

# 2014 ANNUAL REPORT & ACCOUNTS



**CAPITAL HOTELS PLC**  
(Owners of Sheraton Abuja Hotel)





**Capital Hotels Plc**  
(Owners of Sheraton Abuja Hotel)

# Annual Report & Accounts 2014

**Year Ended 31 December, 2014**



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## OUR VISION, MISSION AND VALUES

### Vision Statement

“To be the hospitality Company of first choice”

### Mission Statement

“To delight our guests through excellent service delivery while creating value for all stakeholders”

### Our Values

#### *Service excellence*

- Hospitable, transparent and accountable
- Strive to delight our customers
- Provide value proposition
- Continuous improvement

#### *Upholding high ethical standards*

- Build trust across Board
- Ethical buying
- Ethical business practices

#### *Team work*

- Appreciate one another in the value chain
- Appreciate synergistic cooperation
- Complement one another

#### *Value for stakeholders*

- Create long term returns
- Deliver on promise
- Ensure consistent commitment to values
- Observance of regulatory guidelines

#### *Associate development*

- Encourage associates development
- Grow the leaders
- Capture excellence

#### *Future oriented*

- Anticipating future trend
- Staying ahead of competition

#### *Environmental responsibility*

- Responsive to the environment
- Socially responsible

**BRIEF CORPORATE PROFILE**

<b>REGISTERED OFFICE:</b>	1, Ladi Kwali Street, Wuse Zone 4, Abuja.
<b>BOARD OF DIRECTORS:</b>	G. M. Ibru, OON Y. A. Disu V. C. N. Oyolu Olorogun (Sen.) F. O. Ibru, CON E. A. Chukwura N. Olejeme (Mrs) J. C. Anosike N. Dortie
<b>COMPANY SECRETARY:</b>	Ifebunandu & Co Barristers & Solicitors 11, Martins Street, P. O. Box 5918, Lagos
<b>REGISTRARS:</b>	CardinalStone Registrars Limited 358 Herbert Macaulay Road, Yaba, Lagos <a href="http://www.cardinalstone.com">www.cardinalstone.com</a> email: <a href="mailto:registrar@cardinalstone.com">registrar@cardinalstone.com</a>
<b>HOTEL OPERATOR:</b>	Starwood Hotels and Resorts Worldwide, Inc. One StarPoint, Stamford, Connecticut 06902 United States of America
<b>AUDITORS:</b>	PKF Professional Services Chartered Accountants 205A, Ikorodu Road Obanikoro, Lagos G.P.O. Box 2047, Marina Lagos – Nigeria
<b>BANKERS:</b>	Mainstreet Bank Ltd Guaranty Trust Bank Plc Zenith Bank Plc Union Bank Plc
<b>SOLICITORS:</b>	G. M. Ibru & Co Suite 011 Sheraton Lagos Hotel & Towers 30, Mobolaji Bank Anthony Way, Ikeja P.M.B. 21189, Lagos

**RESULTS IN BRIEF**

	2014 N'000	2013 N'000	% Increase/ (Decrease)
<b>Major Balance Sheet Items:</b>			
Property, Plant and Equipment (Fixed Assets)	2,000,377	1,627,437	22.9
Other Non-current assets	1,530,085	1,377,951	11
Current assets	3,505,963	3,387,929	3.5
Non-current liabilities	1,909,762	1,749,960	9.1
Current liabilities	1,652,084	1,415,226	16.7
Retained Earnings	2,700,189	2,453,741	10
Share capital	774,390	774,390	-
Shareholders' fund	3,474,579	3,228,131	7.6
<b>Major Profit and Loss Account Items:</b>			
Turnover	4,552,725	4,659,930	(2.3)
Profit before taxation	669,251	327,195	104.5
Profit after taxation	246,448	167,324	47.3
<b>Per 50k Share Data</b>			
Earnings per share - Basic	15.91	10.8	47.3
Earnings per share - Diluted	15.91	10.8	47.3
Dividend per share - Kobo	-	5	(100)
Dividend cover - Times	-	2.16	(100)
Net assets per share - kobo	224	208	7.7
<b>Ordinary shares and employees:</b>			
	<b>No. of Shares:</b>	<b>No. of Shares:</b>	
Authorized	1,600,000,000	1,600,000,000	-
Issued	1,548,780,000	1,548,780,000	-
Employees	435	415	4.8



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 34th Annual General Meeting of Capital Hotels Plc will be held at 12.00 noon on Thursday 25 June, 2015 at Sheraton Abuja Hotel, Abuja for the following purposes:

### ORDINARY BUSINESS:

1. To receive and consider the audited financial statements for the year ended 31st December, 2014 and the report of the Directors, Auditors and Audit Committee thereon;
2. To re-elect Directors;
3. To elect members of the Audit Committee;
4. To authorize the Directors to fix the remuneration of the Auditors.

### SPECIAL BUSINESS:

5. To fix the remuneration of the Directors.

### Notes:

#### 1. Proxies:

A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company. The proxy form must be stamped by the Commissioner for Stamp Duties. Valid proxy forms must be lodged with the Registrars not later than 48 hours before the time fixed for the meeting.

#### 2. Audit Committee:

In accordance with Section 359(5) of the Companies and Allied Matters Act (CAMA) Cap C20 LFN 2004, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the date of the Annual General Meeting.

#### 3. Closure of Register:

The Register of Members and Transfer Books of the Company will be closed to the public from Monday 8th June to Friday 12th June, 2015, both days inclusive.

BY ORDER OF THE BOARD

**Ifebunandu & Co**  
Company Secretary

26 March, 2015



## CHAIRMAN'S STATEMENT

**D**istinguished Shareholders, officials of the regulatory agencies, members of the fourth estate of the realm, ladies and gentlemen. I am pleased to welcome you to the 34th Annual General Meeting of Capital Hotels Plc and to present before you the Annual Report and Financial Statements of the Company for the Year Ended 31st December, 2014.

### Operating Environment

During year 2014 the security status in the Northern part of the country was under close watch, a situation that put the hospitality industry on edge. The success of the government policy on agriculture put the price of foodstuffs under check.

International travel arrivals slowed and many government functions were either cancelled or moved to areas perceived to be relatively more secure. Expectedly, projected demand for accommodation, food and beverages was not achieved.

The international market price of crude oil plummeted during the 3rd quarter of 2014. The price obtained for a barrel of crude oil was therefore soft on the benchmark price used for the 2014 Federal Government budget. Expectedly, there was less revenue for the three tiers of government. The purchasing power of customers, especially government MDAs, was thus curtailed and this impacted negatively on the revenue of the Hotel.

The economic targets for the year 2014 by the Federal Government were GDP growth rate of 5.94% (6.22% in 2013); official headline inflation rate of 8% (8.5% in 2013); Crude Oil production of 2.27 million barrels per day (2.3mbpd in 2013) and benchmark price for Crude Oil of \$52 per barrel (2013: \$65).

The Central Bank of Nigeria (CBN) policy of re-directing cash-based transactions to e-payment system was invigorated during the year. The CBN Monetary Policy Rate of 13% and the consequent mop up of cash from the commercial banking system through its directives for all MDAs to move their accounts to the CBN stretched the quantum of liquidity in the economy and drove lending rates higher during the year.

The exchange rate of the Naira to the US Dollar revolved around N168 during the year under review (until the pressure of falling oil price came down heavily on it).

### Hotel Renovation

The first phase of the renovation of the Hotel has begun. Accordingly, the 3rd Tower containing about 200 rooms has been closed and fully hard-stripped. All consultants for the renovation (Project Managers; Structural Engineers; Architects; Mechanical, Electrical and Plumbing Engineers) have been engaged and have started work. Tender process for the engagement of Civil, MEP and Furniture, Fittings and Equipment contractors has begun. Hopefully, the exercise should be completed in about 18 months. The design of the public area has also kicked off. The essence of the renovation is to give a memorable experience to guests and other stakeholders and also enhance guest loyalty. The renovation is being funded mainly from internally generated revenue.

### Power Supply

Electricity supply from the national grid was relatively low during the year. The impact of the privatized





electricity sector is expected to be felt in later years when the new owners and the government perfect their strategies and secure gas supply to power the turbines. The Nigerian Electricity Regulatory Commission (NERC) has hiked the rate for electricity pending the expected improvement in supply to encourage the private investors. The quantity of diesel consumed for the running of the power generating plants was higher than the figure for 2013; however, the price for diesel was stable.

### **Operating Results**

In the year under review, the management of Capital Hotels Plc delivered the results highlighted below.

The Company recorded a turnover of N4.55bn as against N4.66bn earned in 2013, a decrease of 2.3%. Gross profit rose by 9.1% to N1.32bn in 2014 compared with N1.21 billion in 2013. Profit after tax increased by 47.3% to N246.4 million compared to N167.3 million achieved in 2013. Total net assets grew by 7.4% to N3.23 billion from N2.72 billion in 2013.

### **Dividend**

As pointed out above on the section on Hotel Renovation, work has begun with a view to giving the Hotel a new lease of life and it is being mainly financed from internally generated revenue.

Accordingly, the directors could not recommend the payment of any dividend.

### **Directors**

The directors listed below who served on the board in the course of 2014 will, in accordance with the Company's Articles of Association retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-election. These are Olorogun (Senator) F. O. Ibru and Chief Nick Dortie.

On a sad note, I regret to announce the demise of Mr. Olawale Makinde in March 2015. He was one of the longest serving directors on the Board and has contributed immensely to the growth of the Hotel. He was the Chief Operating Officer of the Hotel. May his gentle soul rest in perfect peace. Amen.

### **Staff Welfare**

The members of staff of the Hotel are its most valuable asset which it deploys for the attainment of its goals. To perform at their best, the Hotel exposes the staff to rigorous local and international training. In order to discharge their duties efficiently, the Hotel encourages the workforce to undertake self-development and participate in sporting activities to gain mental and physical fitness.

### **Appreciation and conclusion**

Distinguished shareholders, our Hotel is on the verge of being repositioned to offer superior services to our numerous patrons by the on-going renovation exercise.

With the successful national elections behind us, we look forward to having a more successful year ahead.

Esteemed shareholders, other stakeholders, gentlemen of the press, ladies and gentlemen, I appreciate your unwavering and continued support over the years and am confident that together we will continue to build a more sustainable and enduring success in the years ahead.

I thank you most sincerely for your attention.

**G.M. IBRU, OON**  
CHAIRMAN



## CERTIFICATION OF FINANCIAL STATEMENTS

In compliance with Section 7(2) of the Financial Reporting Council of Nigeria Act, 2011, we have reviewed the Annual Reports of Capital Hotels Plc for the year ended 31 December 2014.

The Financial Statement, based on our knowledge, does not contain any untrue statement of a material fact or omit to state a material fact and is not misleading with respect to the period covered by the report.

The Board has implemented the Company's Code of Ethics and Statement of Business Practices it had formulated as part of the corporate governance practices throughout the period covered by the report. The Directors and executives had acted honestly, in good faith and in the interests of the Company.

The Financial statements, and other financial information included therein, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the year presented in the financial statements.

We are responsible for designing the internal controls and procedures surrounding the financial reporting process and assessing these controls in accordance with Section 7(2)(f) of the Financial Reporting Council of Nigeria Act, 2011 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 in the period of intended reliance.

Based on the foregoing, we, the undersigned, hereby certify that to the best of our knowledge and belief, the information contained in the financial statements of Capital Hotels Pic for the year ended 31 December 2014 appear to be true, correct and up to date.

