total comprehensive income	-	-	(3,983,508)	-	-	(3,983,508)	14,769	(3,968,737)	-	-	238,241	238,241
Reclassifications/derecognition	-	-	3,121,799	-	(3,121,799)	-	(9,012,100)	(9,012,100)	-	-	-	-
Reclassifications to equity												
Capital reserve	-	-	-	1,832	-	1,832	-	1,832	-	-	-	-
At 31 December 2022	1,039,398	1,381,072	5,551,514	1,832	-	7,973,816	(190,903)	7,782,913	1,039,398	1,381,072	5,686,510	8,106,980

The accompanying notes on pages 19 to 54 and the other national disclosures on pages 56 to 58 form an integral part of these consolidated financial statements.

IKEJA HOTEL PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	The Group		The Company	
		2022 N'000	2021 N'000	2022 N'000	2021 N'000
Profit/(loss) before tax		(3,357,449)	200,934	849,529	206,650
Adjustment for:					
Depreciation of property, plant and equipment	7.	627,150	750,840	447,075	468,035
Amortisation of intangible asset	10.	12,507	72,452	1,898	3,109
Post employment benefit expense	27.5	96,049	145,204	96,049	145,204
Interest on placements with banks	37.	(129,836)	(11,535)	(6,464)	(11,535)
Finance cost	38.	1,059,517	945,997	1,077,817	966,528
Profit on disposal of property, plant and equipment	35.	(1,594)	(42,761)	(1,594)	(7,761)
Impairment allowance	15.	32,768	30,774	32,768	-
Impairment allowance written back	15.1	-	(711)	-	(711)
Derecognition of disposed subsidiary's balances		(829,370)	-	(377,448)	-
Loss on partial disposal of subsidiary	36.2	4,499,364	-	-	-
Deferred income	30.	(4,508)	-	(4,508)	-
Net cash from operating activities before changes in working capital		2,004,598	2,091,194	2,115,122	1,769,519
Changes in:					
(Increase)/decrease in inventories	14.	23,691	(115,993)	(31,902)	(92,299)
Increase in trade receivables	15.	309,219	(482,128)	(269,303)	(216,092)
Decrease/(increase) in other receivables and prepayments	16.	(49,972)	(235,634)	(368,393)	(85,840)
(Increase)/decrease in due from related party	18.	-	-	90,843	(4,707)
Decrease/(increase) in trade and other payables	29.	(1,454,726)	629,585	583,837	343,972
Increase/(decrease) in deferred income	30.	-	25,062	-	22,550
Cash generated from operating activities		832,810	1,912,086	2,120,204	1,737,102
Income tax paid	32.	(104,134)	(100,101)	(104,134)	(34,109)
Post employment benefits paid	27.5	(47,129)	(545,594)	(47,129)	(247,551)
Net cash provided/used by operating activities		681,547	1,266,391	1,968,941	1,455,442
Cash flows from investing activities					
Purchase of property plant and equipment	7.	(157,621)	(201,266)	(157,621)	(80,996)
Purchase of intangible assets	10.	(3,289)	(7,383)	(3,289)	(7,383)
Proceed on disposal of property, plant and equipment		1,800	42,761	1,800	7,761
Proceed of partial disposal of subsidiary	49.	3,114,808	-	-	-
Interest on placements with banks	37.	129,836	11,535	6,464	11,535
Additions to capital work in progress	9.	(1,129)	(319,136)	(1,129)	(1,323)
Net cash used by investing activities		3,084,405	(473,489)	(153,775)	(70,406)
Cash flows from financing activities					
Payment to related parties	26.1	(4,247)	-	(156,746)	(31,643)
Net cash used by financing activities		(4,247)	-	(156,746)	(31,643)
Net increase/(decrease) in cash and cash equivalents		3,761,705	792,902	1,658,420	1,353,393
Cash and cash equivalents at 1 January		4,844,019	4,051,117	3,836,334	2,482,941
Cash and cash equivalents at 31 December	20.	8,605,724	4,844,019	5,494,754	3,836,334

The accompanying notes on pages 19 to 54 and the other national disclosures on pages 56 to 58 form an integral part of these consolidated financial statements.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 previously held controlling interest in the equity of Capital Hotels Plc, Charles Hampton and IHL Services Limited with 89.9% and 100% shareholdings respectively. Hans Gremlin Disposed a significant portion of its interest in Capital Hotels Plc during the year resulting in loss of control and with the latter ceasing to be a subsidiary in the Group.

1.2 The Company

Ikeja Hotel Plc., formerly Properties Development Limited, was incorporated on 18 November, 1972. It owns the Sheraton Lagos Hotel, and is a core investor in Hans Gremlin Nigeria Limited. It also has significant shareholding 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, 2020, the Financial Reporting Council of Nigeria Act, 2011.

2.1 Functional and presentation currency

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

2.2 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.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December 2022. 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.

3. Basis of measurement

The financial statements have been prepared under the historical cost basis except for the following:

- Investment properties measured at fair value.
- Financial assets classified as amortised cost measured at amortised cost.
- Financial assets designated at fair value through other comprehensive income measured at fair value through other comprehensive income.
- Financial assets designated at fair value through profit or loss measured at fair value through profit or loss.
- Financial liabilities including borrowings measured at fair value.
- defined benefit obligations measure at the discounted future value of all expected future obligations plus past service costs and actuarial loss less actuarial gains.
- Inventory measured at lower of cost and net realisable value.

4. 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:

4.1 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.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

4. Critical accounting estimates and judgement (continued)

4.2 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.

4.3 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 can be reliably estimated. Provisions are not recognised for future operating losses.

4.4 Impairment of financial assets

Impairment of financial assets is based on the application of the expected credit loss model (ECL) in accordance with IFRS 9, Financial Instruments. The measurement of expected credit loss by the Group under IFRS 9 reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. Also, management considers reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses. Management considers the risk or probability that a credit loss occurs by considering the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the probability of a credit loss occurring is low. The application of variables under this model involves estimates which require significant judgement by management.

4.5 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.

4.6 Investment property

Investment properties are initially recognised at cost and subsequently carried at fair value. Fair values are based on the estimated market prices of similar assets within a designated area, 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.

4.7 Impairment of inventory

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

5. 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:

5.1 Amendments effective from annual periods beginning on or after 1 January 2023

The following standards have been issued or amended by IASB but are yet to become effective.

Standard	Related amendments	Effective date
IAS 8, Accounting policies, changes in accounting estimates and errors	Definition of Accounting estimates	1 January 2023
IAS 12, Income tax	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 1, Presentation of financial statements	Classification of liabilities as current or non current	1 January 2023
IFRS 17, Insurance contracts	Amendments relating to various insurance activities	1 January 2023

The Group/Company has not applied the following new or amended standards in preparing these consolidated and separate financial statements as it plans to adopt these standards at their respective effective dates.

5.1.2 IAS 8, Accounting policies, changes in accounting estimates and errors

IAS 8 Accounting policies, changes in accounting estimates and errors makes a distinction between how an entity should present and disclose different types of accounting changes in its financial statements. Changes in accounting policies must be applied retrospectively while changes in accounting estimates are accounted for prospectively. The amendments clarifies how entities should distinguish between accounting policies and accounting estimates.

5.1.3 IAS 12, Income tax

IAS 12, Income tax amendments clarifies how companies should account for deferred tax on transactions such as leases and decommissioning obligations.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5.1 Amendments effective from annual periods beginning on or after 1 January 2023 (continued)

5.1.4 IAS 1, Presentation of financial statements

IAS 1 was amended to clarify the basis for classifying a liability as current or non current. A liability should be classified as non-current if an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender, on the same or similar terms.

5.5 IFRS 17 - Insurance Contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This standard does not impact the company/group in anyway as the company/group and its subsidiary companies do not engage in insurance business.

6. 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.

6.1 Investments in subsidiaries

The consolidated financial statements incorporates the financial statements of the company and all its subsidiaries where it is determined that there is a capacity to control. Control means the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. All the facts of a particular situation are considered when determining whether control exists.

Control is usually present when an entity has:

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

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

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

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

6.1.1 Disposal investments in subsidiaries

A disposal of interest in a subsidiary is accounted for in the separate financial statements of the Company by derecognising the carrying amount of the portion disposed to the profit or loss account. Profit or loss on disposal is accounting for by the comparison of the fair value of the consideration less cost to sell with derecognised portion of the investment. The carrying amount of the investment retained is accounted for as an associate in accordance with IAS 28, Investment in Associates and Joint Ventures, if the Company retains some influence or as an equity investment in accordance with IFRS 9, Financial Instruments if control is lost. In the Group financial statements profit or loss on disposal is determined by aggregating fair value of the consideration less cost to sell, related non controlling interest derecognised to profit or loss and fair value of retained investment less related goodwill derecognised to profit or loss and fair value of the subsidiaries net asset derecognised to profit or loss.

6.2 Investments in associates

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

6.3 Investments in joint ventures

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

6.4 Investments in special purpose entities (SPEs)

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

6.5 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.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. Summary of significant accounting policies

6.5 Business combinations (continued)

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.

6.6 Property, plant and equipment

Property, plant and equipment is stated at cost or revaluation, 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.

6.6.1 Subsequent costs

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

6.6.2 Derecognition of property, plant and equipment

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

6.6.3 Depreciation of property, plant and equipment

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

The estimated useful lives are as follows:

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

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

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

6.6.4 Revaluation of property, plant and equipment

When an item of property, plant and equipment is revalued, it is performed for all assets within the class or category. A surplus on revaluation is disclosed in equity through other comprehensive income. A decrease in the revaluation of an item or class of property, plant and equipment is recognised as an expense in profit or loss to the extent that it exceeds and any previously recognised revaluation surplus. On disposal of an asset previously revalued, related revaluation surplus on the asset is transferred directly to retained earnings. Revalued items of property, plant and equipment are depreciated using the rates specified in the group's accounting policy for those class of assets.

6.7 Intangible assets

These comprise computer software and goodwill. Intangible assets excluding goodwill is stated at cost, less accumulated amortisation and impairment losses, if any. Subsequent costs are included in the asset's carrying amount the intangible asset 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.

6.7.1 Amortisation of intangible assets

Intangible assets excluding goodwill is amortised on a straight-line basis over the estimated useful lives of the intangible asset. Amortisation charge is included in administrative expense in the profit or loss account. Intangible assets with an indefinite useful life are tested for impairment annually. 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.

The amortisation methods, useful lives and residual values of intangible assets are reviewed annually and adjusted if appropriate.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. Summary of significant accounting policies (continued)

6.7.1 Amortisation of intangible assets (continued)

6.7.2 Intangible assets acquired separately

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

6.7.3 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.

