



RC: 36985

CAPITAL HOTELS PLC

(Owners of Sheraton Abuja Hotel)

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CAPITAL HOTELS PLC

UNAUDITED FINANCIAL STATEMENTS

FOR THE THIRD QUARTER ENDED 30 SEPTEMBER, 2018

Directors: Chief Anthony Idigbe SAN (Chairman); Mr. Chuma Anosike; Chief Nicholas Dortie (Independent);
Mrs. Fadeke Alamutu; Alhaji Abatcha Bulama; Dr. Alexander Thomopoulos; Mr. Akpofure Ibru;
Mrs. Helen Da-Suoza; Mr. Toke Alex-Ibru; Mr. Robert Itawa (Executive)

Capital Hotels Plc
(Owners of Sheraton Abuja Hotels)

Interim Financial Report (Unaudited)

Nine (9) Months Ended 30 September 2018

CAPITAL HOTELS PLC
Third Quarter Financial Report (Unaudited)
Nine Months Ended 30 September 2018

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CAPITAL HOTELS PLC
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER, 2018

			Unaudited		Audited
	Notes	Notes	September	September	Dec
			2018	2017	2017
			N'000	N'000	N'000
Assets:					
Non current assets					
Property, plant and equipment		8.	2,105,113	2,352,819	2,253,558
Capital work in progress		9.	2,208,555	523,803	2,208,555
Intangible assets		10.	29,124	16,629	38,095
Loans and receivables		11.	839,022	998,041	995,724
			5,181,815	3,891,292	5,495,932
Current assets:					
Inventories		12.	182,628	271,354	251,230
Trade receivables		13.	399,891	709,303	454,872
Other receivables		14	366,452	60,025	229,188
Cash and cash equivalents		15.	4,000,244	3,160,420	3,409,908
			4,949,215	4,201,102	4,345,198
Total assets			10,131,029	8,092,394	9,841,130
Liabilities					
Current liabilities					
Trade payable and accrual		16.	2,057,336	522,865	1,935,122
Deferred income			62,012	35,119	54,406
Current taxation payable		18.	269,261	476,096	335,661
			2,388,609	1,034,080	2,325,189
Non-current liabilities					
Post Employment Benefits		20.	712,171	634,594	896,197
Deferred taxation		19.	442,549	698,062	442,549
			1,154,720	1,332,656	1,338,746
Total liabilities			3,543,329	2,366,736	3,663,935
Net assets			6,587,699	5,725,658	6,177,195
Equity and reserves					
Ordinary share capital		21.2	774,391	774,390	774,390
Retained earnings		22	5,813,308	4,951,268	5,402,805
Total equity			6,587,699	5,725,658	6,177,195

These financial statements were approved by the Board of Directors on **23 October 2018 and signed on its behalf by:**



Chief A. Idigbe SAN
Chairman
FRC/2014/NBA/00000010414



Mr. C. Anosike
Director
FRC/2013/NBA/0000004027



Mr. R.A.M. Itawa
Chief Finance Officer
FRC/2013/ICAN/0000000887

The accompanying notes on pages 8 to 33 form an integral part of these financial statements.

CAPITAL HOTELS PLC
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE (9) MONTHS ENDED 30 SEPTEMBER, 2018

	Notes	3 Months to 30-Sep 2018 N'000	9 Months to 30-Sep 2018 N'000	3 Months to 30-Sep 2017 N'000	9 Months to 30-Sep 2017 N'000	Dec 2017 N'000
Turnover	5.11	1,447,185	4,305,460	1,476,957	3,967,083	5,622,013
Cost of sales	5.11	<u>(1,106,378)</u>	<u>(3,201,375)</u>	<u>(882,188)</u>	<u>(2,705,254)</u>	<u>(4,118,845)</u>
Gross operating profit		340,807	1,104,085	594,769	1,261,829	1,503,168
Other income	23.	10,967	13,828	1,954	4,276	54,695
Sales and marketing expenses		<u>(69,107)</u>	<u>(208,828)</u>	<u>(77,023)</u>	<u>(212,123)</u>	<u>(291,495)</u>
Exchange gain	23.1				-	927,299
Exchange loss	23.2		-		-	(673,116)
Administration and general expenses	25.	<u>(54,871)</u>	<u>(378,792)</u>	<u>(67,371)</u>	<u>(333,503)</u>	<u>(782,725)</u>
Result from operating activities		227,796	530,293	452,328	720,478	737,826
Finance income	24.	<u>8,484</u>	<u>27,361</u>	-	-	42,684
Profit/Loss before tax		236,280	557,654	452,328	720,478	780,510
Tax expense	18.1	<u>(81,273)</u>	<u>(178,449)</u>	<u>(144,745)</u>	<u>(230,553)</u>	155,396
Profit/Loss for the Period		155,006	379,205	307,583	489,925	935,906
Other comprehensive income:						
Unrealised gain/(loss)	20.	-	8,821	-	-	-
Other comprehensive income/(loss) for the year		-	8,821	-	-	-
Total comprehensive income for the period		155,006	388,026	307,583	489,925	935,907
Earning per share:						
- Basic (Kobo)	5.15	<u>10</u>	<u>24.48</u>	28.51	31.63	60.43
- Diluted		<u>10</u>	<u>24.48</u>	28.51	31.63	60.43