**Chief V.C.N. Oyolu**  
Director

**Robert Itawa**  
Chief Financial Officer



## PROFILE OF BOARD OF DIRECTORS



**Mr. Goodie M. Ibru, OON (Chairman)**

He is the principal partner of GM Ibru & Co (law firm); President of Lagos Chamber of Commerce and Industries; Chairman of the Ikeja Hotel Group; Honorary Consul of the Consulate of Lithuania to Nigeria; Executive Vice President (West African Chapter), African Business Round Table (ABR); Co-Chairman of NEPAD Business Group West Africa; past President of the Nigerian Stock Exchange (1997 – 2000); past Chairman, Board of Trustees, Federation of Tourism Associations of Nigeria; President of Nigeria – Ethiopia Business Association; President of Nigeria – Russia Business Council; member of the Governing Council of the Ajayi Crowther University. Mr. Ibru is a recipient of several awards.



**Engr. Yakubu Akanbi Disu (Non-Executive Director)**

A graduate of Bradford Technical College and Bradford University. He is an industrial engineer and a retired General Manager of Nigerian Industrial Development Bank. He also served as Chairman of Kwara Investment Company Ltd and he is on the board of several companies.

He is a member of the Audit Committee of the Company and also serves as the Chairman of the Purchase Committee of the Board of Capital Hotels Plc.



**Victor C N Oyolu (Non-Executive Director)**

A graduate of University of Ghana, Legon – Ghana and Tottenham College of Technology, London, Chief Oyolu is an economist and Fellow of the Institute of Chartered Accountants of Nigeria. He is the Chairman of the Business, Finance and Governance Committee of the Board.

He also serves on the board of several companies including NEPAD Business Group; ICON Stock Brokers, among others.



**Chuma Anosike (Non-Executive Director)**

He is a legal practitioner with over 25 years' post-call experience and Managing Solicitor of the law firm of Chuma Anosike & Co. He has business interests in Hospitality, Real Estate and Oil & Gas and is currently the President of the Nigeria Kenya Chamber of Commerce among other interests.

He serves as a member of Purchase Committee and Business, Finance and Governance Committee of the Board.

**Dr. Ngozi Olejeme** (Non-Executive Director)

Dr. Olejeme is an expert in Labour related issues. She is also the Chair-person Tustfund and Nigeria Social Insurance Trust Fund.

She serves on the Subsidy Re-investment and Empowerment Programme (SURE-P) Committee.

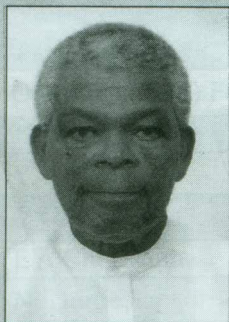
She serves as a member of Purchase Committee of the Board.

**Nicholas E. Dortie** (Non-Executive Director)

Chief Nicholas Eghre Dortie, is a fellow of the Chartered Institute of Bankers, London, worked in the Central Bank of Nigeria for 20 years before retirement. He has interest in diverse sectors of the economy including real estate, general merchandising, crumb rubber processing for export etc.

**Eddie A. Chukwura** (Non-Executive Director)

A law graduate of the University of Nigeria Nsukka, Barr. Chukwura is the Managing Partner of the Law Firm of G M Ibru & Company. He serves as a member of the Audit Committee of the Company.

**Olorogun (Sen) Felix O. Ibru**

*Dip. Arch., Msc. (Arch.) LLD (Hon) M.A.E.A.I., F.N.I.A., F.N.I.P.R., CON*  
Non-Executive Director

A senator of the Federal Republic of Nigeria 2003, a member of the Constituent Assembly in 1988 and first Executive Governor of Delta State in 1991 Sen. Ibru is a graduate of Nottingham School of Architecture, UK. He is the Principal Partner of Roye Ibru Associates.

He serves on the Board of several Profit and Non-Profit Organizations.



## STATEMENT OF DIRECTORS' RESPONSIBILITY

**B**y the provisions of S.334 and S.335 of the Companies and Allied Matters Act (CAMA) Cap C20 LFN 2004, the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Hotel and of its profit or loss at the end of each financial year. The Directors are required by the provisions of the Code of Corporate Governance issued by the Securities and Exchange Commission (SEC) in April 2011 to issue this statement in connection with the preparation of the financial statements for the year ended 31st December, 2014. The responsibilities include ensuring that the Hotel:

- i. Keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Hotel and comply with the requirements of the Companies and Allied Matters Act (CAMA) Cap C20 LFN 2004.
- ii. Establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- iii. Prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in conformity with Circulars issued by the Securities and Exchange Commission and the Nigerian Stock Exchange.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Hotel and of the profit for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal controls.

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

**Chairman**

26, March, 2015

**Director**

26, March, 2015



## DIRECTORS' REPORT

The Directors are pleased to present to the members of Capital Hotels Plc (the "Hotel") at the 34th Annual General Meeting their report on the business of the Hotel for the year ended 31 December 2014. The report comprises the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year ended on that date together with the notes thereon.

### 1. Legal Form and Principal Activity

The Hotel was incorporated as a private limited liability Company on 16th January, 1981, under the Companies Act, 1968, now the Companies and Allied Matters Act (CAMA) Cap C20 LFN 2004. It was converted to a quoted Company in 1986 but was removed from the dealing list by the Stock Exchange in 1990. The Hotel regained its listing status on Thursday August 14, 2008 and has since remained a quoted public Company listed on the floors of the Nigerian Stock Exchange.

### 2. Principal Activities

Capital Hotels Plc is engaged in hotel business which includes furnishing of hotels and the sale of accommodation, food and beverage in the ordinary course of business. Its premier and only hotel, the Sheraton Abuja Hotel commenced business in January, 1990. The hotel operates and maintains restaurants, apartments for letting, recreational facilities, night club and a business Centre.

### 3. Operating Results

The highlights of the Hotel's operational results for the year ended 31st December 2014 are as follows:

	2014 N'000	2013 N'000	Change %
Turnover	4,552,725	4,659,930	(7.9)
Profit Before Taxation	669,251	327,195	104.5
Profit After Taxation	246,448	167,324	47.3

### 4. Directors

The names of the Directors at the date on which the accounts were approved are stated on page 3.

#### Directors' Interest

The interests of the Directors in the issued share capital of the Hotel as recorded in the register of members as at the close of business on Friday 12th June, 2015 are as follows:

Name	Number of shares 31 December, 2014	Numbers of shares 31 December, 2013
Olorogun (Sen.) Felix Ibru, CON	4,436,500	4,436,500
J. O. Makinde*	1,000,000	1,000,000
Y. A. Disu	510,000	510,000
V C N Oyolu	50,000	50,000
E A Chukwura	100,000	100,000
N. Dortie	1,500	1,500

\* Passed on in early 2015

**Contracts involving Directors**

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act, (CAMA) Cap C20 LFN 2004, of any desirable interest in contracts in which the Company was involved during the year.

**5. Major Shareholdings**

As at the end of December 2013, the following members hold the ascribed percentage shares of the issued share capital of the Company as we considered substantial:

	31 Dec., 2014	%
Hans Gremlin Nig. Ltd	789,877,800	51.00
Oma Investment Ltd	228,648,915	14.76
Continental Energy Resources Ltd	228,564,655	14.76
Abuja Investment And Property Development	100,775,620	6.51
Associated Ventures Int'l Ltd	43,155,009	2.79
Ministry of Finance Incorporated	32,869,744	2.12
Nigeria Re-Insurance Corporation	31,059,600	2.01
Bank of Industry (Nigerian Industrial Development Bank)	28,464,040	1.84
Bank of Industry (Nigeria Bank For Commerce & Industry)	13,200,000	0.85
Nigeria Airways Pension Board	7,374,400	0.48

**Analysis of shareholdings**

	No. of Shareholders	No. of Shares held At 31st Dec., 2014	%
1 – 550	3,505	976,062	0.06
551 – 1,100	813	845,218	0.05
1,101 – 5,500	709	2,006,752	0.13
5,501 – 11,000	159	1,427,330	0.09
11,001 – 100,000	247	8,068,637	0.52
100,001 – Above	65	1,535,456,001	99.15
	<b>5,497</b>	<b>1,548,780,000</b>	<b>100.00</b>

**6. Employment and personnel matters**

The following summarizes the Hotel's approach to personnel management:

**a. Health, Safety and Environment**

Capital Hotels Plc considers the Health, Safety and Welfare of the Associates as the cardinal pivot of its operations. Accordingly, no effort is spared in complying with all regulations concerning the Health, Safety and Welfare of employees. The Hotel uses every avenue to regularly update every employee with the right knowledge and awareness of these rules.

To provide access to instant medical attention for all employees at no cost to them, the Company has a clinic in-plant that is manned by professionally qualified and competent medical personnel 24/7 to attend to the needs of Associates.



The Company also maintains a canteen service to ensure that members of staff on duty are well fed at no charge to them.

The Company provides protective clothing and appropriate gadgets to ensure the safety of all categories of staff including the engineering, house-keeping, security, concierge and other essential services as their jobs demand.

Every associate is incentivized to gain their commitment. The incentives include contributory pension scheme to save for the rainy day, array of bonuses and periodic recognition for exemplary service. The Hotel experienced stable and cordial employee relations during the year under review.

#### **b. Employment of Disabled Persons**

Capital Hotels Plc, as a matter of policy, does not discriminate against the employment of less able and/or physically challenged persons. The Company makes every effort to encourage physically challenged persons to offer themselves for employment, to develop their skills, knowledge and leadership quality and at reporting time, has two disabled persons in its employment as at 31st December, 2014.

#### **c. Employee's Involvement & Training**

The Company avails itself of the standing agreement with Starwood Hotels & Resorts Inc, for on- the-job training in all Starwood branded Hotels. It also offers specialist training for the staff in other institutions in Nigeria and overseas where a training need analysis throws up a gap. The essence of the exercise is to develop the skills, knowledge and leadership quality of the employees in all departments of the hotel business.

### **7. Acquisition of the Company's Shares**

During the year under review, the Company did not acquire any of its own shares.

### **8. Management Agreement**

The Hotel is managed and operated by Starwood Hotels & Resorts Inc under Operating Services Agreement; System License Agreement and Centralized Services Agreement which subsumed the earlier Agreements entered into between the Company and Sheraton Overseas Management Corporation in January, 1990. Under the agreement, Sheraton would operate the hotel in the same manner as is customary and usual in the operation of similar Sheraton hotels in the same geographical region and which appeal to the same market. The Management Agreement was renewed with effect from 7 June 2011 for a thirteen year period.

### **9. Audit Committee**

The members of the Statutory Audit Committee appointed at the Annual General Meeting held on 24 June, 2014 in accordance with Section 359(3) of CAMA were:

- Mr. BAAdegbesan (Chairman)+
- Barr. (Chief) C. F. Nwokocha (Member)+
- HRH J. O. Agwu (Member)+
- Mr. Olawale Makinde\*
- Mr. Y. A. Disu (Member) ++
- Barr. E. A. Chukwura (Member) ++

+ *Shareholders' representatives*

++ *Non-Executive Director Members*

\**He passed on in early 2015*





### 10. Independent Director

In compliance with the directive contained in the Code of Corporate Governance for Public Companies in Nigeria published by the Securities & Exchange Commission, the Company has an independent director in the person of Chief N. Dortie.

### 11. Auditors

The Auditors, Messrs. PKF Professional Services (Chartered Accountants & Business Advisers), have indicated their willingness to continue in office. A resolution will be proposed authorizing the Directors to determine their remuneration.