6.7.4 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.

6.7.5 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. Impairment loss is recognized in the profit or loss account.

6.8 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. 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.

6.9 Investment property

The Group designates an asset (land or building) an investment property if it is:

- Held for long term capital appreciation.
- Held for a currently undetermined future use.
- A building leased out under an operating lease.
- A vacant building held to be leased out under an operating lease.
- A property being constructed or developed for future use as an investment property.

On initial recognition, the Group measures investment properties at cost and subsequent measurement at fair value. Investment property is subjected to periodic reviews. Gains or losses arising from fair value measurements are included in profit or loss for the period in which they arise. Assets are derecognised from investment property and reclassified to other asset categories when there is a change in use of the investment property.

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.

6.10 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.

6.10.1 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.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. Summary of significant accounting policies (continued)

6.11 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

6.11.1 Financial assets

The Group adopts IFRS 9, Financial Instruments in the classification of its financial assets. In accordance with IFRS 9, the classification of financial assets is based on the Group's business model for managing the financial assets and the contractual cash flows characteristics of the asset as follows:

Amortised cost: Financial assets are measured at amortised cost where:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through other comprehensive income: financial assets are classified and measured at fair value through other comprehensive income where the Group's business model is both to collect contractual cash flows and selling the financial assets when opportunities arise. The contractual cash flows are represented by principal and interest repayments on the financial assets.

Fair value through profit or loss: any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss. Equity investments are measured at fair value through profit or loss.

Appropriate reclassifications are made to financial assets when the group changes its business model for managing a financial asset.

Financial assets presently held by the Group are trade receivables which are held at amortised costs.

6.11.2 Recognition and measurement

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

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

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables 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.

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.

6.11.3 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.

6.11.4 Impairment of financial assets

Impairment of financial assets is based on the application of the expected credit loss model (ECL) in accordance with IFRS 9, Financial Instruments. The measurement of expected credit loss by the Group under IFRS 9 reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. Also, the Group considers reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses. The expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weightings. The Group considers the risk or probability that a credit loss occurs by considering the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the probability of a credit loss occurring is low.

Under IFRS 9, there are two approaches to the measurement of ECL as follows:

- a. General approach
- b. Simplified approach

Under the general approach considerations are given to whether there has been a significant increase in credit risks on the financial assets since initial recognition in which case an impairment loss for lifetime ECL is recognised. Otherwise, if at the reporting date management assesses that the credit risk on the financial asset has not increased significantly since initial recognition, impairment loss for 12 month ECL is recognised. Significant increase in credit risk is measured using the lifetime probability of default.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. Summary of significant accounting policies (continued)

6.11.4 Impairment of financial assets (continued)

The simplified approach under the ECL model is based on a provision matrix and involves the following steps:

- Creating groups for trade receivables based on similar credit risks characteristics.
- Collection of historical loss rates data and determining the period of applicability of the data.
- Determination of the expected loss rates for each of the groups of trade receivables created based on established periods for which receivables are past due.
- Carry out necessary adjustments on the expected loss rates to reflect the effect of forward looking macro economic conditions expected to exist at the reporting date.
- Determination of the expected credit losses

The Group applies the simplified approach in the calculation of impairment loss on trade receivables.

6.11.5 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.

6.11.6 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.

6.11.7 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.

6.11.8 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.

6.11.9 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.

6.11.10 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.

6.12 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

6.13 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.

6.14 Trade payables

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

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. Summary of significant accounting policies (continued)

6.15 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.

6.16 Employee benefits

6.16.1 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.

6.16.2 Defined benefit plan

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

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

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

6.16.3 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.

6.16.4 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.

6.17 Provisions, contingent liabilities and contingent assets

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.

The Group discloses a contingent liability when there is a possible obligation depending on whether some uncertain future event occurs or when there is a present obligation, but payment is not probable and the amount can not be estimated reliably.

The Group discloses a contingent asset where it is possible that an asset can arise from past events and the existence will be confirmed by the occurrence or non occurrence of one or more future events not wholly within the control of the entity.

6.18 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.

6.19 Revenue from contract with customers

The Group applies the 5 step model in recognising revenue from contract with customers in accordance with IFRS 15, Revenue from contract with customers which involves:

- a. Identifying the contract with a customers
- b. Identifying the performance obligation in the contract
- c. Determining the transaction price
- d. Allocating the transaction price to the performance obligation in the contract
- e. Recognising revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service)

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. Summary of significant accounting policies (continued)

6.19 Revenue from contract with customers (continued)

Revenue from a valid contract with a customer is recognised when the following conditions are met:

- a. The contract has been approved by the parties to the contract.
- b. The rights and obligations of the parties to the contract in relation to the goods and services to be transferred are identifiable.
- c. The payment terms for the goods and services to be transferred are identifiable.
- d. The contract has commercial substance.
- e. It is probable that the consideration to which the group is entitled to in exchange for the goods or services will be collected.

The Group's revenue comprises lodging services, food and beverages sales and other services incidental to lodging to third parties.

6.20 Leases

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses whether a contract is or contains a lease at the inception of the contract.

A contract is assessed to contain a lease if the following conditions are established:

- There is an identifiable asset in the contract.
- The customer has the right to control the use of the asset throughout the period of the lease in exchange for a consideration to the supplier.
- The customer has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use.
- The supplier does not have a substantive right to substitute the use of the asset throughout the period of use of the asset.

Where the Group is a lessee in the lease contract, the Group recognises a right of use asset and a lease liability at the inception of the contract. The right of use asset is measured using the cost model provided it:

- is not an investment property and the lessee fair values its investment properties.
- does not relate to a class of property, plant and equipment to which the lessee applies revaluation model, in which case all right-of-use assets relating to that class of property, plant and equipment can be revalued.

Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

Where the lease is for a term of 12 months or less and containing no purchase options or the underlying asset has a low value when new such as personal computers or small items of office furniture, the Group accounts for lease payments as an expenses on a straight line basis over the term of the lease except another systematic basis is more reflective of the economic benefits obtainable from utilisation of the leased asset.

The right of use asset and the lease liability are initially measured at the present value of the lease payments payable over the lease term by discounting with the implicit rate of the lease. Where the implicit rate can not be readily determined, the Group shall apply its incremental borrowing rate.

Management has opted to exempt rental payments for its office as they are of a short term nature and not considered material. Also the Group has not entered into any lease contract where it is the lessor. Amendments to IFRS 16, Covid 19 Related Rent Concessions are not applicable to the Company.

6.21 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.

6.22 Dividend distributions

Final dividend distributions to the company's shareholders are only recognised as a liability in the subsequent reporting period following when it has been approved by the shareholders at the Annual General Meeting.

6.23 Unclaimed dividend

Under the Finance Act, 2020 unclaimed dividends after a period of six years shall be transferred to the Unclaimed Dividend Trust Fund and shall become a special debt owed by the Federal Government to the relevant shareholders and claimable by the shareholders at anytime.

6.24 Related parties

The Group designates an entity or a person a related party where it has identified that:

- The entity and the Group are members of the same group. Holding company and subsidiary relationship.
- The entity is a joint venture or associate of the Group or the entity is a joint venture or associate of another member of the Group.
- The Group is controlled by the entity or person.
- The entity or the person has significant influence over the Group.
- The person is a key management personnel of the Group.
- The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

The Group discloses transactions with related parties which includes the:

- The name of the related party.
- Nature of transaction with the related party.
- Amount of the transaction with the related party nature of transaction with the related party.
- Balance due from and to the related party at the end of the reporting period

The Group discloses the following information regarding key management personnel

- Short term employee benefits
- Post employment benefit

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

6. Summary of significant accounting policies (continued)

6.25 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.

6.26 Deferred tax

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

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control 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.

6.27 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.

6.28 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.

6.29 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Board of Directors is the chief operating decision makers and is responsible for assessing the financial performance and position of the group, and make strategic decisions. The Group identifies and segregates reportable segments based on their geographical location. These are components of the Group operating within a particular operating environment that are subject to risks and returns that are different from components operating in another economic environment.

6.30 Finance income and finance costs

6.30.1 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.

6.30.2 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.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. 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
7.1 The Group							
Cost/Revaluation							
At 1 January 2021	12,509,150	5,765,814	5,363,845	3,921,419	426,436	295,454	28,282,118
Additions in the year	-	62,765	16,766	78,937	42,798	-	201,266
Disposals during the year	-	-	(219,152)	-	-	(27,435)	(246,587)
At 31 December 2021	<u>12,509,150</u>	<u>5,828,579</u>	<u>5,161,459</u>	<u>4,000,356</u>	<u>469,234</u>	<u>268,019</u>	<u>28,236,797</u>
At 1 January 2022	12,509,150	5,828,579	5,161,459	4,000,356	469,234	268,019	28,236,797
Deconsolidated on disposal of controlling interest in subsidiary	(9,424,800)	(1,021,114)	(2,121,617)	(3,898,779)	-	(224,284)	(16,690,594)
Additions in the year	-	20,283	105,029	6,161	16,088	10,060	157,621
Disposals during the year	-	-	-	-	-	(3,700)	(3,700)
At 31 December 2022	<u>3,084,350</u>	<u>4,827,748</u>	<u>3,144,871</u>	<u>107,738</u>	<u>485,322</u>	<u>50,095</u>	<u>11,700,124</u>
Depreciation							
At 1 January 2021	-	1,239,398	4,620,719	3,441,201	354,252	285,776	9,941,346
Charge for the year	-	262,867	256,410	167,580	58,970	5,013	750,840
Eliminated on disposal	-	-	(219,152)	-	-	(27,435)	(246,587)
At 31 December 2021	<u>-</u>	<u>1,502,265</u>	<u>4,657,977</u>	<u>3,608,781</u>	<u>413,222</u>	<u>263,354</u>	<u>10,445,599</u>
At 1 January 2022	-	1,502,265	4,657,977	3,608,781	413,222	263,354	10,445,599
Charge for the year	-	266,222	206,768	111,991	35,639	6,530	627,150
Eliminated on disposal	-	-	-	-	-	(3,494)	(3,494)
Deconsolidated on disposal of controlling interest in subsidiary	-	(412,131)	(2,027,155)	(3,634,555)	-	(222,898)	(6,296,739)
At 31 December 2022	<u>-</u>	<u>1,356,356</u>	<u>2,837,590</u>	<u>86,217</u>	<u>448,861</u>	<u>43,492</u>	<u>4,772,516</u>
Carrying amount							
At 31 December 2021	<u>12,509,150</u>	<u>4,326,314</u>	<u>503,482</u>	<u>391,575</u>	<u>56,012</u>	<u>4,665</u>	<u>17,791,198</u>
At 31 December 2022	<u>3,084,350</u>	<u>3,471,392</u>	<u>307,281</u>	<u>21,521</u>	<u>36,461</u>	<u>6,603</u>	<u>6,927,608</u>