CAPITAL HOTELS PLC
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE (9) MONTHS ENDED 30 SEPTEMBER, 2018

	Issued share capital N'000	Retained earnings N'000	Total equity N'000
Changes in equity for 2018			
At 1 January 2018	774,390	5,402,805	6,177,195
Profit/Loss for the period		370,384	370,384
Unrealised Gain on currency translation	-	117,556	117,556
Total comprehensive income for the year	-	487,940	487,940
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)
At 30 September 2018	774,390	5,813,308	6,587,697
	Issued share capital N'000	Retained earnings N'000	Total equity N'000
Changes in equity for 2017			
At 1 January 2017	774,390	4,466,899	5,241,289
Profit for the year		489,925	489,925
Actuarial gain for the year	-	-	-
Total comprehensive income for the year	-	489,925	489,925
Issue of share capital	-	-	-
Bonus issue	-	-	-
Transaction costs for equity issue	-	-	-
Dividends paid during the period	-	(5,558)	(5,558)
Contributions by and to owners of the business	-	(5,558)	(5,558)
At 30 September 2017	774,390	4,951,266	5,725,656

CAPITAL HOTELS PLC
STATEMENT OF CASH FLOWS
FOR THE NINE (9) MONTHS ENDED 30 SEPTEMBER, 2018

	September 2018 N'000	September 2017 N'000	DEC 2017 N'000
Profit after tax	379,205	489,925	935,906
Adjustment for:			
Depreciation of property, plant and equipment	262,195	213,174	367,756
Amortisation of intangible asset	8,971	3,195	4,902
Post employment benefits	-	-	(113,560)
Income on investment of unclaimed dividend	(13,828)		
Finance income	(27,361)	(4,276)	(42,684)
Income tax expense	178,449	230,553	(155,396)
	787,631	932,571	996,924
Changes in:			
Inventory	68,602	4,522	24,648
Loans and receivables	156,702	115,540	119,817
Trade and other receivables	(137,264)	224,801	(6,004)
Other current assets	54,981	(260,435)	55,638
Trade and other payables	122,214	(1,235,337)	182,145
Deferred income	7,606	(10,822)	8,465
Cash generated from operating activities	1,060,472	(229,160)	1,381,633
Post employment benefits	(120,279)	(375,163)	-
Income tax paid	(235,550)	(44,248)	(54,248)
Net cash from operating activities	704,643	(648,571)	1,327,385
Cash flows from investing activities			
Purchase of property, plant and equipment	(113,751)	(182,538)	(237,860)
Purchase of intangible asset	-	-	(23,173)
Renovation of Tower 1 and 111	-	-	(1,684,752)
Other Income	13,828	4,276	-
Loan & Receivables	113,131	1,960	
Interest Income	27,361	-	42,684
Net cash used in investing activities	40,569	(176,302)	(1,903,101)
Cash flows from financing activities			
Dividend paid	(77,438)	(5,558)	(5,226)
Net cash used in financing activities	(77,438)	(5,558)	(5,226)
Net increase/(decrease) in cash and cash equivalents	590,336	(830,431)	(580,942)
Cash and cash equivalents at the beginning of the year	3,409,908	3,990,850	3,990,850
Cash and cash equivalents at the end of the period	4,000,244	3,160,417	3,409,908

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.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by local regulators is included where appropriate.

2.2 Functional/presentation currency

These financial statements are presented in Naira, which is the Company's functional currency. Except as indicated in these financial statements, financial information presented in Naira has been rounded to the nearest thousand.

2.3 Basis of measurement

These financial statements are prepared on the historical cost basis except as modified by fair valuation of financial assets and liabilities where applicable.