### 12. Compliance with Regulatory Requirements

The Directors confirm that they have reviewed the structures and activities of the Company in view of the Code of Corporate Governance in Nigeria published in April 2011 and the regulations of the Securities and Exchange Commission and the Nigerian Stock Exchange (The regulators). The Directors confirm that to the best of their knowledge, the Company has been and is in substantial compliance with the provisions of the Code of Corporate Governance and the regulatory requirements of the regulators.

### BY ORDER OF THE BOARD

**Ifebunandu & Co**

Company Secretaries

Lagos, Nigeria

26 March, 2015



## CORPORATE GOVERNANCE REPORT

Capital Hotels Plc (“CHP”) believes it is in business for the creation and delivery of long-term sustainable value in a manner consistent with its obligations as a responsible corporate citizen. In this light, CHP sees corporate governance as a vital facilitator to the creation of long-term value for our stakeholders. To ensure fitness for purpose, and conscious of the fact that value creation is influenced by both internal and external factors, CHP's Board of Directors regularly reviews the corporate governance practices to ensure compliance with international best practice.

CHP operates under a governance framework which enables the Board to balance its role of providing oversight and strategic counsel with its responsibility to ensure service delivery and value creation for all stakeholders in conformance with regulatory requirements, performance standards and acceptable risk tolerance parameters. This is in line with CHP core guiding principles as captured in its vision, mission and values stated in 1.0 above.

As a company quoted on the Nigerian Stock Exchange, CHP ensures compliance with the Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission with effect from April, 2011 (“the SEC Code”). CHP Board established a number of Committees that assists in fulfilling its stated objectives. The Committees' roles and responsibilities are set out in their mandates, which are reviewed periodically to ensure they remain relevant. The mandates set out their roles, responsibilities, scope of authority, composition and procedures for reporting to the Board.

The essential characteristics of CHP culture are service excellence, upholding high ethical standards, future oriented and environmental responsibility. The Board executes this culture by the application of transparent and accountable practices. It monitors compliance with applicable legislation, regulations, standards and codes by means of management reports, which include information on the outcome of any significant interaction with key stakeholders such as the SEC and NSE.

### Shareholders' responsibilities

The Shareholders' role is to approve the appointments of the Board of Directors and the External Auditors as well as to grant approval for certain corporate actions that are by legislation or the Company's Articles of Association specifically reserved for Shareholders. Their role is extended to holding the Board accountable and responsible for efficient and effective corporate governance.

### Developments during 2014

During 2014, CHP corporate governance practices ensured:

- That an independent Director is on its Board as required by the SEC Code of Corporate Governance.
- That the function of a Nominations Committee to assist in the process of selecting individuals for appointment to the Board is carried out and is being handled by the Business, Finance & Governance Committee.
- There was a continued focus on Directors training via attendance at various courses.
- There was a continued focus on the training of members of the Audit Committee to enhance their effectiveness based on relevant knowledge.
- The provision of an enhanced level of information in the financials provided to Shareholders and investors on an annual and quarterly basis continued.



### Focus areas for 2015

The CHP intends, during 2015, to:

- Continue the focus on Directors' training on issues that are relevant to the hospitality industry;
- Ensure that it fully complies with the requirement of the SEC Code of Corporate Governance, and
- Continue to enhance the level of information provided to, and interaction with Shareholders, investors and other stakeholders generally.

### Board and Directors

#### Board structure and composition

Ultimate responsibility for governance rests with the Board of Directors of CHP. It ensures that appropriate controls, systems and practices are in place. CHP has a unitary Board structure. The number and stature of non-executive Directors ensure that sufficient consideration and debate are brought to bear on decision making thereby contributing to the efficient running of the Board.

The Board discharges its responsibilities mainly through Board Committees it appoints with specific mandates. These mandates are reviewed regularly for appropriateness. Details of these Committees and their operations are provided elsewhere in this report.

#### Strategy

The Board considers and approves the Company's strategy for attaining CHP set financial and governance objectives for the year and the Board monitors performance against financial objectives and detailed budgets on an on-going basis, through periodic reporting and regular interaction with operations management:

- Directors are provided with unrestricted access to the Hotel's management and Company information, as well as the resources required to carry out their responsibilities, including external legal advice, at the Hotel's expense.
- It is the Board's responsibility to ensure that effective management is in place to implement the agreed strategy, and to consider issues relating to succession planning. The Board is satisfied that the current pool of talent available within the Hotel, and the ongoing work to deepen the talent pool, provides adequate succession depth in both the short and long term.

#### Skills, knowledge, experience and attributes of Directors

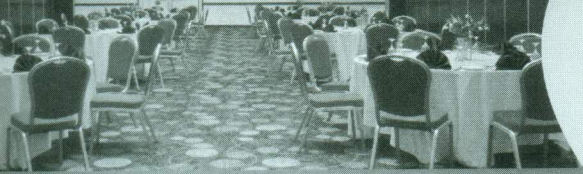
The Board ensures that Directors possess the skills, knowledge and experience necessary to fulfill their obligations. The Directors bring a balanced mix of attributes to the Board, including:

- International and domestic experience;
- Operational experience;
- Knowledge and understanding of both the macroeconomic and the microeconomic factors affecting the Hotel;
- Local knowledge and networks; and
- Financial, legal, entrepreneurial and hospitality skills.

#### Board responsibilities

The Board determines the strategic objectives and policies and assumes appropriate risks to promote long-term value creation for stakeholders.

The powers of the Board include the approval of quarterly, half-yearly and full year financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices; appointment or removal

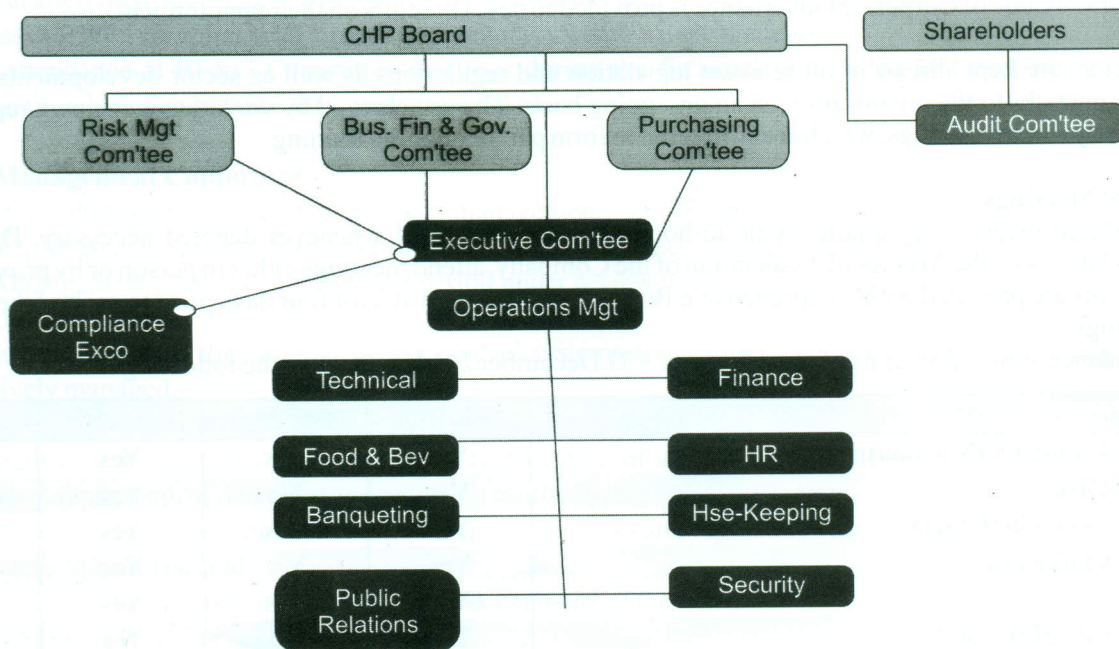


of Company Secretary; approval of major change to corporate structure and changes relating to the capital structure or its status as a public limited company; the determination and approval of the strategic objectives and policies of the Company to deliver long-term value; approval of the CHP's marketing strategy and its annual operating and capital expenditure budget; recommendation to shareholders of the appointment or removal of auditors and the remuneration of Auditors; approval of resolutions and corresponding documentation for shareholders in general meeting(s), shareholders circulars, prospectus and principal regulatory filings with the regulators.

The Board also has the power to determine the structure, size and composition, including appointment and removal of Directors, succession planning for the Board and senior management and Board Committee membership; approval of remuneration policy for Board members; approval of the Board performance evaluation process, corporate governance framework and review of the performance of the Directors; approval of policy documents on significant issues including Enterprise-wide Risk Management, Human Resources, Credit policy, Corporate governance and Anti – Money laundering, and approval of all matters of importance to the Hotel as a whole because of their strategic, financial, risk or reputational implications or consequences.

The ultimate responsibility for the Hotel's operations rests with the Board. The Board retains effective control through a well-developed governance structure of Company and Board Committees. These Committees provide in-depth focus on specific areas of Board responsibility.

In addition, a governance framework for executive management assists the chief executive in his task. Board-delegated authorities are regularly monitored by the Company Secretary's office. The corporate governance framework is set out below:



- Board Committee
- Statutory Committee
- Management Committee

**Board effectiveness and performance evaluation**

The Board is continuously focusing on improving its corporate governance performance. This it does through a process of evaluating its effectiveness and that of the Board Committees and individual directors. Each non-executive director's performance is appraised personally by the Chairman and, in a meeting chaired by the independent Non-Executive Director; the Non- Executive Directors assess the Chairman's performance.

For 2014, the Board and Board Committee evaluation process was overseen by Goodie M. Ibru, OON, in his capacity as Chairman of the Board. The exercise was conducted by an internal mechanism with the aim of assisting the Board and Board Committees to constantly improve their effectiveness. This process was supported by the Company Secretary through the review of the attendance of directors at the meetings and activities of the various Board Committees of the Company. The review covered the key decisions taken at the Committees, the amount of follow-through assurances done through liaison with management. It also included assessment of Board capability, Board process, Board structure, corporate governance, strategic clarity and alignment, and the performance of individual Committees and directors.

The performance of the Chairman is assessed annually by his management of proceedings at meetings; giving Board direction and strategic visioning for, and performance of the Company.

For the Board Committees, a similar assessment was made in 2014 in agreement with the Committee Chairmen and each Committee member. The assessment covered a number of areas, including the role and responsibilities of each Committee, its organization and effectiveness and the qualifications of its members. The results of the assessments were also discussed at the various Committee meetings and further actions were agreed from this process.

**Induction and training**

The Hotel has an induction programme to bring new directors to speed, and includes one-on-one meetings with management to introduce new Directors to the Hotel's operations.

The SEC's Code of Corporate Governance is provided to new Directors on their appointment.

Directors are kept abreast of all relevant legislation and regulations as well as sector developments leading to changing risks to the organisation on an on - going basis. This is achieved by way of management reporting and quarterly Board meetings, which are structured to form part of ongoing training.

**Board Meetings**

The Board meets every quarter with ad-hoc meetings being held whenever deemed necessary. Directors, in accordance with the Articles of Association of the Company, attend meetings either in person or by proxy.

Directors are provided with comprehensive Board documentation at least four days prior to each of the scheduled meetings.