Land owned by Capital Hotels Plc was professionally valued by Knight Frank (Estate Surveyors & Valuers) FRC/2013/000000000584 on 15 October 2020 using the Direct Comparison Approach (Open Market Value basis). The valuation report was certified by Mr. Oyeleke A. Oyeleke, FRCN number: FRC/2013/NIESV/00000001085. The valuation surplus arising therefrom was disclosed in equity through other comprehensive income and allocated to the Parent and Non Controlling Interest in reporting of their interest in the sub-subsidiary.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. Property, plant and equipment (continued)

	Land N'000	Building N'000	Hotel equipment N'000	Office Furniture fittings and equipment N'000	computer equipment N'000	Motor vehicles N'000	Total N'000
7.2 The Company							
Cost							
At 1 January 2021	3,084,350	4,785,300	3,017,386	98,345	424,784	62,035	11,472,200
Additions in the year	-	21,432	16,766	-	42,798	-	80,996
Disposals during the year	-	-	-	-	-	(27,435)	(27,435)
At 31 December 2021	<u>3,084,350</u>	<u>4,806,732</u>	<u>3,034,152</u>	<u>98,345</u>	<u>467,582</u>	<u>34,600</u>	<u>11,525,761</u>
At 1 January 2022	3,084,350	4,806,732	3,034,152	98,345	467,582	34,600	11,525,761
Additions in the year	-	20,283	105,029	6,161	16,088	10,060	157,621
Disposals during the year	-	-	-	-	-	(3,700)	(3,700)
At 31 December 2022	<u>3,084,350</u>	<u>4,827,015</u>	<u>3,139,181</u>	<u>104,506</u>	<u>483,670</u>	<u>40,960</u>	<u>11,679,682</u>
Depreciation							
At 1 January 2021	-	879,507	2,504,309	76,073	352,600	55,404	3,867,893
Charge for the year	-	230,322	171,230	3,313	58,970	4,200	468,035
Eliminated on disposal	-	-	-	-	-	(27,435)	(27,435)
At 31 December 2021	<u>-</u>	<u>1,109,829</u>	<u>2,675,539</u>	<u>79,386</u>	<u>411,570</u>	<u>32,169</u>	<u>4,308,493</u>
At 1 January 2022	-	1,109,829	2,675,539	79,386	411,570	32,169	4,308,493
Charge for the year	-	245,794	156,361	3,599	35,639	5,682	447,075
Eliminated on disposal	-	-	-	-	-	(3,494)	(3,494)
At 31 December 2022	<u>-</u>	<u>1,355,623</u>	<u>2,831,900</u>	<u>82,985</u>	<u>447,209</u>	<u>34,357</u>	<u>4,752,074</u>
Carrying amount							
At 31 December 2021	<u>3,084,350</u>	<u>3,696,903</u>	<u>358,613</u>	<u>18,959</u>	<u>56,012</u>	<u>2,431</u>	<u>7,217,268</u>
At 31 December 2022	<u>3,084,350</u>	<u>3,471,392</u>	<u>307,281</u>	<u>21,521</u>	<u>36,461</u>	<u>6,603</u>	<u>6,927,608</u>

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
8. Investment Property				
Valuation				
At 1 January	4,630,087	4,630,087	-	-
Additions	-	-	-	-
At 31 December	4,630,087	4,630,087	-	-
Impairment				
At 1 January	4,630,087	4,630,087	-	-
Charge	-	-	-	-
At 31 December	4,630,087	4,630,087	-	-
Carrying amount	-	-	-	-
Investment property disclosed in the group financial statements relates to its subsidiary, Charles Hampton & Company Limited in which it has 89.9% interest. The property comprise land held for future development. Investment property is measured using the fair value model.				
Impairment allowance arose from a notice of revocation of the company's certificate of occupancy on the investment property by the Lagos State Government. Further explanatory notes are on Note 45.2.				
9. Capital work in progress				
At 1 January	5,163,458	4,844,322	66,713	65,390
Deconsolidated on disposal of controlling interest in subsidiary	(5,096,745)	-	-	-
Additions in the year	1,129	319,136	1,129	1,323
At 31 December	67,842	5,163,458	67,842	66,713
This represents on going renovation work on the Group's property.				
10. Intangible asset				
10.1 Computer software				
Cost				
At 1 January	299,648	292,265	37,453	30,070
Deconsolidated on disposal of controlling interest in subsidiary	(262,195)	-	-	-
Additions in the year	3,289	7,383	3,289	7,383
At 31 December	40,742	299,648	40,742	37,453
Amortization				
At 1 January	265,167	192,715	20,515	17,406
Deconsolidated on disposal of controlling interest in subsidiary	(255,261)	-	-	-
Charge for the year	12,507	72,452	1,898	3,109
At 31 December	22,413	265,167	22,413	20,515
Carrying amount	18,329	34,481	18,329	16,938
10.2 Goodwill				
At 1 January	4,452,668	4,452,668	-	-
Eliminated on disposal of controlling interest in subsidiary***	(4,454,500)	-	-	-
Reclassification to capital reserve****	1,832	-	-	-
	-	4,452,668	-	-
	18,329	4,487,149	18,329	16,938

***Carrying amount of goodwill arising on the consolidation of Capital Hotels Plc eliminated following the disposal of controlling interest in the subsidiary. The eliminated goodwill is included in the components applied in the determination of profit or loss on disposal of controlling interest by the group in the subsidiary.

****Reclassification to capital reserve represents net bargain purchase arising from the consolidation of Has Gremlin Limited and Charles Hampton & Company Limited.

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

10.3 Goodwill impairment testing

Goodwill previously reported in the books of the Company arose from Capital Hotels Plc after consolidating the financial statements of the subsidiaries with the financial statements of Ikeja Hotel Plc. The Company tested goodwill for impairment as at 31 December 2021 by comparing the fair value of the aggregate of Land and buildings in Capital Hotel Plc with the net assets in the subsidiary. The land was valued at N9,424,800,000 (Nine Billion, Four Hundred and Twenty Four Million, Eight Hundred Thousand Naira). The comparison shows that the fair value of the subsidiary (cash generating unit) exceeds its carrying amount (net assets). The basis of valuation is the market value using the Direct Market Comparison Method of valuation.

The valuation was certified by Mr. Oyeleke A. Oyeleke (FRC/2013/NIESV/00000001085) of Knight Frank, FRC/2013/0000000000584 on 15 October 2020.

	Group	
	N'000 31 Dec 22	N'000 31 Dec 21
Fair value of assets		
Land	-	9,424,800
Building	-	4,326,314
	<u>-</u>	<u>13,751,114</u>
Less cost to sell	-	(1,375,111)
	<u>-</u>	<u>12,376,003</u>
Fair value of property, plant & equipment	-	-
<i>Carrying value of CGU</i>		
Net assets excluding revaluation surplus	-	5,124,675
Goodwill	-	4,452,668
	<u>-</u>	<u>9,577,343</u>
Excess of fair value of the carrying value	-	2,798,661
	<u>-</u>	<u>2,798,661</u>

11. Investment in subsidiaries

Hans Gremlin Nigeria Limited
IHL Services Limited
Charles Hampton and Company Limited

	The Company	
	2022 N'000	2021 N'000
	4,440,919	4,440,919
	100	100
	3,499	3,499
	<u>4,444,518</u>	<u>4,444,518</u>

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. Therefore, Ikeja Hotel Plc's indirect interest in the net assets of Capital Hotels Plc was 38.25% while the remaining 61.75% was attributable to non controlling interest (NCI).

Hans Gremlin Limited disposed controlling interest in Capital Hotels Plc to 22 Hospitality Limited with effect from 31 August 2022. Consequently, Capital Hotels Plc ceased to be a subsidiary of Hans Gremlin Limited and sub-subsidiary of Ikeja Hotel Plc with effect from the date of disposal. The residual interest of Hans Gremlin Limited in Capital Hotels Plc is accounted for as an equity investment in these financial statements in accordance with IFRS 9, Financial Instruments.

Investments in subsidiaries are eliminated on consolidation of the financial statements of the subsidiaries with the holding company.

11.1 Subsidiaries undertakings

All shares in subsidiaries undertakings are ordinary shares

Subsidiaries	Country of incorporation	Proportion of ownership
** Hans Gremlin Nigeria Limited	Nigeria	75%
*** IHL Services Limited	Nigeria	100%
**** Charles Hampton & Company Limited	Nigeria	89.9%

Nature of subsidiaries' business

- ** Special purpose vehicle.
*** Advisory and consultancy services to undertake advisory management on all types of businesses.
**** To carry on business as an investment company amongst others.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. Investment in subsidiaries (continued)

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

	Hans- Gremlin Nigeria Limited N'000	Capital Hotel Plc N'000	IHL Services Limited N'000	Charles Hampton and Company Limited N'000
31 December 2022				
Revenue from contract with customers	103,927	-	-	6,219
(Loss)/profit after tax	64,781	-	(116)	(3,180)
Total assets	6,426,407	-	1,014,651	2,854
Total liabilities	505,820	-	45,185	843,302
Equity	<u>5,920,586</u>	<u>-</u>	<u>969,466</u>	<u>(840,448)</u>
31 December 2021				
Revenue from contract with customers	-	3,698,690	-	-
(Loss)/profit after tax	(788)	(320,459)	567	(2,908)
Total assets	6,334,277	18,028,731	1,014,654	2,728
Total liabilities	478,438	3,765,599	45,073	723,292
Equity	<u>5,855,839</u>	<u>14,263,132</u>	<u>969,581</u>	<u>(720,564)</u>

12. Investment in associate company accounted for using the equity method

The Company holds 12.18% interest in its associate company, 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, making TCN an associate company of Ikeja Hotel Plc. Therefore, Ikeja Hotel Plc's investment in TCN is accounted for using the equity method.

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
12.1 Analysis of investment in associate company				
Gross carrying amount	798,722	798,722	798,722	798,722
Accumulated share of loss in associate company	(798,722)	(798,722)	-	-
	<u>-</u>	<u>-</u>	<u>798,722</u>	<u>798,722</u>
13. Investment in unquoted entities				
ICON Stockbroker	7,421	7,421	-	-
A. Savoia Ltd	2,571	2,571	-	-
Felfan	13,005	13,005	-	-
	<u>22,997</u>	22,997	-	-
Impairment allowance	(22,997)	(22,997)	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
14. Inventory				
Food and beverages	67,951	112,358	67,951	56,765
Operating supplies	155,654	134,939	155,654	134,939
Work in progress	472,979	472,979	-	-
	<u>696,584</u>	720,276	<u>223,605</u>	191,704
Less: allowance for impairment	(472,979)	(472,979)	-	-
	<u>223,605</u>	<u>247,297</u>	<u>223,605</u>	<u>191,704</u>

As at the reporting dates, the carrying amount of the inventory were at cost and were lower than their net realisable values. The allowance for impairment relates to works in progress in the investment property in Charles Hampton & Company Limited.