2.4 Use of estimates

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

In particular, the Company has identified the following areas where significant judgments, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

a. Recovery of deferred tax assets

Judgment is required to determine which types of arrangements are considered to be tax on income in contrast to an operating cost. Judgment is also required in determining whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses require management assessment of the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by sales volume, operating costs and capital expenditure) and judgment about the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Future changes in tax laws could also limit the ability of the Company to obtain tax deductions in future periods.

b. Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

c. Allowances on trade receivables

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

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

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

Determination of impairment of property and equipment, and intangible assets

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of 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 exist.

Depreciation and carrying value of property and equipment

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

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

a. IAS 24 Related parties

The revised standard provides some exemptions for certain government related entities, clarifies the definition of a related party and includes an explicit requirement to disclose commitments to related parties. The revised standard specifically defines associates of the ultimate parent company as related parties of the Company and they have been treated as such in these financial statements.

b. IAS 1 Presentation of financial statements

Clarifies that entities may present the analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

c. IFRS 7 Financial instruments

The amended standard clarified 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. It also clarifies that disclosure of financial instruments obtained by calling on security or collateral is only required where those assets are still held at the reporting date.

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the first quarter 31 March 2014, and have not been applied in preparing these financial statements. A summary of those relevant to Capital Hotels Plc have been disclosed in these financial statements:

a) IFRS 9 Financial instruments

Nature of change:

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 introduces a new model for classifying and measuring financial assets. In respect of financial liabilities, all IAS39 requirements are carried forward to IFRS 9. The classification of financial assets depends on its contractual cash flow characteristics and the entity's business model for managing the financial assets.

Impact:

The Company does not have financial assets that are classified as fair value through profit or loss, held to maturity or available for sale. Financial assets in its books are classified as loans and receivables. This type of financial asset shall be measured at amortized cost if the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principals and interest on the principal amount outstanding.

The financial assets of the Company - trade receivables, rent receivables and employees' loans meet the contractual cash flow test which aims to identify whether the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding'. Such assets are managed to realize cash flows by collecting contractual payments over the life of the instrument.

The method of subsequent measurement for the financial assets within the Company will remain the same and measured at amortized cost.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement to IFRS 9 and no changes arose.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39.

In applying the IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The general approach
- The simplified approach, and
- The purchased or originated credit-impaired approach

This model applies to the Company's trade receivables, rent receivables and staff loans. Capital Hotels Plc will adopt the simplified approach for calculating its impairment loss on trade and other receivables.

The Company has a policy choice between using the general approach or the simplified approach for rent receivables while staff loans will be calculated using the general approach.

A detailed assessment of the impairment provisions under the new model may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Mandatory application date/ date of adoption by the Company:

Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015.

After that date, the new rules must be adopted in their entirety. The Company does not intend to adopt IFRS 9 before its mandatory date.

b Amendment to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendment is applicable to annual periods beginning on or after 1 January 2014.

c Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

Amends IAS 39 Financial Instruments: Recognition and Measurement make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The amendment is applicable to annual periods beginning on or after 1 January 2014.

d Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

The amendment clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realisation and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. The amendment is applicable to annual periods beginning on or after 1 January 2014.

e **Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities**

The amendment provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. Require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. Require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). The amendment is applicable to annual periods beginning on or after 1 January 2014.

f **IFRIC 21 Levies**

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The liability is recognised progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The amendment is applicable to annual periods beginning on or after 1 January 2014.

g **IFRS 15: Revenue from Contracts with Customers**

Nature of change:

IFRS 15 issued by IASB for the recognition of revenue replaced IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

It requires that the in recognizing revenue, the Company must:

1. Identify the **contract(s)** with a customer
2. Identify performance **obligations** in the contract(s)
3. Determine the transaction **price**
4. **Allocate** the transaction price to performance obligations in the contract
5. **Recognize** revenue when (or as) the Company satisfies a performance obligation.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact:

The Company operates two major types of contracts which are walk-in guests and guests on contract. Contracts with walk-in guests are usually oral and entered into over the counter while the guests- on contract usually have written contracts which have been signed by both parties. The room and recreational facilities are distinct in the contracts as both services are not highly integrated with, not highly depended on, each other.

Capital Hotels Plc operates a customer loyalty program through Marriott International(Marriott Rewards, The Ritz-Carlton Rewards and SPG) .The program allow guest earn points for each night spent in the hotel. At the end of the month, the total points earned by a guest is valued by Marriott International. The Company is not responsible for fulfilling the promise on points earned. The value is determined by Marriott International and the responsibility for fulfilling this lies with Marriott International.