Attendance at Board meetings from 1 January – 31 December 2014 is set out in the following table:

Name	Feb 18th	Mar 28th	Apr 28th	Jul 8th
G. M. Ibru, OON (Chairman)	Yes	Yes	Yes	Yes
Y A Disu	Yes	No	Yes	Yes
V C N Oyolu (Chief)	Yes	Yes	Yes	Yes
E A Chukwura	Yes	Yes	Yes	No
N. E. Dortie (Chief)	Yes	Yes	Yes	Yes
Olawale Makinde *	No	No	No	Yes
Ngozi Olejeme (Mrs)	No	No	No	No
J. C. Anosike	Yes	Yes	Yes	Yes
Olorogun (Senator) F. O. Ibru, CON	No	No	No	No



## Board Committees

Some of the functions of the Board have been delegated to Board Committees, consisting of members appointed by it. The composition and mandates of the Committees were reviewed during the course of 2014:

### 1.0 Purchasing Committee

The Purchasing Committee during the period under review was vested with the following responsibilities:

- Oversees the procurement of items such that the Hotel gets value for money spent,
- Obtains quality assurance, price advantage and capacity to supply over contractual agreement from our suppliers,
- Ensures due process is followed in procurement of regular items as well as capital expenditure items,
- Reviews delivery, and where applicable, the installation and proper functioning of items bought, and
- Performs other functions ancillary thereto.

Members' attendance at Purchase Committee meetings during the financial year ended 31 December 2014 are stated in the table of attendance for Committees below.

### 2.0 Business, Finance and Governance Committee

The Business, Finance and Governance Committee of the Board handled the following responsibilities during the year ended 31 December, 2014:

- Provides input to annual report of the hotel in respect of directors' compensation,
- Reviews and recommends the hotel's annual budget proposals for Board approval,
- Ensures orderly conduct of operations of the hotel,
- Reviews state of functionality of hotel facilities,
- Establishes criteria for Board and Board Committee memberships and make recommendation to the Board,
- Ensures that the Board conducts a Board evaluation on an annual basis,
- Looks at alternative investment window for the hotel, and
- Ensures the Hotel complies with directives of regulatory authorities/agencies.

Members' attendance at BF&G Committee meetings during the financial year ended 31 December 2014 are contained in the table of attendance for Committees below.

### 3.0 Risk Management Committee

The Board is ultimately responsible for risk management. The Board established the Risk Management Committee to assist in the oversight of risk profile and risk management framework within the Hotel.

The Risk Management Committee during the period under review was vested, among others, with the following responsibilities:

- Reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are effectively managed,
- Reviews the adequacy and effectiveness of risk management controls,
- Oversight of management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms,
- Review of the Hotel's compliance level with applicable laws and regulatory requirements which may impact the Hotel's risk profile, and
- Performs other functions that ameliorate the risk exposure of the Hotel.

Members' attendance at Risk Management Committee meetings during the financial year ended 31 December 2014 are stated in the table of attendance for Committees below.

**The Audit Committee**

The Audit Committee of the Hotel is a creation of Law under Section 359(3) of the Companies and Allied Matters Act (CAMA) Cap C20 LFN 2004. Its specific functions are outlined in Section 359(4) and (6) of the Act. The overall objective of the Committee is to examine the Auditor's report and make recommendations thereon to the members of the Company at the Annual General Meeting as it may deem fit. The Audit Committee is specifically required to:

- a. Ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- b. Review the scope and planning of audit requirements;
- c. Review the findings on management matters in conjunction with the external auditors and departmental responses thereon;
- d. Keep under review the effectiveness of the Company's system of accounting and internal controls;
- e. Make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the Company, and
- f. Authorise the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee.

The Committee is made up of six members, three of whom are non - executive Directors while the remaining three members are Shareholders elected at the Annual General Meeting (AGM). The Committee, whose membership is stated below, is chaired by a shareholder representative.

As at 1 January 2014 the Committee consisted of the following persons:

Mr. BAAdegbesan*	Chairman
Barr. (Chief) C. F. Nwokocha*	Member
HRH J. O. Agwu*	Member
Mr. J. O. Makinde**	Member (passed on in early 2015)
Mr. Y. A. Disu**	Member
Barr. E. A. Chukwura**	Member

\* = Shareholders' Representative

\*\* = Non- Executive Director

The Shareholders re-elected the entire shareholder representatives on the Audit Committee at the AGM held on 24 June 2014. Members' attendance at Audit Committee meetings during the financial year ended 31 December 2014 is contained in the table of attendance for Committees below:

**Table of Attendance at Committee Meetings 2014**

Meetings of the Committees of the Company/Board of Capital Hotels Plc and attendance of members thereof for 2014 are stated in the table below:



Committee	Meeting Times During the year	Members	Member's Attendance
Purchase Committee	6	Mr. Y. A. Disu (Chairman)	5
		Chief V. C. N. Oyolu	6
		Barr. J. C. Anosike	6
		Dr. (Mrs.) Ngozi Olejeme	0
Business, Finance & Governance Committee	13	Chief V. C. N. Oyolu (Chairman)	12
		Mr. O. Makinde	6
		Mr. Y. A. Disu	12
		Chief Nick Dortie	10
Risk Committee	6	Barr. J. C. Anosike	11
		Mr. O. Makinde (Chairman)	1
		Barr. J. C. Anosike	3
		Barr. Akpofure Ibru	2
		Mr. R. Itawa (Vice Chairman)	6
		Gen. Mgr. Sheraton	5
		Director of Finance	6
		Dir. Of Engineering	5
Director of Security	5		
Audit Committee	3	Mr. B. A. Adegbesan	3
		Barr. (Chief) C. F. Nwokocha	3
		HRH J. O. Agwu	3
		Mr. J. O. Makinde	0
		Mr. Y. A. Disu	3
		Barr. A. A. Chukwura	3

### Company Secretary

It is the role of the Company Secretary to ensure that the Board remains cognizant of its duties and responsibilities. In addition to providing the Board with guidance on its responsibilities, the Company Secretary keeps the Board abreast of relevant changes in legislation and governance best practices. The Company Secretary oversees the induction of new Directors and the ongoing training of Directors. All Directors have access to the services of the Company Secretary.

### Going concern

On the recommendation of the Audit Committee, the Board annually considers and assesses the going concern basis for the preparation of the financial statements at the year end.

The Directors, at the end of 2014, have satisfied themselves that the Company is in a sound financial position and has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

### Relationship with Shareholders

As an indication of its fundamental responsibility to create Shareholder value, effective and ongoing communication with Shareholders is seen as essential. In addition to the ongoing engagement facilitated by the





Company Secretary, the Hotel encourages Shareholders to attend the Annual General Meeting and or other shareholder meetings where interaction is welcomed. The Chairman of the Hotel's Audit Committee is available at the meeting to respond to questions from Shareholders.

Voting at general meetings is conducted either on a show of hands or a poll depending on the subject matter of the resolution on which a vote is being cast and separate resolutions are proposed on each significant issue.

### **Communication Policy**

The Board and Management of the company ensure that communication and dissemination of information regarding the operations and management of the company to stakeholders is timely, accurate and continuous, to give a balance and fair view of the company's financial and non-financial matters. Such information, which is in plain language, readable and understandable, is available on the company's website, [www.capitalhotelsng.com](http://www.capitalhotelsng.com).

### **Enterprise-Wide Risk Management**

The Directors are ultimately responsible for the company's risk management systems and for reviewing its effectiveness. There is a Board Committee that considers the company's significant risks and mitigating actions, including identifying, assessing, managing, monitoring and reporting on the significant risks faced by the company.

### **Internal Control**

Our systems of internal control are designed and operated to support the identification, evaluation and management of risks affecting the company. These include controls in relation to the financial reporting process and the preparation of accounts, but extend across all areas of operations. They are subject to continuous review as circumstances change and new risks emerge.

### **Corporate Social Responsibility**

CHP, a hospitality business, understands the challenges and benefits of doing business in the FCT, Nigeria and owes its existence to the people and societies within which it operates.

The Company is committed therefore not only to the promotion of its economic development but also to contributing to the well-being of the environment where it operates.

The Company concentrates its social investment expenditure in defined focus areas which currently include education and attention to vulnerable children in order to make the FCT a better place to live in. These focus areas are subject to regular review to reflect the socio-economic dynamics of our catchment area.

The Hotel also undertook its regular annual "Children Walk For Life" programme in partnership with UNICEF and the FCT.

We also hosted several schools to familiarize them with the Hotel. The Hotel presented light refreshments to attendees and prizes to deserving students. Dignitaries from the named organizations were adequately represented at the event.



**Donations**

In the furtherance of this belief, CHP/Sheraton Abuja identified with orphans in Abuja in the course of the year. A group of staff visited the Kubwa Divine Orphanage Home and donated items consisting of bags of rice, provisions, diapers, toiletries, etc., worth over N5m.

The visit was intended to give a helping hand to these vulnerable children to find their voice.

**SECURITIES TRADING POLICY**

The Company has adopted a Securities Trading Policy regarding securities transaction by its directors. The Board ultimately has the responsibility for the Company's compliance with the rules relating to insider trading. The Company's directors, executives and senior employees are prohibited from dealing with the Company's shares in accordance with the Investment and Securities Act, 2007. As required by law, the shares held by directors are disclosed in the annual report.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Board (IAASB) and applicable laws and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. We do not provide any assurance on the forward-looking information contained in the financial statements.

**Opinion**

In our opinion, the financial statements present a true and fair view of the financial performance and financial position of the Company and Allied Movers Act, CAP C26: LFN 2004, and compliance with the Financial Reporting Standards (FRS) in compliance with the Financial Reporting Council (FRC) in compliance with the Financial Reporting Council (FRC) in compliance with the Financial Reporting Council (FRC).

The Company has kept proper books of account and financial records in accordance with the provisions of the Companies Act, 2004.

*Abubakar Sani Yusuf*  
Chartered Accountant  
For PCA Firm  
Chartered Accountant  
Lagos, Nigeria

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Chartered Accountant  
For PCA Firm  
Chartered Accountant  
Lagos, Nigeria

*Abubakar Sani Yusuf*  
Chartered Accountant  
For PCA Firm  
Chartered Accountant  
Lagos, Nigeria



# REPORT OF THE AUDIT COMMITTEE

CAPITAL HOTELS PLC  
Report of the Audit Committee

In compliance with Section 359 (6) of the Companies and Allied Matters Act (CAMA) Cap C20 LFN 2004, we the members of the Audit Committee with names stated hereunder, have:

1. Reviewed the scope and planning of the Audit requirements;
2. Reviewed the findings on management matters in conjunction with External Auditors, as well as the departmental responses thereon;
3. Reviewed the effectiveness of the Company’s system of Accounting and Internal Controls;
4. Ascertained that the reporting policies of the Company are in accordance with legal requirements and agreed ethical practices
5. Reviewed the Auditor’s Report as required under S. 359 (3) of CAMA.

In our opinion, the scope and planning of the audit for the year ended 31st December, 2014 were adequate and the management responses to the Auditors findings were satisfactory.

We commend the level of loyalty and service shown by the management and the Board.

**Mr. B.A. Adegbesan**  
Chairman

**Members of the Committee**

Mr. B.A. Adegbesan	Chairman
Barr. (Chief) C.F. Nwokocha	Member
HRH J.O. Agwu	Member
Mr. Y.A. Disu	Member
Barr. E.A. Chukwura	Member

March 25, 2015

**REPORT OF THE INDEPENDENT AUDITORS  
TO THE MEMBERS OF CAPITAL HOTELS PLC**

We have audited the accompanying financial statements of Capital Hotels Plc, which comprise the statement of financial position at 31 December 2014, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, notes to the financial statements comprising the summary of significant accounting policies and other explanatory information.