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	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
15. Trade receivables				
Gross carrying amount	919,863	1,229,082	919,863	650,559
Allowances for expected credit losses	(56,259)	(145,939)	(56,259)	(23,491)
Carrying amount	<u>863,604</u>	<u>1,083,143</u>	<u>863,604</u>	<u>627,068</u>
15.1 Movement in impairment allowance for trade receivables:				
At 1 January	145,939	115,876	23,491	24,202
Deconsolidated on disposal of controlling interest in subsidiary	(122,448)	-	-	-
Charge for the year (Note 34)	32,768	30,774	32,768	-
Write back of impairment allowance (Note 35)	-	(711)	-	(711)
	<u>56,259</u>	<u>145,939</u>	<u>56,259</u>	<u>23,491</u>

Additional impairment allowance is recognized in cost of sales. Write back of impairment allowance is recognized in other income. Further notes on trade receivables impairments are shown on note 48.6.

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.

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
16. Other receivables and prepayments				
Withholding tax receivable	525,625	508,966	525,625	451,752
Advances to suppliers	223,056	86,973	220,763	-
Advances to employees	-	14,947	-	-
	<u>748,681</u>	<u>610,886</u>	<u>746,388</u>	<u>451,752</u>
Prepayments (Note 16.1)	123,399	211,222	123,399	49,642
	<u>872,080</u>	<u>822,108</u>	<u>869,787</u>	<u>501,394</u>
16.1 Prepayments				
Rent	3,249	2,569	3,249	2,569
Maintenance	-	6,234	-	-
Dues and subscription	14,078	601	14,078	601
Insurance	94,685	15,190	94,685	15,190
Supplies	-	154,746	-	-
Intranet resources	11,387	31,882	11,387	31,282
	<u>123,399</u>	<u>211,222</u>	<u>123,399</u>	<u>49,642</u>

	The Group			The Company		
	2022 \$'000	2022 N'000	2021 N'000	2022 \$'000	2022 N'000	2021 N'000
17. Loan to related party						
At 1 January	22,188	9,409,927	8,415,239	22,188	9,409,927	8,415,239
Exchange difference	-	542,381	994,688	-	542,381	994,688
At 31 December	<u>22,188</u>	<u>9,952,308</u>	<u>9,409,927</u>	<u>22,188</u>	<u>9,952,308</u>	<u>9,409,927</u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. Loan to related party (continued)

Terms of the above loan:

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

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
18. Amount due from related parties				
Hans Gremlin Nigeria Limited	-	-	379,615	477,702
Charles Hampton Limited	-	-	264,123	256,879
AVIS - Current Account	31,122	31,122	-	-
GMI & Co	113,188	113,188	-	-
Felfan Limited	59,074	59,074	-	-
	<u>203,384</u>	<u>203,384</u>	<u>643,738</u>	<u>734,581</u>
Impairment allowance (Note 18.1)	<u>(203,384)</u>	<u>(203,384)</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>643,738</u>	<u>734,581</u>

18.1 Movement in impairment Allowance

At 1 January	<u>203,384</u>	<u>203,384</u>	<u>-</u>	<u>-</u>
At 31 December	<u>203,384</u>	<u>203,384</u>	<u>-</u>	<u>-</u>

The additional impairment allowance relates to outstanding balance due from GMI & Co. to IHL Services Limited, a subsidiary of the Company.

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
19. Financial investment				
Equity investment at fair value through profit or loss	<u>2,332,655</u>	<u>-</u>	<u>-</u>	<u>-</u>

Equity investments represents the fair value of the residual interest of the Group in its former subsidiary, Capital Hotels Plc after disposal of significant interests resulting in loss of control. The residual interest is recognised at fair value on initial recognition and subsequent measurement shall be at fair value through profit or loss. The fair value is based on the agreed consideration paid by the buyer to acquire the interest in Capital Hotels Plc.

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
20. Cash and cash equivalents				
20.1 Cash and cash equivalents comprise:				
Cash in hand	2,440	1,466	2,440	848
Cash at bank	5,347,224	4,572,508	5,334,990	3,769,112
	<u>5,349,664</u>	<u>4,573,974</u>	<u>5,337,430</u>	<u>3,769,960</u>
Fixed deposits (Note 20.2)	<u>3,256,060</u>	<u>270,045</u>	<u>157,324</u>	<u>66,374</u>
	<u>8,605,724</u>	<u>4,844,019</u>	<u>5,494,754</u>	<u>3,836,334</u>
20.2 Fixed deposits				
These are short term placements with banks in Nigeria	<u>3,256,060</u>	<u>270,045</u>	<u>157,324</u>	<u>66,374</u>

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	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
21. Share capital				
21.1 Authorised				
4,000,000,000 Ordinary shares of 50 kobo each	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
21.2 Issued and fully paid				
2,078,796,399 ordinary shares of 50 kobo each	<u>1,039,398</u>	<u>1,039,398</u>	<u>1,039,398</u>	<u>1,039,398</u>

21.3 Bonus and rights issues

The Company at its Annual General Meeting held on 28 July 2022 authorised the Board of Directors to consider options such as bonus issue, rights issue, cancellation of unissued shares and debt to equity conversion in procuring the Company's compliance with the Corporate Affairs Commission's directive on unissued shares by the deadline date of 31 December 2022. Accordingly, the Board approved as follows:

Rights issue of 1,133,888,945 (One Billion, One Hundred and Thirty-Three Million, Eight Hundred and Eighty-Eight Thousand, Nine Hundred and Forty-Five) units of 50k ordinary shares at the rate of N1 per share on the basis of 6 new ordinary shares for every 11 units of ordinary shares held in the Company to members whose names appear in the register of members at the qualification date.

Bonus issue of 1 share for every 3 shares held in the company amounting to 692,932,133 units of ordinary shares and a nominal value of N346,466,066.50 at the nominal rate of 50kobo per share and to be set off from the Company's retained earnings. The bonus shares are to be allotted to shareholders whose names appear in the register of members as at the qualification date.

21.4 Free float status

Ikeja Hotel Plc with free float shareholdings valued at N792,799,954.56 as at 31 December 2022, comprising 39.7% of the total shareholding structure is in compliant with Nigerian Stock Exchange requirements (31 December 2021: N1,007,516,609, 39.7%).

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
22. Share premium				
At 31 December	<u>1,381,072</u>	<u>1,381,072</u>	<u>1,381,072</u>	<u>1,381,072</u>
23. Retained earnings				
At 1 January	6,413,223	6,268,548	5,448,269	5,178,389
Profit/(loss) attributable to the owners of the company	(3,953,566)	17,754	268,183	142,959
Re-measurement gain/(loss) on defined benefit plan	(29,942)	126,921	(29,942)	126,921
Reclassified from revaluation reserve	<u>3,121,799</u>	-	-	-
At 31 December	<u>5,551,514</u>	<u>6,413,223</u>	<u>5,686,510</u>	<u>5,448,269</u>

23.1 Distributions proposed

The Board of Directors propose a dividend of 71/2 kobo per 50kobo ordinary share amounting to N155,909,730 on the existing issued ordinary shares of 2,078,796,399 units for the year ended 31 December 2022, which shall be presented to the shareholders for ratification at the next Annual General Meeting. Withholding tax at the applicable rate will be deducted at the time of payment.

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
24. Revaluation reserve				
24.1 Analysis of revaluation reserve:				
Gross amount	8,161,567	8,161,567	-	-
Amount attributable to NCI included in the carrying amount of NCI**	<u>(5,039,768)</u>	<u>(5,039,768)</u>	-	-
Attributable to the parent company	3,121,799	3,121,799	-	-
***Reclassified to retained earnings on disposal of controlling interest in subsidiary:	<u>(3,121,799)</u>	-	-	-
	-	3,121,799	-	-

The revaluation surplus arose from the valuation of land in Capital Hotels Plc (Note 7.1)

**The higher amount attributable to NCI reflects their higher interest in the net assets of Capital Hotels Plc (Note 11).

***Reclassification is effected following the cessation of Capital Hotels Plc as a subsidiary of the Group during the year.

25. Non controlling interest

At 1 January	8,806,428	9,004,796	-	-
Share of comprehensive income for the year	14,769	(198,368)	-	-
NCI at date of disposal of controlling interest in subsidiary	8,821,197	8,806,428	-	-
NCI attributable to Capital Hotels Plc derecognised on disposal of controlling interest in subsidiary (Note 49)	<u>(9,012,100)</u>	-	-	-
At 31 December	<u>(190,903)</u>	<u>8,806,428</u>	<u>-</u>	<u>-</u>

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	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
26. Amount due to related parties				
Capital Hotels Plc	-	-	-	506,647
IHL Services Limited	-	-	779,717	784,717
Federal Palace/Sun International	-	4,247	-	4,247
Alurum Investment Ltd/Omamo Trust Limited (Note 26.2)	4,874,957	4,352,640	4,874,957	4,352,640
Minabo Limited (Note 26.2)	2,851,268	2,545,775	2,851,268	2,545,775
Associated Ventures International Limited (Note 26.2)	2,162,599	1,930,892	2,162,599	1,930,892
	9,888,824	8,833,554	10,668,541	10,124,918
26.1 Movement in amount due to related parties is as follows:				
At 1 January	8,833,554	7,887,557	10,124,918	9,190,034
Interest accrued during the year	1,059,517	945,997	1,077,817	966,527
Repayments during the year	(4,247)	-	(156,746)	(31,643)
Reclassified to trade and other payables	-	-	(377,448)	-
	9,888,824	8,833,554	10,668,541	10,124,918

26.2 The balances comprise outstanding loans to related parties. The terms of these balances were mutually agreed but not formally documented and executed. Interest at 12% per annum are compounded annually on the outstanding loan balances. Repayment of both interest and principal is based on the liquidity position of the Company. No payment of either principal or interest has been made. With the conclusion of the Securities & Exchange Commission (SEC) instituted forensic audit, the Board expects a resolution to all legacy issues around these balances.

27. Retirement benefit obligation

27.1 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.

Under the defined benefit's scheme member's past service benefits have been assessed using the Projected Unit Credit Method (PUCM). This method calculates the actuarial liability (staff gratuity benefits and long service grants) as the discounted value of the benefits that have accrued over the past period of membership of the beneficiaries. In determining this value allowance is made for any future expected inflationary growth of the on-going benefits up to the exit date.