The Company has standardized prices for its goods and services. For the rooms, there is a rack rate and a negotiated rate. There is also a standard price for its food and beverage, business centre, laundry services, recreational facilities and other services. The transaction price that will be recognized for accounting purpose will change due to the following reasons:

1. Discounts provided to guests on contracts
2. Agency relationship with Marriott international on the customer loyalty program.

The value of points earned under the loyalty program should not be included in the transaction price.

Capital hotels Plc's contracts with walk-in guests contain performance obligations for the rooms and recreational facilities. The Company currently recognizes all the revenue to the room. Agreements with guests on contracts contain performance obligations for the room, recreational facility, discount, renewal options. Currently, the revenue is only recognized on the room and the Company allocates the discounts only to the

The Company needs to allocate the transaction price between the room and recreational facilities for walk-in guests. The Company needs to allocate transaction prices between the room, recreational facilities and renewal options for guests on contracts. The allocation will be done using the relative stand-alone selling price at the inception of the contract.

The Company will also need to present separately, contract assets and contract liability as a separate line item in the statement of financial position. Specifically, contract liability may arise from renewal options.

The Company will disclose adequate information in the financial statements that will meet the objective of disclosure requirements of IFRS 15. To achieve this, the following among others will be disclosed:

1. The amount of revenue recognised from contracts with customers separately from other sources of revenue
2. Impairment losses from contracts with customers separately from other impairment losses
3. Disaggregation of revenue into types of goods and services rendered
4. The opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers.

Mandatory application date/ date of adoption by Company:

Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Company is 1 January 2018.

h. IFRS 16: Leases

Nature of change:

Capital Hotels Plc has no lease arrangements within its facilities for now. It is understood that IFRS 16 basically carries forward the requirements of IAS 17 for lessors. The lessor will still account for its leases as operating or financing lease.

The new standard will not have any significant impact on the Company and its operations.

Mandatory application date/ date of adoption by Company:

Mandatory for financial years commencing on or after 1 January 2018.

Expected date of adoption by the Company is 1 January 2018.

5. Summary of significant accounting policies

5.1 Foreign currencies

5.1.1 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. Nonmonetary 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 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.

5.2 Financial instruments

Financial instruments carried at the statement of financial position date include the loans and receivables, cash and cash equivalents and borrowings. Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. The various classifications of financial instruments, their measurement subsequent to initial recognition, reclassifications and derecognition are stated as follows:

5.3 Financial assets

5.3.1 Non-derivative financial assets

The Company initially recognises 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 recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises 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 asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised 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.

5.3.2 Loans and receivables

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

5.3.3 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.

5.3.4 Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expires. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

5.4 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.

5.5 Property, plant and equipment

5.5.1 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 capitalisation 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 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 recognised net within other income in profit or loss.

5.5.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised 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 derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised 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 recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Land	-	Nil
Building	-	2 ¹ / ₂ %
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 if appropriate.

5.5.3 Derecognition of property, plant and equipment

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement in operating income. When revalued assets are sold, the amounts included in the revaluation surplus are transferred to retained earnings.

5.6 Inventories

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

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

5.7 Intangible assets

5.7.1 Other intangible assets

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

5.7.2 Subsequent expenditure

Subsequent expenditure is capitalised 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 recognised in profit or loss as incurred.

5.7.3 Amortisation

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

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

The estimated useful lives for the current and comparative periods are as follows:

Item	
Computer software	10%

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

5.8 Impairment

5.8.1 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 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.

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 recognised through profit or loss.

5.8.2 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.

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.

5.8.3 Reversals

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

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

5.9 Employee benefits

5.9.1 Defined benefits plan

A defined benefit plan 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. The scheme came to an end in December 2017.

5.9.2 Pension fund scheme

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

5.9.3 Terminal benefit

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.

5.10 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.

5.10. 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

5.11 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 CFO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CFO 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, summarised as follows:

Rooms: This includes the sale of rooms and rent of office space
Food and beverage: This includes the sale of rooms and rent of office space
Other services: This include the services of other minor operating departments that individually the reported revenue is below 10% of the combined revenue of all operating segments and are similar in the class of customers for their services.