**Directors' Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

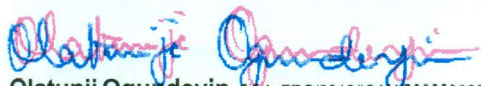
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects the financial position of Capital Hotels Plc. at 31 December 2014, and of its financial performance and cash flows for the year then ended, in accordance with the Companies and Allied Matters Act; CAP C20, LFN 2004 and in the manner required by the International Financial Reporting Standards (IFRS) in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011,

The Company has kept proper books of account, which are in agreement with the statement of financial position and statement of comprehensive income as it appears from our examination of their records.



**Olatunji Ogundeyin**, FCA, FRC/2013/ICAN/00000002224

For: **PKF Professional Services**

**Chartered Accountants**

Lagos, Nigeria

**Date: 26 March 2015**



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**Partners:** Isa Yusufu, Geoffrey C. Orah, Omede P.S. Adaji, Tajudeen A. Akande, Samuel I. Ochimana, Najeeb A. Abdus-salaam, Olatunji O. Ogundeyin, Benson O. Adejayan

**Offices in:** Abuja, Bauchi, Jos, Kaduna, Kano.


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# CAPITAL HOTELS PLC

## STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

	Notes	2014 N'000	2013 N'000
<b>Assets:</b>			
<b>Non current assets</b>			
Property, plant and equipment	7.	2,000,377	1,627,437
Capital work in progress	8.	523,803	370,771
Intangible assets	9.	6,282	7,180
Loans and receivables	10.	1,000,000	1,000,000
		<u>3,530,462</u>	<u>3,005,388</u>
<b>Current assets:</b>			
Inventories	11.	250,842	193,051
Trade and other receivables	12.	541,385	509,526
Loans and receivables	10.	250,569	230,917
Other current assets	13.	155,929	177,081
Cash and cash equivalents	14.	2,307,238	2,277,354
		<u>3,505,963</u>	<u>3,387,929</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrual	15.	683,035	544,651
Due to CHP Hospitality and Tourism Limited		625,254	625,254
Deferred income		60,992	48,622
Current taxation payable	17.	282,803	196,699
		<u>1,652,084</u>	<u>1,415,226</u>
<b>Net current asset</b>		<u>1,853,879</u>	<u>1,972,703</u>
<b>Non-current liabilities</b>			
Post employee benefits	19.	1,590,379	1,531,008
Deferred taxation	18.	319,383	218,952
		<u>1,909,762</u>	<u>1,749,960</u>
<b>Net assets</b>		<u>3,474,579</u>	<u>3,228,131</u>
<b>Equity and reserves</b>			
Ordinary share capital	20.2	774,390	774,390
Retained earnings	21.	2,700,189	2,453,741
<b>Total equity</b>		<u>3,474,579</u>	<u>3,228,131</u>

These financial statements were approved by the Board of Directors on 26 March 2015 and signed on its behalf by:



Mr. Goodie Ibru, OON  
Chairman  
FRC/2013/NIM/0000005310



Mr. C. Anosike  
Director  
FRC/2013/NBA/00000004027



Mr. R. A. M. Itawa  
Chief Finance Officer  
FRC/2013/ICAN/00000000887

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

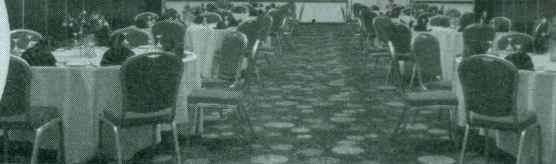


## Statement of Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 N'000	2013 N'000
Turnover	4.1	4,552,725	4,659,930
Cost of sales	4.1	<u>(3,234,439)</u>	<u>(3,450,277)</u>
<b>Gross operating profit</b>		<b>1,318,286</b>	<b>1,209,653</b>
Other income	22.	149,030	27,589
Sales and marketing expenses		<u>(90,749)</u>	<u>(77,054)</u>
Administration and general expenses	24.	<u>(757,583)</u>	<u>(874,271)</u>
Result from operating activities		<b>618,985</b>	285,917
Finance income	23	<u>50,266</u>	<u>41,278</u>
Profit before tax		<b>669,251</b>	327,195
Tax expense	17	<u>(422,803)</u>	<u>(159,871)</u>
Profit for the year		<u><b>246,448</b></u>	<u>167,324</u>
<b>Other comprehensive income:</b>			
Actuarial gain/(loss)	19.	<u>-</u>	<u>345,239</u>
Other comprehensive income/(loss) for the year		<u>-</u>	<u>345,239</u>
<b>Total comprehensive income for the year</b>		<u><b>246,448</b></u>	<u><b>512,563</b></u>
<b>Earnings per share:-</b>			
- Basic (Kobo)	4.17	<u>15.91</u>	<u>10.80</u>
- Diluted (Kobo)		<u>15.91</u>	<u>10.80</u>

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



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

	<b>Issued share capital N'000</b>	<b>Retained earnings N'000</b>	<b>Total equity N'000</b>
<b>Changes in equity for 2014</b>			
At 1 January 2014	774,390	2,453,741	3,228,131
Profit for the year	-	246,448	246,448
Actuarial Gain for the year	-	-	-
Total comprehensive income for the year	-	246,448	246,448
<b>At 31 December 2014</b>	<b>774,390</b>	<b>2,700,189</b>	<b>3,474,579</b>
	<b>Issued share capital N'000</b>	<b>Retained earnings N'000</b>	<b>Total equity N'000</b>
<b>Changes in equity for 2013</b>			
At 1 January 2013	774,390	1,941,178	2,715,568
Profit for the year	-	167,324	167,324
Actuarial loss for the year	-	345,239	345,239
Total comprehensive income for the year	-	512,563	512,563
Issue of share capital	-	-	-
Bonus issue	-	-	-
Transaction costs for equity issue	-	-	-
Dividends paid during the period	-	(77,439)	(77,439)
Contributions by and to owners of the business	-	(77,439)	(77,439)
<b>At 31 December 2014</b>	<b>774,390</b>	<b>2,453,741</b>	<b>3,228,131</b>

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



## STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 N'000	2013 N'000
Profit after tax		246,448	167,324
<b>Adjustment for:</b>			
Depreciation of property, plant and equipment	7	301,994	255,332
Amortization of intangible asset	9	898	898
Post-employment benefits	19	(59,371)	(558,025)
Impairment loss on capital work in progress		-	93,344
Actuarial gains		-	345,239
Income from Investment of unclaimed dividend		(1,405)	-
Finance income	23	(50,266)	(41,278)
Income tax expense	17.1	422,803	159,871
		<b>979,842</b>	<b>422,705</b>
<b>Changes in:</b>			
Inventory		(57,791)	25,335
Loans and receivables		(19,652)	(20,860)
Trade and other receivables		(31,859)	402,044
Other current assets		21,152	88,703
Trade and other payables		141,890	(1,603)
Deferred income		12,370	21,368
Cash generated from operating activities		<b>1,045,952</b>	<b>937,692</b>
Income tax paid	17	(236,268)	(177,184)
<b>Net cash from operating activities</b>		<b>809,684</b>	<b>760,508</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(674,934)	(462,040)
Capital Work in Progress	8	(153,032)	-
Interest income	23	50,266	41,278
<b>Net cash used in investing activities</b>		<b>(777,700)</b>	<b>(420,762)</b>
<b>Cash flows from financing activities</b>			
Dividend paid	15.1	(2,100)	-
<b>Net cash used in financing activities</b>		<b>(2,100)</b>	<b>-</b>
Net increase in cash and cash equivalents		29,884	339,746
Cash and cash equivalents at the beginning of the year		2,277,354	1,937,608
<b>Cash and cash equivalents at the end of the year</b>	14	<b>2,307,238</b>	<b>2,277,354</b>

*The accompanying explanatory notes and statement of significant accounting policies form an integral part of these statements of cash flows.*





## Notes to the Financial Statements

### For the year ended 31 December 2014

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#### 1. LEGAL STATUS

##### 1.1 The Company

Capital Hotels Plc. was incorporated in Nigeria on 16 January 1981 as a private limited liability company. It became a public liability company (Plc.) on 31 May 1986. Its Hotel, Sheraton Abuja Hotel commenced business in January 1990. The Hotel which is located at 1 Ladi Kwali Way, Zone 4, Wuse, Abuja is managed and operated by Starwood Eame License and Services Company, BVBA under a System License Agreement dated 7 June 2011. The Company is a member of the Ikeja Hotel Group.

##### 1.2 Principal activities

The principal activity of the Company includes the operation of hotels and restaurants, apartment letting, recreational facilities, night clubs and a business center.

##### 1.3 Going concern status

The 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 sufficient resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

#### 2. BASIS OF PREPARATION

##### 2.1 Statement of compliance

The company's financial statements for the year ended 31st December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in accordance with the Financial Reporting Council of Nigeria Act No. 6, 2011. Additional information required by local regulators is included where appropriate.

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

##### 2.2 Functional/Presentation currency

These financial statements are presented in Naira, which is the Company's functional currency. The financial statements are presented in the currency of the primary economic environment in which the company operates (its functional currency). For the purpose of the financial statements, the results and financial position are expressed in Naira, which is the functional currency and the presentation currency for the financial statements.

##### 2.3 Basis of measurement

The financial statements have been prepared in accordance with the going concern principle under the historical cost convention except for financial instruments, property, plant and equipment which were measured at fair value. Also, the liability for defined benefit obligation is recognized as the present value of the defined benefit obligation less the total of the planned assets, plus unrecognized actuarial gains less past service cost and



## Notes to the Financial Statements

### For the year ended 31 December 2014

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unrecognized actuarial losses while the planned assets for the defined benefits obligations are measured at fair value.

#### 2.4 Use of estimates

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

##### a. Asset useful lives and residual values:

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

##### b. Taxes

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 taxable income and expenses already recorded. The company establishes provisions based on reasonable estimates.

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

##### c. Provisions/contingencies

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

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

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



## Notes to the Financial Statements

### For the year ended 31 December 2014

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#### **d. Allowances on trade receivables**

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

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

#### **e. Defined benefit obligation**

The present value of defined benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the defined benefit obligation include the discount rate.

The company determines the discount rate at the end of the year. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rate of high-quality corporate bond that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the defined benefits obligation.

#### **f. Determination impairment of property, plant and equipment**

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of the impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists.

#### **g. Depreciation and carrying value of property, plant and equipment**

The estimation of the useful lives of assets is based on management judgement. Any material adjustment to the estimated useful lives of items of property, plant and equipment will have a impact on the carrying value of these items.

### **3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE AND NOT EARLY ADOPTED**

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



## Notes to the Financial Statements

### For the year ended 31 December 2014

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#### 3.1 IFRS 9 Financial Instruments

IFRS 9 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into measurement categories: those measured at *fair value and those* measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The company is yet to assess IFRS9's full impact and intends to adopt IFRS 9 not later than the accounting period beginning on or after 1 January 2018.

#### 3.2 IFRS14, 'Regulatory deferral accounts'

This permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures as required.

IFRS 14 was originally issued in January 2014 and applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

#### 3.3 IFRS 15 Revenue from contracts with customers

The company recognizes revenue by applying the following five steps: identify the contract(s) with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price; recognize revenue when a performance obligation is satisfied. A company would recognize an asset for the incremental costs of obtaining a contract if those costs are expected to be recovered. For many contracts, such as many straight forward retail transactions, IFRS 15 will have little, if any, effect on the amount and timing of revenue recognition. A company will be able to recognize revenue over time only if the criteria specified in IFRS 15 are met. In all other cases, a company will recognize revenue at the point when customer obtains control of the promised good or service. This is applicable to annual periods beginning on or 1 January 2017.