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
27.2 Composition of retirement benefit				
Defined contribution plan (Note 26.3)	-	-	-	-
Defined benefit plan (Note 26.4)	533,726	454,864	533,726	454,864
	533,726	454,864	533,726	454,864
27.3 Defined contribution plan				
At 1 January	-	-	-	-
Contribution in the year	49,954	69,897	48,820	39,021
Remittance during the year	(49,954)	(69,897)	(48,820)	(39,021)
At 31 December	-	-	-	-

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	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
27. Retirement benefit obligation (continued)				
27.4 The defined benefit plan is analysed into:				
Active plan	487,328	387,976	487,328	387,976
Terminated plan	46,398	66,888	46,398	66,888
	<u>533,726</u>	<u>454,864</u>	<u>533,726</u>	<u>454,864</u>
27.5 Movement in defined benefit plan				
Active defined benefit obligations				
At 1 January	387,976	614,244	387,976	614,244
Current service cost	42,243	76,376	42,243	76,376
Interest cost	53,806	68,828	53,806	68,828
Payments in the year	(26,639)	(244,551)	(26,639)	(244,551)
Re-measurement gain on defined benefit plan	29,942	(126,921)	29,942	(126,921)
At 31 December	<u>487,328</u>	<u>387,976</u>	<u>487,328</u>	<u>387,976</u>
Present value of defined benefit obligation	487,328	387,976	487,328	387,976
Terminated obligations				
At 1 January	66,888	367,931	66,888	69,888
Payments in the year	(20,490)	(301,043)	(20,490)	(3,000)
At 31 December	<u>46,398</u>	<u>66,888</u>	<u>46,398</u>	<u>66,888</u>

The terminated obligations is in respect of the gratuity scheme which have been discontinued based on agreements with the Group's workers union. Settlements of the outstanding balances at termination are made in accordance with terms contained in the agreement with the workers union.

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
27.6 Assumptions applied in the estimates:				
The weighted average of the following indices formed part of the actuarial assumptions used at 31 December 2022:				
Discount rate	13.60%	12.46%	13.60%	12.46%
Inflation rate	11.98%	12.42%	11.98%	12.42%
Future rate of salary increases	12.98%	12.42%	12.98%	12.42%

Assumptions regarding future mortality experiences are set based on actuarial advices, published statistics and experience in a given jurisdiction. 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 O & A Hedge Actuarial Consulting on the defined benefit liability as at 31 December 2022 (31 December 2021: O & A Hedge Actuarial Consulting) using the projected unit credit basis. Defined benefit expense is recognised in cost of sales in the statement of profit or loss and other comprehensive income.

The actuarial valuation report was signed on 1 March 2023 by L. B. Abraham (FRC/2016/NAS/00000015764) for O & A Hedge Actuarial Consulting (FRC/2019/00000012909).

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	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
28. Deferred taxation				
28.1 At 1 January	758,146	857,429	(220,392)	(237,841)
Deconsolidated on disposal of controlling interest in subsidiary	(978,538)	-	-	-
Deferred tax credit recognised in profit or loss (Note 31.2)	379,525	(99,283)	379,525	17,449
At 31 December	<u>159,133</u>	<u>758,146</u>	<u>159,133</u>	<u>(220,392)</u>
28.2 Analysis of deferred tax is as follows				
Property, plant and equipment	117,597	(171,474)	117,597	(244,613)
Revaluation of land	-	906,841	-	-
Others	41,536	22,779	41,536	24,221
	<u>159,133</u>	<u>758,146</u>	<u>159,133</u>	<u>(220,392)</u>

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
29. Trade and other payables				
Trade payables	781,599	785,205	484,634	267,707
Capital Hotels Plc	377,448	-	377,448	-
Accrued expenses	996,148	1,559,012	908,492	880,490
CHP Hospitality and Tourism Limited	-	367,305	-	-
Advance deposits	174,424	294,756	57,185	106,460
Service charge distribution	65,431	86,792	65,431	56,549
VAT Payable	45,647	586,753	45,647	39,275
Unclaimed dividend (Note 29.1)	65,867	70,386	65,867	70,386
Sundry creditors (Note 29.2)	-	211,080	-	-
	<u>2,506,564</u>	<u>3,961,289</u>	<u>2,004,704</u>	<u>1,420,867</u>

29.1 This amount represents total unclaimed dividend returned by registrar.

29.2 This amount represent contract liabilities, outstanding consumption tax and other account payables.
The carrying value of accounts payable and accruals approximate their fair value.

30. Deferred income

Unrealised interests and exchange gain on TCN Loan

At 1 January	8,241,618	7,221,868	8,062,665	7,045,427
Deconsolidated on disposal of controlling interest in subsidiary	(36,698)	-	-	-
Exchange difference capitalised	542,381	994,688	542,381	994,688
Advance receipt of rental income	-	154,336	-	22,550
Recognized in profit or loss account	(4,508)	(129,274)	(4,508)	-
At 31 December	<u>8,742,793</u>	<u>8,241,618</u>	<u>8,600,538</u>	<u>8,062,665</u>
30.1 Deferred income comprise				
Ikeja Hotel Plc (Note 29.2)	8,600,538	8,062,665	8,600,538	8,062,665
Capital Hotels Plc	-	36,698	-	-
Charles Hampton & Company Limited	142,255	142,255	-	-
	<u>8,742,793</u>	<u>8,241,618</u>	<u>8,600,538</u>	<u>8,062,665</u>

30.2 This exchange difference relate to interest receivable from the loan granted to Tourist Company of Nigeria Plc, which are payable based on the Company's liquidity.

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	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
31. Dividend payable				
At 1 January	105,960	105,960	16,691	16,691
Deconsolidated on disposal of controlling interest in subsidiary	(89,269)	-	-	-
At 31 December	<u>16,691</u>	<u>105,960</u>	<u>16,691</u>	<u>16,691</u>
32. Taxation				
32.1 Current tax payables				
At 1 January	637,348	256,618	23,215	11,082
Deconsolidated on disposal of controlling interest in subsidiary	(595,524)	-	-	-
Payment in the year	(104,134)	(100,101)	(104,134)	(34,109)
Current year's tax expense	120,902	107,870	120,902	15,451
(Over)/under provision	80,919	372,961	80,919	30,791
At 31 December	<u>139,511</u>	<u>637,348</u>	<u>120,902</u>	<u>23,215</u>
32.2 Income tax expense				
Company income tax	96,688	95,816	96,688	-
Minimum tax	-	-	-	15,451
Education tax	24,172	12,054	24,172	-
Police trust fund	42	-	42	-
	<u>120,902</u>	<u>107,870</u>	<u>120,902</u>	<u>15,451</u>
Prior years (over)/underprovision	80,919	372,961	80,919	30,791
	<u>201,821</u>	<u>480,831</u>	<u>201,821</u>	<u>46,242</u>
Deferred taxation	379,525	(99,283)	379,525	17,449
	<u>581,346</u>	<u>381,548</u>	<u>581,346</u>	<u>63,691</u>
32.3 The tax expense for the year is reconciled to the profit/(loss) for the year as follows:				
Profit/(loss) before tax	<u>(3,357,449)</u>	200,934	<u>849,529</u>	206,650
Tax @ 30%	(1,007,235)	60,280	254,859	61,995
Net deductible items	1,362,782	720,789	100,688	551,712
Capital allowance utilised	(193,377)	(701,633)	(193,377)	(613,707)
Education tax	24,172	12,054	24,172	-
Prior years (over)/underprovision	80,919	372,961	80,919	30,791
Minimum tax	-	15,451	-	15,451
Effect of non taxable income of subsidiaries	-	929	-	-
Deferred tax effect	379,525	(99,283)	379,525	17,449
Unrelieved losses	(65,482)	-	(65,482)	-
Police trust fund	42	-	42	-
Income tax recognised in the profit or loss account	<u>581,346</u>	<u>381,548</u>	<u>581,346</u>	<u>63,691</u>

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, and the Education Tax Act as amended. Minimum tax was computed in accordance with the provisions of the Finance Act, 2020.

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	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
33. Revenue from contracts with customers				
Revenue comprise				
Room sales	7,466,639	5,746,390	5,347,463	3,889,940
Food and beverage	4,467,197	3,441,218	2,755,491	1,876,897
Other minor operating departments	963,132	680,937	614,047	403,018
	12,896,968	9,868,545	8,717,001	6,169,855
33.1 Timing of revenue recognition				
Goods transferred at a point in time	4,467,197	3,441,218	2,755,491	1,876,897
Services transferred over time	8,429,771	6,427,327	5,961,510	4,292,958
Total revenue from contracts with customers	12,896,968	9,868,545	8,717,001	6,169,855

Revenue is recognised overtime for services transferred because as the Company performs, the customer simultaneously receives and consumes the benefits provided by the Company's performance.

There is no other revenue items outside IFRS 15. Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information for the Group (Note 32.3).

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
Revenue				
External customer	12,896,968	9,868,545	8,717,001	6,169,855
Total Revenue from contracts with customers	12,896,968	9,868,545	8,717,001	6,169,855

33.2 Contract assets

Trade receivables (Note 15)

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Expected credit losses on trade receivables as at 31 December 2022 were N56.259 and N56.259 for the Group and Company respectively. (31 December 2021: N145.097 and N23.491 for the Group and Company respectively)

33.3 Segment information

33.3.1 Reportable segments

The Board of Directors is the Chief Operating Decision Maker (CODM) for reviewing the operating results of reportable segments and making decisions regarding allocation of resources to the segments. The Group identifies and segregates reportable segments based on their geographical location. These are components of the Group operating within a particular operating environment that are subject to risks and returns that are different from components operating in another economic environment.

The two reportable segments are:

Lagos and;
Abuja

33.3.2 Segmented financial information

Below are financial information relating to the performance, assets and liabilities of the reportable segments. Performance of each segment is measured based on the sales revenue, operating profit before finance cost and tax and profit after tax.