	2018 N'000	2017 N'000
Revenue		
Rooms	2,374,858	2,229,234
Food and beverage	1,577,734	1,385,364
Other services	352,868	352,485
	<u>4,305,460</u>	<u>3,967,083</u>
Cost of sales		
Rooms	427,542	462,124
Food and beverage	914,211	939,914
Other services	59,854	1,303,214
Other Operating Overheads:		
Admin. & Gen. Expenses	645,076	
Information & Telecommunications	128,559	
Utilities	534,138	
Property Maintenance	367,352	
Management fee	124,642	
	<u>3,201,375</u>	<u>2,705,252</u>
Gross profit	<u>895,257</u>	<u>1,261,831</u>
Gross profit margin (%)	<u>21</u>	<u>32</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.

5.12 Revenue recognition

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

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

The Hotel offers a customer loyalty program where guests are rewarded in accordance with the loyalty program of Marriott International. Under this program, registered members earn points when they pay for rooms or services at the hotel. The Company accounts for the points using an incremental cost model where revenue is typically recognized at the time of the initial sale and an accrual is made for the expected costs of satisfying the awards credits. Revenue is measured as gross sale net of taxes while the consideration allocated to the award credits and payable to Marriott International for supplying the awards are recorded as sales cost.

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

5.12. Interest on investment

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

5.12. Dividend

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

5.12. Rental income

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

5.13 Taxation

5.13. 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.

5.13. 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, 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.

5.13. 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.

5.13. 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.

5.14 Finance income and finance costs

5.14. 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. Dividend income is recognized 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.

5.14. Finance costs

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

5.15 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is

	2018 N'000	2017 N'000
Profit after taxation	<u>379,205</u>	<u>489,925</u>
Number of shares	<u>1,548,780</u>	<u>1,548,780</u>
Earnings per share (Kobo):		
- Basic	<u>24.48</u>	<u>31.63</u>
- Diluted	<u>24.48</u>	<u>31.63</u>

6. Information on financial risks

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

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk

The Company's risk management policies are established to identify and analyze the risks faced by the

The Company has exposure to the following risks:

Strategic risk

Credit risk

Financial risk

Operational risk

6.1 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, decision making , resource allocation and its inability to adapt to changes in its business environment.

Capital Management Policies, Objectives and Approach

The following capital management objectives, policies and approach to managing the risks which affect its capital position are adopted by the 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
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the

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

Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated The Company's primary source of capital used is equity shareholders' funds.

6.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails Exposure to credit risk is monitored on an ongoing basis, with credit checks performed on all clients requiring

The maximum credit risk to which the Company is exposed is summarised below:

	2018 N'000	2017 N'000
Cash and cash equivalent	4,000,244	3,160,420
Trade and other receivables	399,891	709,303
Other current assets	<u>366,452</u>	<u>60,025</u>
	<u><u>4,766,587</u></u>	<u><u>3,929,748</u></u>

6.3 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and

The primary responsibility for the development and implementation of controls to address operational risk is

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

6.4 Financial risk

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

Liquidity risks

Market risks

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

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

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

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

Market risk

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

Foreign currency risk

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

Price risk

The Company is exposed to variability in the prices of commodities used in running its operations especially those relating to food and beverages and housekeeping functions. Commodity price risk is managed within minimum and maximum guardrails principally through multi-year fixed price contract with suppliers. In addition, the Purchase Committee of the Board meets regularly to review the prices of items and probable suppliers before granting approval, thus ensuring that items to be purchased are sourced from reliable supplier's at the most competitive prices.

7. Fair value determination

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

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

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

7.1 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 unrealised gains in a separate component of equity at the end of the reporting year.

Fair value measurements recognised in the statement of financial position

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

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

Level 2: for equity securities not listed on an active market and for which observable market data exist that the 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).

CAPITAL HOTELS PLC
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8. Property, plant and equipment

	Land N'000	Building N'000	Plant and machinery N'000	furniture, fittings and equipment N'000	Motor vehicle N'000	Total N'000
Cost						
At 1 January 2018	356,392	921,926	2,229,036	3,430,163	227,284	7,164,801
Additions during the year	-	-	20,528	93,223	-	113,751
At 30 September 2018	356,392	921,926	2,249,564	3,523,386	227,284	7,278,552
Depreciation						
At 1 January 2018	-	296,071	1,692,215	2,706,866	216,093	4,911,245
Disposal	-	-	-	8,497	-	-
Charged during the Period	-	9,485	90,931	156,852	4,927	262,195
At 30 September 2018	-	305,556	1,783,146	2,872,215	221,020	5,173,440
Carrying amount:						
At 30 September 2018	356,392	616,370	466,418	651,171	6,264	2,105,112
At 1 January 2018	356,392	625,855	536,821	723,297	11,191	2,253,556

9. Capital work in progress

	T 3 Building N'000	Cabana Building N'000	FF&E N'000	Total N'000
At 1 January	153,032	90,738	280,033	523,803
Additions during the year	1,404,719	-	373,377	1,778,096
Impairment loss	-	-	(93,344)	(93,344)
At 30 September 2018	1,557,751	90,738	560,066	2,208,555

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 the Hotel.