#### 3.4 IAS 16 and IAS 38 clarification of acceptable methods of depreciation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and



## Notes to the Financial Statements

### For the year ended 31 December 2014

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may only be used in very limited circumstances to amortize intangible assets. The amendment to IASs 16 and 38 will be effective for accounting periods beginning on or after 1 January 2016.

#### 3.5 IFRS 7 – Financial Instruments Disclosure

The amendment to IFRS 7 clarifies that additional disclosure of maximum exposure to credit risk is only required where the exposure is not reflected in the carrying amount. It requires disclosure of the financial effect of collateral held as security for financial assets, and removed the requirement to specifically disclose financial assets, where the terms have been renegotiated.

#### 3.6 IFRS 5 – Changes in methods of disposal

Amendments clarify that if an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution to owners, or vice-versa, then the change in classification is considered a continuation of the original plan of disposal. The amendment to IFRS 5 will be effective on or after 1 January 2016.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are recorded in Nigerian Naira at the rates of exchange prevailing at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the exchange rates applying at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in the profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalization to assets under construction.
- Exchange differences on transactions entered into to hedge foreign currency risks
- Exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

### 4.2 Financial Instruments

Financial instruments carried at the statement of financial position date include loans and receivables, cash and cash equivalent and borrowing. Financial instruments are recognized initially at fair value plus, for instruments not carried at fair value through profit or loss, any distributable transaction costs. The various classifications of financial instruments, their measurement subsequent to initial recognition, reclassifications and de-recognition are stated as follows:



## Notes to the Financial Statements

### For the year ended 31 December 2014

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- **Financial assets**

#### Non-derivative financial assets

The company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction which substantially all the risks and rewards of ownership of the asset are transferred. Any interest in transferred financial assets that is created or retained by the company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has loans and receivables as its non-derivative financial assets.

- **Loans and receivables**

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

- **Cash and cash equivalents**

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

- **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are designated as available for-sale and that are not classified in any of the previous categories. The Company's investment in equity securities and certain debt securities are classified as available-for-sale financial assets.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments are recognized in other comprehensive income and presented with equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

- **Non-derivative financial liabilities**

The company initially recognizes 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



## Notes to the Financial Statements

### For the year ended 31 December 2014

recognized initially on the trade date at which the company becomes a party to the contractual provisions of the instrument.

The Company derecognizes 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 company has a legal right to offset the amounts and intends either to settle on a net basis or realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: loans, trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

#### Equity instruments

Equity instruments issued by the Company 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 any company purchases the Company's 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 Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

### 4.3 Property, plant and equipment

#### 4.3.1 Recognition and measurement

All property, plant and equipment are stated at cost less accumulated depreciation less accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after 1 January, 2011.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as



## Notes to the Financial Statements

### For the year ended 31 December 2014

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separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

#### 4.3.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized on disposal of the asset or when no future economic benefits are expected from its use or disposal. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation 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 recognized 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 for the current and comparative periods are as follows:

Land	-Nil
Building	-2½%
Motor vehicles	-25%
Plant and machinery	-15%
Furniture, fittings and equipment	-15%

Land is not depreciated

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

#### 4.3.3 De-recognition of Property, plant and equipment

The carrying amount of an item of property, plant and equipment shall be derecognized: (a) on disposal, or (b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from de-recognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying cost of the item, and shall be included in profit or loss when the item is derecognized. Gains shall not be classified as revenue. When revalued items of property, plant and equipment are sold, the amount included in revaluation surplus is transferred to retained earnings.





## Notes to the Financial Statements

### For the year ended 31 December 2014

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#### 4.4 Inventories

Inventories are measured at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### 4.5 Intangible assets

##### 4.5.1 Other intangible assets

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

##### 4.5.2 Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

##### 4.5.3 Amortization

Amortization is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods:

Computer software	-	10%
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Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

#### 4.6 Impairment

##### 4.6.1 Financial assets (these include receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise



## Notes to the Financial Statements

### For the year ended 31 December 2014

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favourable, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

#### 4.6.2 Reversals

When the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss in a subsequent period, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

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

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

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.

#### 4.6.3 Non-financial assets

The carrying amounts of the Company's non-financial assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.



## Notes to the Financial Statements

### For the year ended 31 December 2014

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The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit, or CGU.")

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

#### 4.7 Employee benefits

##### 4.7.1 Defined benefits plan

A defined benefit is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset (excess of plan assets over defined benefit obligation) is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in income statement.

##### 4.7.2 Pension fund scheme

In accordance with the provisions of the Pension Reform Act, 2004 as amended, the Company has instituted a Contributory Pension Scheme for its employees, where both the employees and the Company contribute 10% and



## Notes to the Financial Statements

### For the year ended 31 December 2014

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8% respectively of the employee emoluments (basic salary, housing and transport allowances). The Company's contribution under the scheme is charged to the income statement while employee contributions are funded through payroll deductions.

#### 4.7.3 Terminal benefit plan

Terminal 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.

#### 4.8 Provisions

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

#### 4.9 Restructuring

A provision for restructuring is recognised when the Company 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.

#### 4.10 Segment reporting

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

Segment results that are reported include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company has three operating segments, summarized as follows:

- Rooms – represent the sale of rooms and rent of office space
- Food and beverages, representing sale of drinks, food and like items
- Other services which indicate the services of other minor operating departments of which the individually reported revenue is below 10% of the combined revenue of all operating segments and are similar in the class of customers for their services.



## Notes to the Financial Statements

### For the year ended 31 December 2014

	2014 N'000	2013 N'000
<b>REVENUE</b>		
Rooms	2,341,291	2,375,336
Food and beverage	1,846,983	1,955,662
Other services	364,451	328,932
	<u>4,552,725</u>	<u>4,659,930</u>
<b>COST OF SALES</b>		
Rooms	491,521	514,499
Food and beverage	1,156,643	1,525,658
Other services	1,586,275	1,410,120
	<u>3,234,439</u>	<u>3,450,277</u>
<b>Gross Profit</b>	<u><b>1,318,286</b></u>	<u><b>1,209,653</b></u>
<b>Gross profit margin (%)</b>	<u><b>29</b></u>	<u><b>26</b></u>

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

#### 4.11 REVENUE RECOGNITION

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

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



## Notes to the Financial Statements

### For the year ended 31 December 2014

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#### 4.11.1 Sale of services

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

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

Full revenue is recognised on customers deposit made on room reservation in which reservation was not cancelled within the allotted cancellation period/policy; while 40% of customers' deposit is recognised as revenue on banquet booking in which the reservation was not cancelled two weeks to the date of the event.

#### 4.11.2 Interest on investment

Interest on investment is recognised on accrual basis when the right to receive payment is established.

#### 4.11.3 Dividend

Dividend from investment is recognised on accrual basis when the right to receive payment is established.

#### 4.11.4 Rental income

Rental income from shops, etc. is recognized in profit or loss on a straight-line basis over the term of the rent.

### 4.12 TAXATION

#### 4.12.1 Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax, education tax and deferred income/capital gains tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

#### 4.12.2 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries,



## Notes to the Financial Statements

### For the year ended 31 December 2014

except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax laws and rates that have been enacted at the statement of financial position date. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly to equity, via the Consolidated Statement of Comprehensive Income in which case the deferred tax is also dealt with in equity.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### 4.12.3 Value added tax

Non-recoverable VAT paid in respect of an expense is expensed. Non-recoverable VAT paid in respect of an item of fixed assets is capitalized as part of the cost of the fixed asset.

The net amount owing to or due from the tax authority is included in creditors or debtors.

#### 4.12.4 Withholding tax

The withholding tax credit is used as set-off against income tax payable.

Withholding tax credit which is considered irrecoverable is written-off as part of the tax charge for the year.

### 4.13 FINANCE INCOME AND FINANCE COSTS

#### 4.13.1 Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), 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 profit or loss, using the effective interest method.

#### 4.13.2 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.



## Notes to the Financial Statements

### For the year ended 31 December 2014

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except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

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## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 4.14 DIVIDEND

Dividend from investments is recognised on accrual basis when the right to receive payment is established. Dividend income is recognised in profit or loss on the date that the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

##### 4.14.1 Dividend distributions

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

##### 4.14.2 Unclaimed dividends

Unclaimed dividends are amounts payable to shareholders in respect of dividend previously declared by the Company, which have remained unclaimed by the shareholders. In compliance with Section 385 of the Companies and Allied Matters Act (CAMA), Cap C20 LFN 2004, unclaimed dividends after twelve years are transferred to general reserves.

#### 4.15 Earnings per share

The Company 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 Company 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.

	2014 N'000	2013 N'000
Profit after taxation	<u>246,448</u>	<u>167,324</u>
Number of shares	<u>1,548,780</u>	<u>1,548,780</u>
Earnings per share (kobo):		
- Basic	<u>15.91</u>	<u>10.80</u>
- Diluted	<u>15.91</u>	<u>10.80</u>

#### 4.16 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.



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 5 FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a number of financial risks. A risk management programme has been established to protect the Company against the potential adverse effects of these financial risks. There has been no significant change in these financial risks since the prior year.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. Capital Hotels 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 Company has exposure to the following risks:

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

#### Strategic risk

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

#### Capital management policies, objectives and approach

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

- 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 maintain financial flexibility by keeping 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.

#### Approach to capital management

The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to the shareholders and customers.

The Company'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 Company's debt to capital ratio at the end of the year was:



## Notes to the Financial Statements

### For the year ended 31 December 2014

	2014 N'000	2013 N'000
Total liabilities	<u>3,561,846</u>	<u>3,165,186</u>
Total assets	<u>7,036,425</u>	<u>6,393,317</u>
Gearing ratio at 31 December 2014	51%	50%

There were no changes in the Company's approach to capital management during the year.

#### Credit risk

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

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

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

The Company has no significant concentration of credit risk with respect to trade receivables due to a widely dispersed customer base.

#### Exposure to risk

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

FINANCIAL ASSETS	2014 N'000	2013 N'000
Loans and receivables	1,250,569	1,230,917
Trade and other receivables	541,385	509,526
Cash and cash equivalents	2,307,238	2,277,354



## Notes to the Financial Statements

### For the year ended 31 December 2014

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

#### 6.1 Financial instruments and fair values

As explained in Note 4.2, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, such changes in fair value are recognized in the statement of comprehensive income either through the income statement or other comprehensive income. For items measured at amortised cost, changes in value are recognised in the profit or loss section of the statement of comprehensive income.

At 31 December 2014	Notes	Fair Value N'000	Amortised Cost N'000	Carrying amount N'000
<b>Assets</b>				
Cash and cash equivalent		2,307,238	-	2,307,238
Trade and other receivables		-	541,385	541,385
Other current assets		-	155,929	155,929
		<u>2,307,238</u>	<u>697,314</u>	<u>3,004,552</u>
<b>Liabilities</b>				
Accounts payable and accrual		-	683,035	683,035
Post-employment employee benefits		1,590,379	-	1,590,379
		<u>1,590,379</u>	<u>683,035</u>	<u>2,273,414</u>
<b>At 31 December 2013</b>				
<b>Assets</b>				
Cash and cash equivalent		2,277,354	-	2,277,354
Trade and other receivables		-	509,526	509,526
Other current assets		-	177,081	177,081
		<u>2,277,354</u>	<u>686,607</u>	<u>2,963,961</u>
<b>Liabilities</b>				
Accounts payable and accrual		-	544,651	544,651
Post-employment employee benefits		1,531,008	-	1,531,008
		<u>1,531,008</u>	<u>544,651</u>	<u>2,075,659</u>



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 6.2 Fair valuation methods and assumptions

Cash and cash equivalents, trade receivables, accounts payables 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 unrealized gains in a separate component of equity at the end of the reporting year.