31 December 2022	Lagos N'000	Abuja N'000	Eliminations N'000	Total N'000
Segmented results				
Revenue	8,717,001	4,179,966	-	12,896,967
Profit/(Loss) before tax	(3,598,746)	241,297	-	(3,357,449)
Income tax	(581,346)	-	-	(581,346)
Loss for the year	(4,180,092)	241,297	-	(3,938,795)

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33.3 Segment information (continued)

33.3.2 Segmented financial information (continued)

	Lagos N'000	Abuja N'000	Eliminations N'000	Total N'000
31 December 2022				
Segmented assets and liabilities				
Non current assets				
Investment in subsidiaries	7,073,959	-	(7,073,959)	-
Investment in associate	798,722	-	(798,722)	-
Other non current assets	7,040,275	-	(26,496)	7,013,779
	14,912,956	-	(7,899,177)	7,013,779
Current assets	22,145,747	-	704,229	22,849,976
	37,058,703	-	(7,194,948)	29,863,755
Liabilities	23,503,078	-	(1,422,236)	22,080,842
	23,503,078	-	(1,422,236)	22,080,842
31 December 2021				
Segmented results				
Revenue	6,169,855	3,698,690	-	9,868,545
Profit/(Loss) before tax	203,554	(2,620)	-	200,934
Income tax	(63,709)	(317,839)	-	(381,548)
Loss for the year	139,845	(320,459)	-	(180,614)
Segmented assets and liabilities				
Non current assets				
Investment in subsidiaries	10,778,790	-	(10,778,790)	-
Investment in associate	798,722	-	(798,722)	-
Other non current assets	7,327,414	15,688,219	4,426,172	27,441,805
	18,904,926	15,688,219	(7,151,340)	27,441,805
Current assets	16,291,898	2,340,512	(2,225,916)	16,406,494
	35,196,824	18,028,731	(9,377,256)	43,848,299
Liabilities	21,340,472	3,765,595	(2,019,688)	23,086,379
	21,340,472	3,765,595	(2,019,688)	23,086,379

Notes

With regards the year ended 31 December 2022 the adjustments consist of:

(ii) Investment in subsidiaries - N7.0 billion: Net elimination of the company's investments in subsidiary companies against the proportion of its interests in the net assets of the subsidiaries and elimination of goodwill.

(iii) Investment in associates - N799 million: adjustment for cumulative share of loss of the company in the net losses of its associate company.

(iv) Other non current assets - N26 million: elimination of impaired long term investments.

(v) Current assets - N704 million: Being recognition of equity investment of N2.3 billion and elimination of net intragroup balance of N1.6 billion.

(vi) Liabilities - N1.422 billion: elimination of intragroup balances and other adjustments.

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33.3 Segment information (continued)

33.3.2 Segmented financial information

With regards the year ended 31 December 2021 the eliminations consist of:

(ii) Investment in subsidiaries - N10.779 billion: elimination of the company's investments in subsidiary companies against the proportion of its interests in the net assets of the subsidiaries.

(iii) Investment in associates - N799 million: adjustment for cumulative share of loss of the company in the net losses of its associate company.

(iv) Other non current assets - N4.426 billion: being the net of the goodwill amount of N4.453 billion created from the elimination of the Company's investments in subsidiaries and elimination of impaired long term

(v) Current assets - N2.226 billion: elimination of intragroup balances balances of N2.026 and other adjustments.

(vi) Liabilities - N2.020 billion: elimination of intragroup balances and other adjustments.

	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
34. Cost of sales				
Rooms	1,445,908	783,468	930,844	536,126
Food and beverage	2,450,791	1,676,450	1,649,561	1,187,901
Operating overheads	5,362,665	4,752,291	2,929,388	2,185,372
	<u>9,259,364</u>	<u>7,212,209</u>	<u>5,509,793</u>	<u>3,909,399</u>
Gross profit	<u>3,637,604</u>	<u>2,656,336</u>	<u>3,207,208</u>	<u>2,260,456</u>
Gross profit margin (%)	<u>28.21</u>	<u>26.92</u>	<u>36.79</u>	<u>36.64</u>
<i>Included in cost of sales are the following:</i>				
Salaries and wages	1,306,359	1,828,385	1,306,359	883,863
Pension cost	41,204	61,715	41,204	33,838
Trade receivables impairment allowance	32,768	30,774	32,768	-
	<u>1,380,331</u>	<u>1,920,874</u>	<u>1,380,331</u>	<u>917,701</u>
35. Other income				
Exchange gain	120,184	142,620	105,685	73,187
Rental income	6,219	129,274	-	-
Sundry receipt	22,841	-	-	-
Sales of scrap	8,084	68,861	22	2,232
Insurance claim	-	741	-	741
Profit on disposal of property, plant and equipment	1,594	42,761	1,594	7,761
Write back of impairment allowance	-	711	-	711
	<u>158,922</u>	<u>384,968</u>	<u>107,301</u>	<u>84,632</u>

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	The Group		The Company	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
36. Expenses by nature				
36.1 Sales and marketing expenses				
Salaries	60,920	53,390	60,920	53,390
Staff welfare	60,993	39,299	60,993	39,299
Loyalty programs	66,612	51,163	66,612	51,163
Dues and Subscription	455	623	455	623
Travel - others	1,560	3,274	1,560	3,274
Entertainment	2,245	4,558	2,245	4,558
Advertisement and publicity	125,409	91,880	125,409	91,880
	318,194	244,187	318,194	244,187
36.2 Administrative expenses				
Directors' remuneration	26,100	10,370	8,700	8,700
Directors' expenses	91,491	88,841	83,483	64,704
Employee costs	123,710	124,869	101,614	91,886
Depreciation of property, plant and equipment	627,150	750,840	447,075	468,035
Amortisation of intangible assets	12,507	72,452	1,898	3,109
Management fees	88,492	59,691	88,492	59,691
Operators incentive fee	164,546	116,404	164,546	116,404
Legal	15,473	9,100	15,200	6,150
Professional fees***	95,799	52,488	60,961	47,966
Insurance	20,376	16,819	2,725	3,595
Medical expenses	12,880	5,186	8,365	5,186
Transport and travelling	4,600	5,086	3,015	3,784
Repairs and maintenance	4,433	5,815	3,889	5,282
Bank charges and commission	13,911	661	815	458
Audit fee	14,895	21,599	9,890	9,890
Rent and rate	13,411	11,270	7,042	11,270
Advertising and publicity	7,588	2,484	7,588	2,484
Printing and stationery	2,420	1,860	1,546	1,860
Communication expenses	3,925	2,207	3,792	2,205
Subscription	9,558	4,854	4,936	4,854
Donations	398	1,000	398	1,000
Annual General Meeting expenses	11,971	5,913	9,917	5,913
Other administrative expenses****	41,132	48,799	39,546	14,832
Loss on partial disposal of interest in subsidiary (Note 49)	4,499,364	-	-	-
Taxes*****	-	239,243	-	-
Penalties*****	-	3,870	-	-
	5,906,130	1,661,721	1,075,433	939,258
*** Non audit service				
Included in professional fees is the sum of N2.5 million representing fees for advisory service jointly provided by the external auditors to Hans Gremlin Limited, a subsidiary.				
**** Other administrative expenses				
Staff pension	8,750	6,868	7,616	6,868
Training	8,774	1,442	8,774	1,442
Staff welfare	3,438	2,553	3,438	2,553
Electricity	7,968	4,248	7,776	3,969
Secretarial and meetings	-	13,435	-	-
Office expenses	7,917	20,253	7,657	-
Auto repairs	4,285	-	4,285	-
	41,132	48,799	39,546	14,832

***** Taxes relate to additional VAT and withholding tax assessments by the Federal Inland Revenue Service assessed on a subsidiary.

***** Penalties are in respect of Financial Reporting Council of Nigeria regulatory matters relating to late filing by a subsidiary.

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	The Group		The Company	
	2022	2021	2022	2021
	N'000	N'000	N'000	N'000
37. Finance income				
Interest earned on placement with banks	<u>129,836</u>	11,535	<u>6,464</u>	11,535
	<u>129,836</u>	<u>11,535</u>	<u>6,464</u>	<u>11,535</u>
Dividend income relates to intragroup dividend and is eliminated on consolidation of the financial statements of the parent and its subsidiaries.				
38. Finance costs				
Interest expense	<u>1,059,487</u>	945,997	<u>1,077,817</u>	966,528
Intragroup interests amounting to N37.775 million (31 December 2021: N20.531 million) was eliminated from group finance cost and finance income for the year ended 31 December 2022.				
39. Operating profit before tax is stated after charging/(crediting):				
Directors' remuneration	25,744	34,066	25,744	24,066
Depreciation of property, plant and equipment	627,150	750,840	447,075	468,035
Amortisation of intangible assets	12,507	72,452	1,898	3,109
Auditor's remuneration***	14,895	21,599	9,890	9,890
Exchange gain	120,184	142,620	105,685	73,187
Personnel compensation	<u>1,474,533</u>	2,075,402	<u>1,456,793</u>	1,068,160
40. 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/(loss) after taxation	<u>(3,938,795)</u>	(180,614)	<u>268,183</u>	142,959
Number of shares	<u>2,078,796</u>	2,078,796	<u>2,078,796</u>	2,078,796
Earnings/(loss) per share (Kobo)	<u>(189)</u>	(9)	<u>13</u>	7
41. Information regarding directors and employees				
41.1 Emolument of the Directors				
Chairman's fee	7,200	1,500	1,500	1,500
Other Directors fee	34,444	7,200	7,200	7,200
Executive Directors	<u>25,744</u>	25,366	<u>17,044</u>	15,366
	<u>67,389</u>	<u>34,066</u>	<u>25,744</u>	<u>24,066</u>

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	The Group		The Company	
	2022 Number	2021 Number	2022 Number	2021 Number
41. Information regarding directors and employees (continued)				
41.2 Scale of directors' remuneration				
The number of directors excluding the Chairman whose emoluments fell within the following ranges are:				
N10,000,000 and above	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>
	N'000	N'000	N'000	N'000
41.3 Staff costs				
Personnel compensation comprised:				
Salaries and wages	1,430,069	2,005,505	1,407,973	1,029,139
Pension cost	<u>49,954</u>	<u>69,897</u>	<u>48,820</u>	<u>39,021</u>
	<u>1,480,023</u>	<u>2,075,402</u>	<u>1,456,793</u>	<u>1,068,160</u>
	Number	Number	Number	Number
41.4 The average number of persons employed during the year by category:				
Management staff	37	44	37	36
Non-management staff	<u>164</u>	<u>368</u>	<u>164</u>	<u>150</u>
	<u>201</u>	<u>412</u>	<u>201</u>	<u>186</u>
41.5 Scale of employees' remuneration				
N		N		
250,001 -		500,000 -	106	-
500,001 -		750,000 -	14	-
750,001 -		1,000,000	55	89
1,000,001 -		1,250,000	42	97
1,250,001 -		1,500,000	23	23
1,500,001 -		1,750,000	18	19
1,750,001 -		2,000,000	13	12
Above -		2,000,001	50	52
			<u>201</u>	<u>412</u>
			<u>201</u>	<u>186</u>
42. Related party disclosures				
42.1 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:				
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
Short term benefits (Note 40.1)	<u>67,389</u>	<u>34,066</u>	<u>25,744</u>	<u>24,066</u>
42.2 During the year, the Group had significant business dealings with the related parties. The transaction value of these business dealings are:				
	Transactions 2022 N'000	Balance N'000 Due from/(to) related party	Transactions 2021 N'000	Balance N'000 Due from/(to) related party
42.3 The Tourist Company of Nigeria Plc	542,381	9,952,308	994,688	9,409,927
Ikeja Hotel Plc is a shareholder of the Company and some Directors on the Board of the Company also serve on the Board of Ikeja Hotel Plc. Transaction in the year relate to fee income received for support services.				
42.4 Hans-Gremlins (Nigeria) Limited	(98,088)	379,615	770	477,702
The Company is a subsidiary of Ikeja Hotel Plc and some of the Directors serve on the board of both companies. Transaction in the year related to administrative support provided to Hans Gremlin Limited.				