Evidence of impairment loss on the capital work in progress was as a result discontinuation of work on the

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

	2018	2017
	N'000	N'000
10. Intangible assets		
Computer software		
Cost		
At 1 January	49,016	19,824
Additions in the Period	-	-
At 30 September 2018	49,016	19,824
Amortisation		
At 1 January	10,921	-
Charge for the Period	8,971	3,194
At 30 September 2018	19,892	3,194
Carrying amount	29,124	16,629

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	2018	2017
	N'000	N'000
11. Other receivables		
At 1 January	995,724	1,115,540
Additions in the year	-	-
Payment Received	(184,063)	(117,500)
Interest receivable	27,361	-
At 30 June	839,022	998,040
Current portion	-	-
Non-current portion	839,022	998,040

Other receivables represents loans and advances to Ikeja Hotel Plc.

The non current portion of loans and other receivables is at an interest rate of 4% p.a. above the deposit rate currently enjoyed by the Hotel and is secured by a negative pledge on the Borrowers property situate at 30 Mobolaji Bank Anthony Way, Ikeja Lagos which negative pledge shall rank pari passu with other lenders.

Based on the terms of loans and other receivables, these were not measured at amortised cost as it was impracticable

	2018	2017
	N'000	N'000
12. Inventories		
Food	54,508	50,258
Bev	14,837	15,261
Operating items	-	95,532
Linen & Uniform	52,324	69,045
Guest Supplies	-	26,528
Fuel & Lub	54,717	-
Utensils and Other Materials	1,862	-
Operating Equipment	4,286	14,730
Tobacco	94	-
	182,628	271,354

13. Trade receivables

Trade receivables (Note 13.1)	495,971	848,803
Impairment allowance (Note 13.2)	(96,080)	(139,499)
	<u>399,891</u>	<u>709,303</u>

Other receivables Ikeja Hotels (Note 13.3)		-
	<u>399,891</u>	<u>709,303</u>

Other receivables are expected to be recoverable.

13.1 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 37% of debtors' balances. The largest individual debtor corresponds to 12% of the total balance (2017 : 6%%). 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 29 days (2017 : 65 days). No debtors' balances have been renegotiated during the year or in the prior year.

	2018 N'000	2017 N'000
13.2 Impairment allowance on trade receivables		
At 1 January	-	-
Charged in the year	-	-
Impaired	-	-
	<u>-</u>	<u>-</u>
At 30 September	<u>-</u>	<u>-</u>
13.3 Other receivables		
Advances to suppliers		-
Advances to staff	-	-
Insurance claim receivable	-	-
Others	-	-
	<u>-</u>	<u>-</u>
14. Other current assets		
Insurance claim receivable	1,738	-
Advances to suppliers	600	-
Staff advances	39,936	-
Prepayments (Note 14.1)	58,163	60,025
Withholding tax receivable	261,521	-
Other Receivables	4,494	-
	<u>366,452</u>	<u>60,025</u>
14 Prepayments:		
Prepaid Dues	2,003	2,670
Prepaid Insurance	6,982	9,309
Prepaid Contracts Expense	11,352	16,779
Prepaid Other	851	1,134
Supplies - Ppd	36,977	30,133
	<u>58,163</u>	<u>60,025</u>

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE (9) MONTHS ENDED 30 SEPTEMBER, 2018

	2018 N'000	2017 N'000
15. Cash and cash equivalents		
Cash in hand	647	1,159
Cash at bank	<u>595,942</u>	<u>607,095</u>
	596,589	608,254
Time deposits	<u>3,403,655</u>	<u>2,552,165</u>
	<u>4,000,244</u>	<u>3,160,420</u>

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

16. Trade & Other Payables

<i>Financial instruments</i>		
Accounts payables	145,429	136,438
Dividend payable (Note 16.1)	66,408	66,076
Accrued expenses (Note 16.3)	250,004	211,256
Other payables (Note 16.4)	1,036,649	109,095
Due to CHP Hospitality & Tourism Limited	625,254	-
Withholding taxes	-	-
<i>Non financial instruments - Commissions payable</i>		
Deposits from guests	-	-
VAT payable	-	-
	<u>2,123,744</u>	<u>522,865</u>