Fair value measurements 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 company 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).

#### 7. Property, plant and equipment

	Land	Building	Plant and machinery	Furniture, fittings and equipment	Motor vehicle	Total
	N'000	N'000	N'000	N'000	N'000	N'000
<b>Cost</b>						
At 1 January 2014	356,392	633,580	1,644,538	2,342,705	209,171	5,186,386
Additions during the year	-	85,043	166,369	423,522	-	674,934
At 31 December 2014	356,392	718,623	1,810,907	2,766,227	209,171	5,861,320
<b>Depreciation</b>						
At 1 January 2014	-	217,048	1,174,083	1,985,122	182,696	3,558,949
Charged during the year	-	16,803	145,238	130,730	9,223	301,994
At 31 December 2014	-	233,851	1,319,321	2,115,852	191,919	3,860,943
<b>Carrying amount:</b>						
At 31 December 2014	<u>356,392</u>	<u>484,772</u>	<u>491,586</u>	<u>650,375</u>	<u>17,252</u>	<u>2,000,377</u>
At 31 December 2013	<u>356,392</u>	<u>416,532</u>	<u>470,455</u>	<u>357,583</u>	<u>26,475</u>	<u>1,627,437</u>



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 8. Capital work in progress

	Tower 3 Building	Building	Furniture fittings & equipment	Total
	N'000	N'000	N'000	N'000
At 1 January 2014	-	90,738	373,377	464,115
Additions during the year	153,032	-	-	153,032
	153,032	90,738	373,377	617,147
Impairment loss	-	-	(93,344)	(93,344)
At 31 December 2014	<u>153,032</u>	<u>90,738</u>	<u>280,033</u>	<u>523,803</u>

Capital work in progress relates to the status of work on the Cabana Diplomatic Suites, a design of 17 units of Diplomatic Suites comprising 4 bays en-suite and the on-going renovation of Tower 3 of the Hotel.

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

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

#### 9. Intangible assets

##### Computer software

	2014 N'000	2013 N'000
<b>Cost</b>		
At 1 January	8,976	8,976
Additions during the year	-	-
At 31 December	<u>8,976</u>	<u>8,976</u>
<b>Amortisation</b>		
At 1 January	1,796	898
Charge for the year	898	898
At 31 December	<u>2,694</u>	<u>1,796</u>
<b>Carrying amount</b>	<u>6,282</u>	<u>7,180</u>



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 10. Loans and other receivables

	2014 N'000	2013 N'000
At 1 January	1,230,917	1,210,057
Additions during the year	-	-
Interest received	(30,275)	(19,140)
Interest receivable	49,927	40,000
At 31 December	<u>1,250,569</u>	<u>1,230,917</u>
Current portion	<u>250,569</u>	<u>230,917</u>
Non-current portion	<u>1,000,000</u>	<u>1,000,000</u>

Loans and other receivables represent loans and advances to Ikeja Hotel Plc

The non-current portion of loans and other receivables is at an interest rate of 2% p.a. above the deposit rate currently enjoyed by the Hotel and is secured by a negative pledge on the borrower's property situate at 30 Mobolaji Bank Anthony Way, Ikeja, Lagos which negative pledge shall rank pari passu with other lenders.

#### 11. Inventories

	2014 N'000	2013 N'000
Food and beverage	43,757	46,166
Maintenance supplies	99,813	70,525
Office supplies	10,451	10,342
Operating equipment	74,240	41,425
General stores	22,581	24,593
	<u>250,842</u>	<u>193,051</u>

#### 12. Trade and other receivables

	2014 N'000	2013 N'000
Trade receivables (Note 12.1)	392,744	374,632
Impairment allowance (Note 12.2)	(149,136)	(138,123)
	<u>243,608</u>	236,509
Other receivables (Note 12.3)	297,777	273,017
	<u>541,385</u>	<u>509,526</u>



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 12.1 Analysis of trade receivables

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

Trade receivables that are fully performing are made up of 61% of debtors' balances (2013: 37%). The largest individual debtor corresponds to 6% of the total balance (2013: 12%). Historically these debtors have always paid balances when due, unless the balance or the quality of services delivered is disputed. The average age of these debtors is 30 days (2013: 29 days). No debtors' balances have been renegotiated during the year or in the prior year.

The aging of trade receivables at the reporting date was:

	2014		2013	
	Gross N'000	Impairment allowance N'000	Gross N'000	Impairment allowance N'000
Fully performing	24,679	-	137,071	-
Past due by 1 - 30 days	146,137	-	52,105	-
Past due by 31 - 60 days	77,085	6,767	22,451	732
Past due by 61 - 90 days	13,533	8,798	18,453	1,439
Past due by 91 - 120 days	8,798	11,980	14,708	11,439
Past due by more than 90 days	122,512	121,591	129,844	124,513
	<b>392,744</b>	<b>149,136</b>	<b>374,632</b>	<b>138,123</b>

At 31 December 2014, the Company has recognised an impairment allowance of N81 million (2013: N133m) and an impairment loss of N70m (2013: N115m) for the impairment of its trade receivables. The creation and usage of the provision for impaired receivables has been included in administration and general expenses in the income statement.

#### 12.2 Impairment allowance on trade receivables

	2014 N'000	2013 N'000
At 1 January	138,123	119,644
Charged during the year	81,337	133,487
Write-off during the year	(70,324)	(115,008)
At 31 December	<b>149,136</b>	<b>138,123</b>





## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 12.3 Other receivables

	2014 N'000	2013 N'000
Advances to suppliers	242,843	224,096
Advances to staff	42,798	42,123
Insurance claim receivable	9,624	3,037
Others	2,512	3,761
	<u>297,777</u>	<u>273,017</u>

#### 13. Other assets

	2014 N'000	2013 N'000
Prepayments	65,523	53,868
Withholding tax receivable	90,406	123,213
	<u>155,929</u>	<u>177,081</u>

#### 14. Cash and cash equivalent

	2014 N'000	2013 N'000
Cash in hand	3,029	3,300
Cash at bank	147,212	239,094
	<u>150,241</u>	<u>242,395</u>
Term deposits	2,156,997	2,034,959
	<u>2,307,238</u>	<u>2,277,354</u>

Time deposits relate to tenured placement with Nigerian banks at varying interest rates



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 15. Accounts payable and accrual

	2014 N'000	2013 N'000
<b>Financial Instruments</b>		
Accounts payables	175,385	106,895
Dividend payable (Note 15.1)	76,169	830
Accrued expenses	160,197	126,087
Other payables (Note 15.2)	122,951	119,055
	<u>534,702</u>	<u>352,867</u>
<b>Non- Financial Instruments</b>		
Deposits from guests	139,354	182,340
VAT payable	8,979	9,444
	<u>683,035</u>	<u>544,651</u>

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

#### 15.1 Dividend payable

	2014 N'000	2013 N'000
At 1 January 2014	830	830
Declared during the year	77,439	-
Payment during the year	(2,100)	-
At 31 December 2014	<u>76,169</u>	<u>830</u>

#### 15.2 Other payables

	2014 N'000	2013 N'000
SAH/CHP current account (Note 15.2.1)	65,939	75,411
Service charge payable	-	25,957
Others	57,012	17,687
	<u>122,951</u>	<u>119,055</u>

15.2.1 SAH/CHP current account represents the current account balance between the Company and the Operators of the Hotel

#### 16. Due to CHP Hospitality and Tourism Limited

2014 N'000	2013 N'000
<u>625,254</u>	<u>625,254</u>



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 17. Current taxation payable

	2014 N'000	2013 N'000
At 1 January	196,699	236,988
Payment during the year	(236,268)	(177,184)
Charge for the year (Note 17.1)	322,372	136,895
At 31 December	282,803	196,699

#### 17.1 Current tax expense

	2014 N'000	2013 N'000
Under-provision in prior year	159,611	-
Current tax - income tax	144,167	121,654
-Education tax	18,594	15,241
Current tax	322,372	136,895
Deferred taxation	100,431	22,976
Income statement	422,803	159,871

*The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 and that for education tax was based on the provision of Education Tax Act, CAP E4, LFN 2004 as amended.*

#### 18. Deferred taxation

	2014 N'000	2013 N'000
At January	218,952	195,976
Charge during the year (Note 17.1)	100,431	22,976
At 31 December	319,383	218,952



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 18.1 Deferred tax assets and liabilities

##### Reconciliation of deferred tax assets and liabilities:

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 N'000	2013 N'000	2014 N'000	2013 N'000	2014 N'000	2013 N'000
Property, plant and equipment	101,672	243,462	-	-	101,672	227,276
Provisions	-	-	-	(27,905)	-	(27,905)
Exchange loss/gain	(1,241)	(3,395)	-	-	(1,241)	(3,395)
Tax liability carry forward	100,431	240,067	-	(27,905)	100,431	195,976
Tax liability brought forwards	-	-	-	-	(218,952)	(22,976)
Deferred tax liability/(asset)	100,431	240,067	-	(27,905)	319,383	218,952

The Company has adopted the International Accounting Standard 12 - Income taxes, deferred taxation, which is computed using the liability method.

#### 18.2 Reconciliation of effective tax rate

The tax expense for the year is reconciled to the profit for the year as follows:

	2014 N'000	2013 N'000
Profit before tax	669,251	327,195
Tax @ 30%	200,775	98,159
Add deductible items	78,595	130,451
Capital Allowance	(134,782)	(106,955)
Under-provision in prior year	159,611	-
Education tax	18,594	15,241
Deferred tax effect	100,431	22,976
Tax expense for the year	423,225	159,871
Profit after tax	246,027	167,324



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 18.3 The tax rate is reconciled to the effective tax rate as follows:

	2014 N'000	2013 N'000
Tax rate	30	30
Deductible items	12	40
Capital allowance	(20)	(33)
Under-provision in prior year	24	-
Education tax	3	5
Deferred tax effect	15	7
Total effective tax rate	63	49

#### 19. Employee benefits

	2014 N'000	2013 N'000
At 1 January	1,531,008	2,089,033
Current service cost	338,917	135,434
Net interest on net defined benefit liability/interest cost	190,629	232,116
Payments during the year	(470,175)	(580,336)
Actuarial (gain)/loss	-	(345,239)
	1,590,379	1,531,008

With effect from 31 December 2011, the Company capped the post-employment benefits as follows:

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

#### Sensitivity analysis

The value of the results above is based on a number of assumptions. The value of the liability could turn out to be overstated or understated, depending on the extent to which actual experience differs from the assumptions adopted.

- The discount rate assumption on the defined benefit obligation by adding and subtracting 1% to/from the discount rate:

Discount rate	Main result N'000	+1% N'000	-1% N'000
Defined benefit obligation	1,590,379	1,459,968	1,738,284
Change		(8.20%)	9.3%



## Notes to the Financial Statements

### For the year ended 31 December 2014

- The salary increase assumption on the defined benefit obligation by adjusting the salary increase by 1%

Salary increase rate

Defined benefit obligation	1,590,379	1,738,284	1,459,968
Change		9.30%	(8.20%)

- The mortality assumption on the defined benefit obligation by increasing and decreasing the pre-retirement age rating by 1 year.