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	Transactions 2022 N'000	Balance N'000	Transactions 2021 N'000	Balance N'000
		Due from/(to) related party		Due from/(to) related party
42.5 Minabo Limited				
One of the Directors of Ikeja Hotel Plc is also a director of Minabo Limited. Transaction in the year relate to interest payable on outstanding loan liability.	(305,493)	(2,851,268)	(272,762)	(2,545,775)
42.6 Associated Ventures International Limited				
One of the Directors of the Company is also a director of Associated Ventures International Limited. Transaction relates to interest payable on outstanding loan balance.	(231,707)	(2,162,599)	(206,881)	(1,930,892)
42.7 Alurum Investment Limited/Oma Trust Limited				
One of the Directors of the Company is also a director of Oma Trust Limited. Transaction in the year was in respect of interest accrued on outstanding loan liability.	(522,317)	(4,874,957)	(466,354)	(4,352,640)
42.8 Charles Hampton & Company Limited				
Capital Hotels Plc is a member of the Ikeja Hotel Group and in the business of real estate investment. Transactions in the year relate to administrative support provided by Ikeja Hotel Plc.	7,244	264,123	3,938	256,879
42.9 IHL Services Limited				
IHL Services Limited is a member of the Ikeja Hotel Group. Transactions in the year relate to administrative support provided by Ikeja Hotel Plc.	5,000	(779,717)	43	(784,717)
42.10 Punuka Nominees Limited				
The Company provides secretarial services to Ikeja Hotel Plc. The Chairman of the Board of Ikeja Hotel Plc is a director in the company and Senior Partner of Punuka Attorneys and Solicitors which is affiliated to Punuka Nominees Limited.	5,000	-	5,000	-
42.11 GM IBRU & CO				
The Firm provides legal services to Ikeja Hotel Plc. GM Ibru is the former chairman of Ikeja Hotel Plc and a Senior Partner of GM Ibru & Co.	9,100	-	6,150	-
43. Management/technical service agreement				
The Ikeja Hotel Plc entered into an agreement with Marriots 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).				
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. At the Annual General Meeting of the Company held on 13 August 2020, the shareholders approved the allotment of 83,571,428 units of ordinary shares at N1.12k to the Company.				
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. (2021: Nil)				

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45. Contingencies (continued)

45.2 Pending litigations and claims

There were a total of five (5) lawsuits against the Company as at 31 December 2022 with a total possibly financial liability of N373million. The Company's legal counsel are however effectively handling the suits and there are no other suit 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 given by Oku Enyore Oyibo (FRC/2019/NBA/00000019588) for G.M. Ibru & Co.

The Lagos State Government issued a notice of revocation of Charles Hampton & Company Limited's certificate of occupancy (C of O) on acres of land which comprise the Company's investment property in the year 2020. The Directors of the Group have challenged this action in court through its Legal Counsel, G. M. Ibru & Co. In the light of uncertainties around the action of the Lagos State Government, the Directors impaired the carrying amount of the asset by the creation of an impairment allowance in the books of its subsidiary. Future reversal of the impairment allowance shall be made if judgements are in the favour of the Company after all levels of litigation and appeals have been exhausted.

46. Events after the reporting date

Hans Gremlin Nigeria Limited disposed its residual interest in Capital Hotels Plc to 22 Hospitality Limited at the same consideration per share paid for the initial acquisition of interest in Capital Hotels Limited.

Apart from the above, the Directors have assessed and concluded that there are no significant events after the reporting date which would have had any material effect on the state of affairs as at 31 December 2022 that have not been dealt with in these financial statements.

47. Forensic audit

The Forensic Audit instituted by the Securities & Exchange Commission (SEC) in the year 2017 into the affairs of the Company has been concluded. Consequent upon its conclusion, the Board expects a resolution to all legacy issues including those matters disclosed in note 26.2.

48. Financial instruments risk management framework

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

The Group has exposure to the following risks:

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

48.1 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.

48.2 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.

48.3 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.

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

48.4 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.

48.5 Exposure to credit 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	
	2022 N'000	2021 N'000	2022 N'000	2021 N'000
Financial assets				
Related party receivables	9,952,308	9,409,927	10,596,046	10,144,508
Investments accounted for using the equity method	-	-	-	798,722
Trade and other receivables	863,604	1,083,143	863,604	627,068
Cash and cash equivalents	8,605,724	4,844,019	5,494,754	3,836,334
	<u>19,421,636</u>	<u>15,337,089</u>	<u>16,954,404</u>	<u>15,406,632</u>

48.6 Impairment of trade receivables

Group	Days							Total N'000
	0 - 30 N'000	31-60 N'000	61-90 N'000	91-120 N'000	121-180 N'000	181 and above N'000		
2022								
Gross carrying amount	433,614	224,334	121,151	39,096	31,342	70,326	919,863	
Default rate	3.05%	6.07%	9.67%	11.81%	12.41%	13.10%		
Lifetime ECL	13,213	13,611	11,711	4,618	3,890	9,216	56,259	
2021								
Gross carrying amount	604,255	191,319	78,656	9,342	66,342	279,168	1,229,082	
Default rate	4.21%	3.67%	4.86%	6.53%	6.70%	37.47%		
Lifetime ECL	25,430	7,018	3,822	610	4,442	104,617	145,939	

Company	Days							Total N'000
	0 - 30 N'000	31-60 N'000	61-90 N'000	91-120 N'000	121-180 N'000	181 and above N'000		
2022								
Gross carrying amount	433,614	224,334	121,151	39,096	31,342	70,326	919,863	
Default rate	3.05%	6.07%	9.67%	11.81%	12.41%	13.10%		
Lifetime ECL	13,213	13,611	11,711	4,618	3,890	9,216	56,259	
2021								
Gross carrying amount	374,077	140,527	43,041	9,342	9,792	73,778	650,559	
Default rate	1.99%	3.04%	5.10%	6.53%	7.92%	11.11%		
Lifetime ECL	7,443	4,274	2,194	610	775	8,194	23,491	

The calculation of impairment allowance is based on the expected credit loss (ECL) model. The measurement of expected credit loss by the Group reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. Also, the Group considers reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses. The expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weightings.

The Group adopts the simplified approach in calculating ECL which recognises lifetime ECL on trade receivables. The simplified model is based on establishing historical loss rates for classes of trade receivables with similar characteristics and adjusting those rates to reflect the effect of forward looking macro economic variables.

These macro economic variables include inflation and interest rates.

48.7 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.

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48.7 Operational risk (continued)

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

48.8 Financial risk

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

48.9 Liquidity risk

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

The Group's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group finances its operations through cash generated by the business and short-term investments with a range of maturity dates. In this way, the Group ensures that it is not overly reliant on any particular liquidity sources. Liquidity risk faced by the Group is mitigated by having diverse sources of finance available to it and by maintaining substantial unutilized banking facilities and reserve borrowing capacity (where necessary).

Contractual maturity analysis for financial liabilities - Group

	Due within one year N'000	Due after one year N'000	Total N'000
At 31 December 2022			
Financial liabilities			
Other liabilities	8,975,904	10,581,683	19,557,587
Trade and other payables	2,506,564	-	2,506,564
Dividend payable	16,691	-	16,691
	<u>11,499,159</u>	<u>10,581,683</u>	<u>22,080,842</u>
At 31 December 2021			
Financial liabilities			
Other liabilities	8,972,566	10,046,564	19,019,130
Trade and other payables	3,961,289	-	3,961,289
Dividend payable	105,960	-	105,960
	<u>13,039,815</u>	<u>10,046,564</u>	<u>23,086,379</u>

Contractual maturity analysis for financial liabilities - Company

	Due within one year N'000	Due after one year N'000	Total N'000
At 31 December 2022			
Financial liabilities			
Other liabilities	8,815,039	11,361,400	20,176,439
Trade and other payables	2,004,704	-	2,004,704
Dividend payable	16,691	-	16,691
	<u>10,836,434</u>	<u>11,361,400</u>	<u>22,197,834</u>
At 31 December 2021			
Financial liabilities			
Other liabilities	8,179,481	10,579,782	18,759,263
Trade and other payables	1,420,867	-	1,420,867
Dividend payable	16,691	-	16,691
	<u>9,617,039</u>	<u>10,579,782</u>	<u>20,196,821</u>

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

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48.10 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:

48.11 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.

48.12 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.

48.13 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.

The Group

	Fair value N'000	Amortised cost N'000	Carrying amount N'000
At 31 December 2022			
Assets			
Cash and cash equivalents	8,605,724	-	8,605,724
Trade receivables	-	1,735,684	1,735,684
Loans receivable	-	9,952,308	9,952,308
Investments accounted for using the equity method	-	-	-
	<u>8,605,724</u>	<u>11,687,992</u>	<u>20,293,716</u>
Liabilities			
Trade payables	2,506,564	-	2,506,564
Other payables	19,574,277	-	19,574,277
	<u>22,080,841</u>	<u>-</u>	<u>22,080,841</u>
At 31 December 2021			
Assets			
Cash and cash equivalents	4,844,019	-	4,844,019
Trade receivables	-	1,905,252	1,905,252
Loans receivable	-	9,409,927	9,409,927
	<u>4,844,019</u>	<u>11,315,179</u>	<u>16,159,198</u>
Liabilities			
Trade payables	3,961,289	-	3,961,289
Other payables	9,078,526	-	9,078,526
	<u>13,039,815</u>	<u>-</u>	<u>13,039,815</u>
The Company			
At 31 December 2022			
Assets			
Cash and cash equivalents	5,494,754	-	5,494,754
Trade receivables	-	2,377,129	2,377,129
Loans receivable	-	9,952,308	9,952,308
	<u>5,494,754</u>	<u>12,329,437</u>	<u>17,824,191</u>
Liabilities			
Trade payables	2,004,704	-	2,004,704
Other payables	20,193,130	-	20,193,130
	<u>22,197,834</u>	<u>-</u>	<u>22,197,834</u>

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

48.14 Fair value determination (continued)

The Company (continued)

	Fair value N'000	Amortised cost N'000	Carrying amount N'000
At 31 December 2021			
Assets			
Cash and cash equivalents	3,836,334	-	3,836,334
Trade receivables	-	627,068	627,068
Loans receivable	-	9,409,927	9,409,927
Investments accounted for using the equity method	798,722	-	798,722
	<u>4,635,056</u>	<u>10,036,995</u>	<u>14,672,051</u>
Liabilities			
Trade and other payables	1,420,867	-	1,420,867
Other payables	8,196,172	-	8,196,172
	<u>9,617,039</u>	<u>-</u>	<u>9,617,039</u>

48.15 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:

48.16 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.