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

16.1 Dividend payable

At 1 January	66,408	71,634
Declared during the year	77,439	-
Payment during the year	<u>(77,439)</u>	<u>(5,558)</u>
At 30 September	<u>66,408</u>	<u>66,076</u>

16.2 Other payables

SAH/CHP current account (Note 16.2.1)	-	-
Service charge payable	-	-
Others	-	-

16.2. SAH/CHP current account represents the current account balance between The Company and the

16 Accrued Expenses

General Accruals:	189,488
AP Period Accrual	18,527
Accrued Mgmt Fee Expense	17,791
Accrued Mktg and Advertising	4,644
Audit fee	2,805
Audit Expenses	2,308
Directors Fees	8,302
Subscription for NSE, CSCS	2,868
Secretarial Services (CoySec & Registrars)	<u>3,272</u>
	<u>250,004</u>

16 Other Payable Liabilities:		
W-H Union Dues-Hotels	4,099	
Misc W-H Union Dues	1,119	
VAT Ready to Declare Pay	315,437	
Occupancy Tax Payable	1,284	
Income Tax Payable	104,825	
Gratuity Payable	1,344	
Banq Incent Payable	28,772	
Bonus Accrual Annual 1	58,853	
Bonus Accrual Non-Annual	71,970	
Vacation Accrual	9,840	
Pension Liability - Natl	1,360	
International Payroll Taxes	6,511	
Guest Refunds	147,374	
Charity Collection	212	
Advance Deposits	43,464	
Dividend payable	66,408	
Directors dues	116,248	
Gratuity Payable - CHP staff	57,530	
	<u>1,036,649</u>	
17. Due to CHP Hospitality and Tourism Limited	-	-
	-	
	<u>625,254</u>	<u>625,254</u>
18. Current taxation payable		
At 1 January	335,661	289,792
Payment in the year	(235,550)	(44,248)
Charge for the Period (Note 18.1)	<u>269,261</u>	<u>230,553</u>
At 30 September	<u>369,372</u>	<u>476,097</u>
	2018	2017
	N'000	N'000
18.1 Current tax expense		
Under-provision in prior year		
Income tax b/f	90,812	216,143
Education tax	-	14,410
Profit & Loss Account	178,449	
Current tax	<u>269,261</u>	<u>230,553</u>
Deferred taxation	<u>-</u>	<u>-</u>
Income statement	<u>269,261</u>	<u>230,553</u>

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 and the Education Tax Act, CAP E4, LFN 2004 as amended.

The charge for education tax is based on the provisions of the Education Tax Act, CAP E4, LFN 2004.

19. Deferred taxation

At 1 January	442,549	698,062
Charge/(write back) in the year (Note 19.1)	-	-
At 30 September	<u>442,549</u>	<u>698,062</u>

19.1 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
	2018	2017	2018	2017	2018
	N'000	N'000	N'000	N'000	N'000
Property, plant and equipment	-	-	-	-	-
Provisions	-	-	-	-	-
Exchange loss/gain	-	-	-	-	-
		-			
Tax liability carried forwards	-	-	-	-	-
Tax liability brought forwards	-	-	-	-	-
Deferred tax liability/(asset)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company has adopted the International Accounting Standard 12 - Income taxes, deferred

19.2 Reconciliation of effective tax rate

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

	2018	2017
	N'000	N'000
Profit before tax	-	-
Tax @ 30%	-	-
Add deductible items	-	-
Capital allowance	-	-
Under-provision in prior year	-	-
Education tax	-	-
Deferred tax effect	-	-
Tax expense for the year	<u>-</u>	<u>-</u>
Profit after tax	<u>-</u>	<u>-</u>

19.3 The tax rate is reconciled to the effective tax rate as follows:

	2018	2017
	N'000	N'000
Tax rate	-	-
Deductible items	-	-
Balancing charge	-	-
Capital allowance	-	-
Education tax	-	-
Deferred tax effect	-	-
Total effective tax rate	<u>-</u>	<u>-</u>

20. Employee benefits

At 1 January	896,197	1,009,757
Current service cost	-	-
Past service cost	-	-
Interest cost	-	-
Net interest on net defined benefit liability/ Interest cost	-	-
Payments in the year	(184,026)	(375,163)
Actuarial (gain)/loss	-	-
	<u>712,171</u>	<u>634,594</u>

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
- members who have more than 15 years of service will only receive a maximum benefit