#### Mortality improvement

	Main result	+1%	-1%
	N'000	N'000	N'000
Defined benefit obligation	1,531,008	1,531,467	1,530,549
Change		0.03%	(0.03%)

The actuarial valuation of post-employment benefits was carried out by Alexander Forbes Consulting Actuaries Nigeria Limited.

## 20. Share capital

	2014 N'000	2013 N'000
<b>20.1 Authorised</b>		
1,600,000,000 ordinary shares of 50k each	800,000	800,000
<b>20.2 Issued and fully paid</b>		
1,548,700,000 ordinary shares of 50k each	774,390	774,390
<b>21 Retained earnings</b>		
At 1 January	2,453,741	1,941,178
Transferred from profit or loss account	246,448	512,563
At 31 December	2,700,189	2,453,741



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 22. Other income

Gain on currency translation	122,428	11,316
Scrap sales	25,197	16,273
Income from investment of unclaimed dividend	1,405	-
	<u>149,030</u>	<u>27,589</u>

#### 23. Finance

Interest on loan	<u>50,266</u>	<u>41,278</u>
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*Interest on loan relates to income earned on loan to Ikeja Hotel Plc*

#### 24. Administrative and general expenses

Directors fees	1,870	1,305
Directors expenses	42,827	31,439
Depreciation of property, plant and equipment	302,892	255,332
Employee costs	57,679	52,517
License fee (Note 28.1)	116,488	118,922
Impairment allowance for doubtful receivables	81,337	133,487
Impairment loss on capital work in progress	-	93,344
Legal expenses	17,551	16,371
Insurance	37,752	33,299
Transport and travelling	9,161	14,228
Management incentive fee (Note 28.2)	24,471	31,672
Security expenses	15,317	40,657
Bank charges	17,134	11,130
Audit fee	6,000	6,000
Office running expenses	27,104	34,567
	<u>757,583</u>	<u>874,271</u>



## Notes to the Financial Statements

### For the year ended 31 December 2014

#### 25. Transactions with key management personnel

##### 25.1 Directors emoluments

Each director is entitled to the following:

Fees:

- Chairman
- Other directors

Allowances

- Chairman
- Other directors

2014  
N'000

2013  
N'000

270

250

1,600

1,055

2,600

1,817

16,000

11,583

##### 25.2 Personnel compensation

The Company had 435 employees in 2014 (2013: 415).

##### Personnel compensation

Personnel compensation comprised:

Short term employee benefits

218,681

384,292

Contribution to compulsory pension fund scheme

31,898

26,541

Long service award

2,550

212,735

Defined benefit gratuity scheme

310,865

367,550

563,994

991,118

The number of employees whose emolument fell within the following ranges:

N400,001 - N600,000

N600,001 - N800,000

N800,001 - N1,000,000

N1,000,001 - Above

Number

Number

76

76

130

110

137

137

92

92

435

415



**26. Related party transactions**

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

Value of goods & services supplied (to)/by the Company		Amount due (to)/from the Company	
2014 N'000	2013 N'000	2014 N'000	2013 N'000
50,266	40,000	-	-
-	-	-	-

Capital Hotels Plc is a member of the Ikeja Hotel Group.

Transactions during the year relate to:

- Interest receivable on loan
- Additional amount advanced

**26.2 Minet Nigeria Limited**

A director in the Company is also a director in Capital Hotels Plc.

The Company provides insurance brokerage services to Capital Hotels Plc

17,466	18,343	-	-
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**26.3 AVI Services Limited**

A director in the Company is also a director in Capital Hotels Plc.

The Company provides transport services to the staff of the Hotel for which they are provided a space in the lobby of the Hotel.

85,500	96,907	-	-
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**26.4 G.M.Ibru & Co**

A partner in the firm is a director of Capital Hotels Plc

The firm provides legal services to Capital Hotels Plc

-	802	-	-
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## Notes to the Financial Statements

### For the year ended 31 December 2014

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#### 27. Financial commitments

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

#### 28. Operating service agreement

Capital Hotels Plc (the Owner) entered into an agreement with Starwood Eame License and Services Company, BVBA (the Operator) to pay the following during each fiscal year of the operating term (and proportionately for a fraction of a fiscal year):

##### 28.1 Base Fee

The amount equal to two and half percent (2.5)% of gross operating revenues for each month of the operating term (the 'maximum base fee') less the license fee paid under the License Agreement. The base fee and the License fee in any operating year in the aggregate shall not be greater than the maximum base fee in such operating year and less than US \$250,000.00 in such operating year.

##### 28.2 Incentive Fee

The amount equal two and half percent (2.5%) of Adjusted Gross Operating Profit (AGOP) for each operating year during the operating term.

##### 28.3 Marketing fee

The amount equals 2% of Room revenue for each operating year during the operating term.

#### 29. Contingent liabilities

The contingent liabilities in respect of pending litigation and other liabilities were estimated to be nil as at 31 December 2014 (2013: Nil).

In the opinion of the directors, based on legal advice, no material loss is expected to arise from these claims. Therefore, no provision has been made in the financial statements.

#### 30. Events after the reporting date

There are no significant post reporting date events which could have had a material effect on the state of affairs of the Company as at balance sheet date that have not been adequately provided for or disclosed in the financial statements.

#### 31. Prior period corresponding balances

Certain prior period balances have been classified to ensure proper disclosure and uniformity with current year's presentation. The reclassifications have no net impact on these financial statements.

**STATEMENT OF VALUE ADDED**

For the year ended 31 December 2014

	2014 N'000	%	2013 N'000	%
Revenue	4,552,725		4,659,930	
Finance income	50,266		41,278	
Other income	149,030		27,589	
	<u>4,752,021</u>		<u>4,728,797</u>	
Cost of goods and services – foreign	(140,959)		(150,593)	
Cost of goods and services - local	(2,997,487)		(2,659,320)	
<b>Value added</b>	<b><u>1,613,576</u></b>	<b>100</b>	<b><u>1,919,884</u></b>	<b>100</b>
<b>Applied as follows:</b>				
<b>To pay employees:</b>				
Salaries, wages and other staff costs	563,994	35	991,118	52
<b>To providers of capital:</b>				
Dividend declared	77,439	5	-	-
<b>To pay Government:</b>				
Company income and education taxes	322,372	20	136,895	7
<b>To provide for assets replacement:</b>				
Depreciation of property, plant and equipment	302,892	19	255,332	13
<b>Retained for future expansion:</b>				
• Deferred taxation	100,431	6	22,976	1
• Retained profit on ordinary activities	246,448	15	512,563	27
<b>Value added</b>	<b><u>1,918,884</u></b>	<b>100</b>	<b><u>1,918,884</u></b>	<b>100</b>

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

**FINANCIAL SUMMARY**

31 December 2014

	2014 N'000	2013 N'000	2012 N'000	2011 N'000	2010 N'000
<b>Assets:</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2,000,377	1,627,437	1,420,729	1,472,804	1,490,746
Capital work in progress	523,803	370,771	464,115	464,115	464,115
Intangible assets	6,282	7,180	8,078	-	-
Loans and receivables	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net current assets	1,853,879	1,972,703	2,107,656	2,154,612	1,654,206
Non-current liabilities	(1,909,762)	(1,749,960)	(2,285,009)	(2,298,758)	(3,902,034)
<b>Net assets</b>	<b>3,474,579</b>	<b>3,228,131</b>	<b>2,715,569</b>	<b>2,792,773</b>	<b>707,033</b>
<b>Equity and reserves</b>					
Ordinary share capital	774,390	774,390	774,390	774,390	774,390
Reserve	-	-	-	-	-
Retained earnings	2,700,189	2,453,741	1,941,179	2,018,383	(67,357)
<b>Total equity</b>	<b>3,474,579</b>	<b>3,228,131</b>	<b>2,715,569</b>	<b>2,792,773</b>	<b>707,033</b>
<b>Revenue</b>	<b>4,552,725</b>	<b>4,659,930</b>	<b>4,318,842</b>	<b>4,823,712</b>	<b>4,944,026</b>
Profit before tax	669,251	327,195	477,606	549,757	1,068,606
Taxation	(422,803)	(159,871)	(120,094)	(122,031)	(470,016)
<b>Profit for the year</b>	<b>246,448</b>	<b>167,324</b>	<b>357,512</b>	<b>427,726</b>	<b>598,590</b>
Other comprehensive income for the year	-	345,239	(326,302)	1,774,173	-
<b>Total comprehensive income for the year</b>	<b>246,448</b>	<b>512,563</b>	<b>31,210</b>	<b>2,201,899</b>	<b>598,590</b>
<b>Per share data:</b>					
Earnings per share (kobo):					
- Basic	15.91	10.80	23.08	27.62	45.65
- Diluted	15.91	10.80	23.08	27.62	45.65
Net assets per ordinary share (kobo)	224.34	208.43	175.34	180.32	45.65

Earnings per share are based on the profit after tax and the number of issued and fully paid ordinary shares at the end of each financial year.

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

**SHARE CAPITAL HISTORY**

For the year ended 31 December 2014

Date	Authorised Capital (N)	Issued and Fully Paid (N)	Consideration
1981	1,000,000	1,000,000	Cash
1982	25,000,000	19,475,000	Cash
1985	50,000,000	30,700,000	Cash
1995	100,000,000	45,700,000	Cash
1998	200,000,000	91,400,000	Cash (Rights)
2000	200,000,000	100,540,000	Bonus
2002	800,000,000	774,390,000	Debt conversion & privatization

Please perforate the vertical left side such that shareholder can tear off.



## Shareholder Administration

### For the year ended 31 December 2014

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Our esteemed shareholders,

To make our interactions with you on a number of issues that have been agitating shareholders easier and more seamless, we hereby attach a number of forms for your use.

We urge you and trust that you would take advantage of these forms and the opportunities they would present to ease shareholder management.

The duly filled forms should be deposited at the main office of Cardinal Stone Registrars Limited 358 Herbert Macaulay Road, Yaba, Lagos or with the Company Secretary – Ifebunandu and Co, Barristers & Solicitors, 11, Martins Street, P. O. Box 5918, Lagos.

#### **Please take note of the following additional information:**

##### **Authority to mandate and change address**

Several of you, our esteemed shareholders and indeed the regulators have expressed to the Board their concerns about unclaimed dividend balances and status of unclaimed certificates. We recognise the necessity to ensure that the balance on the unclaimed dividends account is optimized and the evidence of holding properly documented.

To this end, all shareholders of Capital Hotels Plc with unclaimed dividends and certificates are urged to claim their dividends and certificates.

Shareholders are also encouraged to:

- Inform the Registrars promptly of any change of address or significant information that may affect your records as shareholders and follow up to ensure rectification.
- Have their accounts mandated for e-dividend payment. Dividends would be credited to the account stated hereunder electronically. To forestall a situation where complaints are made of non-payment, the Registrars would forward advice slips of payment(s) made to such shareholders.
- Establish CSCS accounts to which shares arising from corporate actions such as bonus, rights and offers for sale or subscription would be credited.

Kindly complete the Authority to Mandate and Change Address Form.

##### **Authority to electronically receive corporate information**

In line with the developments in electronic communications and to circumvent the usual issue of late receipt of corporate information, we would like to introduce to our shareholders the electronic delivery of corporate information such as annual reports and financial statements, proxy forms, and others.

With this service, instead of receiving paper copies of corporate information and materials, you can elect to receive an email that will provide electronic links to this corporate information or receive a compact disk of the corporate information by post.

If you so elect, kindly complete the Authority to Electronically Receive Information Form.

Yours sincerely,

**Ifebunandu and Co**

Company Secretary