48.17 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).

IKEJA HOTEL PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

49.	<i>Determination of loss on partial disposal of interest in Capital Hotels Plc</i>			N'000
	<i>Items credited to disposal account:</i>			
	Proceeds of partial disposal of interest in Capital Hotels Plc			3,196,517
	Consideration			(81,709)
	Less: Regulatory charges			<u> </u>
	Net consideration			3,114,808
	Fair value of residual interest (Note 19)			2,332,655
	Derecognition of the carrying amount of related NCI (Note 49.1)			<u>9,012,100</u>
				<u>14,459,563</u>
	<i>Less: items debited to disposal account:</i>			
	Capital Hotels Plc's net assets at disposal (Note 49.2)			(14,504,427)
	Goodwill eliminated (Note 10.2)			<u>(4,454,500)</u>
				<u>(18,958,927)</u>
	Loss on disposal			<u><u>(4,499,364)</u></u>
49.1	Determination of carrying amount of NCI in Capital Hotels Plc derecognised at disposal:			
	Carrying amount of NCI at date of disposal of controlling interest in Capital Hotels Plc (Note 25)			<u>8,821,197</u>
	Less NCI in existing subsidiaries:			
		N	N	
	<i>Hans Gremlin Limited</i>			
	Net assets (Note 11.2)	5,910,193		
	Proportion non controlling interest	0.25	1,477,548	
	Cost of investment in Capital Hotels Plc	6,334,272		
	Proportion cost relating to NCI	0.25	<u>(1,583,568)</u>	
	Carrying amount of NCI in Hans Gremlin Limited			(106,019)
	<i>Charles Hampton & Company Limited</i>			
	Net assets (Note 11.2)	(840,448)		
	Proportion non controlling interest	0.1010		<u>(84,884)</u>
				<u>(190,903)</u>
	NCI Attributable to Capital Hotels Plc at date of disposal of interest			<u><u>9,012,100</u></u>
49.2	<i>Capital Hotels Plc's net assets at disposal:</i>			
	Share capital			774,390
	Retained earnings at date of disposal			5,568,470
	Revaluation reserve			<u>8,161,567</u>
				<u><u>14,504,427</u></u>

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NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

50. Impact of COVID-19 pandemic

The financial year ended 31 December, 2022 marked the second full year after the outbreak of Corona Virus, 'COVID- 19' in Nigeria in the year 2020. The hospitality industry that suffered great loss during the COVID- 19 lockdown has shown tremendous improvement this year despite lack of palliative from the government.

Our adherence to the highest standard of hygiene and COVID- 19 Protocols has kept our spaces safe for business. The strategic plans designed at the outbreak of the pandemic to mitigate the effect on the business were well executed by the management. The Company at the end of 2022 financial year has fully recovered from the losses suffered during the COVID- 19 Pandemic lockdown. It is our hope that this trend will continue in the new year.

However, we will continue to maintain some COVID- 19 protocol, especially temperature testing and keeping hand sanitizer in different locations within the hotel premises to ensure nobody is exposed to any risk of the COVID- 19 Pandemic.

Cost of operation

The major challenge that affected the business was high cost of energy. Diesel price went out of control and electricity supply from public source was almost not available. Inflation rate became so volatile that planning became so difficult to do and consumer goods was out of the reach of average citizen. Naira also depreciated significantly during the year. All these affected costs and profitability.

Group

The losses recorded at the group level, was as a result of divestment from a major subsidiary and write off, of the goodwill created from the acquisition of the major subsidiary. This decision will enable the Company to focus on its prime asset and consolidate on the achievement recorded in the current year.

The Board is confident that the strategy adopted is very sound and will continue to support the management in its effort to build a strong and profitable business.

Other national disclosures

IKEJA HOTEL PLC

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2022

	The Group				The Company			
	2022 N'000	%	2021 N'000	%	2022 N'000	%	2021 N'000	%
Revenue	12,896,968		9,868,545		8,717,001		6,169,855	
Other income	158,922		384,968		107,301		84,632	
Finance income	129,836		11,535		6,464		11,535	
	13,185,726		10,265,048		8,830,766		6,266,022	
Cost of goods and services - local	(13,364,008)		(6,219,422)		(4,997,654)		(3,553,540)	
Value added	(178,282)	100	4,045,626	100	3,833,112	100	2,712,482	100
Applied as follows:								
To pay employees:								
Salaries wages and other staff costs	1,480,023	(830)	2,075,402	51	1,456,793	38	1,068,160	39
To providers of capital:								
Finance costs	1,059,487	(594)	945,997	23	1,077,817	28	966,528	36
To pay Government:								
Income and Education tax	201,821	(113)	480,831	12	201,821	5	46,242	2
To provide for assets replacement:								
Depreciation and amortisation of property, plant and equipment and intangible assets	639,657	(359)	823,293	20	448,973	12	471,144	17
Retained for future expansion:								
- Deferred taxation	379,525	(213)	(99,283)	(2)	379,525	10	17,449	1
- Retained profit for the year	(3,938,795)	2,209	(180,614)	(4)	268,183	7	142,959	5
Value added	(178,282)	100	4,045,626	100	3,833,112	100	2,712,482	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 the wealth amongst employees, providers of capital, government and that retained in the business for future creation of more wealth.

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FINANCIAL SUMMARY

31 DECEMBER

	2022 N'000	2021 N'000	2020 N'000	2019 N'000	2018 N'000
Group					
Statement of financial position					
Assets					
Property, plant and equipment	6,927,608	17,791,198	18,340,772	9,950,728	5,949,416
Investment Property	-	-	-	4,630,087	4,630,087
Capital work in progress	67,842	5,163,458	4,844,322	4,216,034	6,529,985
Intangible assets	18,329	4,487,149	4,552,218	4,619,383	4,487,764
Investments accounted for using the equity method	-	-	-	-	147,014
Loans to related party	-	-	-	-	-
Net current (liabilities)/assets	11,350,818	3,366,678	2,805,462	5,319,618	5,938,508
Non-current liabilities	(10,581,683)	(10,046,563)	(9,727,161)	(9,365,268)	(9,232,847)
Net assets	7,782,913	20,761,920	20,815,613	19,370,582	18,449,927
Equity and reserves					
Share capital	1,039,398	1,039,398	1,039,398	1,039,398	1,039,398
Share premium reserve	1,381,072	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	5,551,514	6,413,223	6,268,548	12,329,582	11,673,832
Capital reserve	1,832	-	-	-	-
Revaluation reserve	-	3,121,799	3,121,799	-	-
	7,973,816	11,955,492	11,810,817	14,750,052	14,094,302
Non-controlling interest	(190,903)	8,806,428	9,004,796	4,620,530	4,355,626
Total equity	7,782,913	20,761,920	20,815,613	19,370,582	18,449,928
Summary of statement of profit or loss and other comprehensive income					
Revenue from contract with customers	12,896,968	9,868,545	5,068,571	12,515,560	13,226,569
Profit/(loss) before tax	(3,357,449)	200,934	(7,335,918)	1,147,080	1,229,079
Income tax expense	(581,346)	(381,548)	614,217	(312,134)	(123,720)
Profit for the year	(3,938,795)	(180,614)	(6,721,701)	834,946	1,105,359
<i>Other comprehensive income/(loss) for the year</i>					
Remeasurement gain/(loss) on retirement benefit obligation	(29,942)	126,921	94,560	195,891	-
Revaluation of net of tax	-	-	8,161,567	-	-
	(29,942)	126,921	8,256,127	195,891	-
Total comprehensive income/(loss) for the year	(3,968,737)	(53,693)	1,534,426	1,030,837	1,105,359
Per share data:					
Earnings/(loss) per share - Kobo	(189)	(9)	(323)	40	53
Net assets/share - (Naira)	3.74	9.99	10.01	9.32	8.88

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

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

IKEJA HOTEL PLC

FINANCIAL SUMMARY

31 DECEMBER

	2022 N'000	2021 N'000	2020 N'000	2019 N'000	2018 N'000
Company					
Statement of financial position					
Assets					
Property, plant and equipment	6,927,608	7,217,268	7,604,307	8,075,375	3,888,645
Capital work in progress	67,842	66,713	65,390	13,446	4,238,336
Intangible assets	18,329	16,938	12,664	6,137	8,995
Investment in subsidiary	4,444,518	4,444,518	4,444,518	4,444,518	4,444,518
Investments accounted for using the equity method	798,722	798,722	798,722	798,722	798,722
Deferred tax asset	-	220,392	237,841	-	-
Net current (liabilities)/assets	7,211,361	5,683,970	4,309,583	5,446,230	4,475,685
Non-current liabilities	(11,361,400)	(10,579,782)	(9,874,166)	(10,006,846)	(9,751,962)
Net assets	8,106,980	7,868,739	7,598,859	8,777,582	8,102,939
Equity and reserves					
Share capital	1,039,398	1,039,398	1,039,398	1,039,398	1,039,398
Share premium reserve	1,381,072	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	5,686,510	5,448,269	5,178,389	6,357,112	5,682,469
Total equity	8,106,980	7,868,739	7,598,859	8,777,582	8,102,939
Statement of profit or loss and other comprehensive income					
Revenue from contract with customers	8,717,001	6,169,855	3,120,988	7,327,284	7,249,133
Profit/(loss) before tax	849,529	206,650	(1,621,065)	679,468	827,273
Income tax expense	(581,346)	(63,691)	389,358	(138,352)	(150,239)
Profit/loss for the year	268,183	142,959	(1,231,707)	541,116	677,033
Other comprehensive income/(loss) for the year	(29,942)	126,921	94,560	195,891	-
Total comprehensive income/(loss) for the year	238,241	269,880	(1,137,147)	737,007	677,033
Per share data:					
Earnings/(loss) per share - Kobo	13	7	(59)	26	33
Net assets/share - (Naira)	3.90	3.79	3.66	4.22	3.90

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

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