Sensitivity analysis

The value of the results above are based on a number of assumptions. The value of

- the discount rate assumption on the defined benefit obligation by adding and

Discount rate

	Main result N'000	+1% N'000	-1% N'000
Defined benefit obligation	-	-	-
Change		0.00%	0.00%

- the salary increase assumption on the defined benefit obligation by adjusting the salary

Salary increase rate

	Main result N'000	+1% N'000	-1% N'000
Defined benefit obligation	-	-	-
Change		0.00%	0.00%

- the mortality assumption on the defined benefit obligation by increasing and decreasing

Mortality improvement

	Main result N'000	+1% N'000	-1% N'000
Defined benefit obligation	-	-	-
Change		0.00%	0.00%

The actuary valuation of post employment benefits was carried out by Alexander

2018	2017
N'000	N'000

21. Share capital

21.1 Authorised

1,600,000,000 ordinary shares of 50k each	<u>800,000</u>	<u>800,000</u>
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21.2 Issued and fully paid

1,548,780,000 ordinary shares of 50k each	<u>774,390</u>	<u>774,390</u>
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22. Retained earnings		
At 1 January	5,402,805	4,466,899
Dividend declared during the year	(77,439)	
Transferred from profit or loss account	388,026	589,925
	<u>5,713,392</u>	<u>4,956,824</u>
At 30 September		
23. Other income		
Unrealised Gain on currency translation	(8,821)	-
Unclaimed Div	(2,843)	(2,180)
Sundry receipts	(10,985)	(2,096)
		-
Income from investment of unclaimed dividend	(13,828)	(4,276)
	<u>(13,828)</u>	<u>(4,276)</u>
24. Finance income		
Interest on loan	(27,361)	-

Interest on loan relates to income earned on loan to Ikeja Hotel Plc.

	2018 N'000	2017 N'000
25. Administration and general expenses		
Directors fees	8,302	1,403
Directors expenses	4,476	26,985
Depreciation of property, plant and equipment	271,167	216,368
Employee costs	19,438	31,589
Subscription	4,991	-
Rates	6,430	
Meetings/Secretarial Expenses	31,204	17,599
Legal and professional fees	10,930	-
Transport and travelling	4,379	3,099
Security expenses	66	412
Bank charges	158	8,051
Audit fee	2,805	5,625
Office running expenses	14,204	22,372
	<u>378,551</u>	<u>333,503</u>
26. Transactions with key management personnel		
26.1 Directors emoluments		
Each director is entitled to the following:		
<i>Fees</i>		
- Chairman	270	270
- Directors	1,600	1,600
<i>Allowances</i>		
- Chairman	2,600	2,600
- Directors	16,000	16,000
26.2 Personnel compensation		

The Company had 503 employees in 2018 (2017 : 503).

Personnel compensation

Personnel compensation comprised:

Short-term employee benefits	-	-
Contribution to compulsory pension fund scheme	-	-
Long service award	-	-
Defined benefit gratuity scheme	-	-
	<u>-</u>	<u>-</u>

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

			Number	Number
0	-	N200,000	-	-
N:	-	N400,000	-	-
N:	-	N600,000	-	-
N:	-	N800,000	-	-
N:	-	N1,000,000	-	-
N:	-	above	-	-
			<u>-</u>	<u>-</u>
			<u>-</u>	<u>-</u>

CAPITAL HOTELS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE (9) MONTHS ENDED 30 SEPTEMBER, 2018**

	2018 N'000	2017 N'000
Dividend per share		
Dividend per share has been computed for each year on the dividend attributable to ordinary shareholders of the issued and paid up 50 kobo ordinary shares during the year.		
Dividend	<u>-</u>	<u>-</u>
Number of shares	<u>1,548,780</u>	<u>1,548,780</u>
Dividend per share (DPS) (Kobo)	<u>-</u>	<u>-</u>

27. 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 and service applied (to)/by the Company		Amount due (to)/from the Company	
	2018 N'000	2017 N'000	2018 N'000	2017 N'000
27.1 Ikeja Hotel Plc				
Capital Hotels Plc is a member of the Ikeja				
Transactions in the year relate to:				
- interest receivable on loan	-	-	-	-
- additional amount advanced	-	-	-	-
27.2 Minet Nigeria Limited				
A director in the Company is also a director in				
The Company provides insurance brokerage	-	-	-	-
27.3 AVI Services Limited				
A director in the Company is also a director in				
The Company provides transport services to	-	-	-	-

27.4 G. M. Ibru & Co

A partner in the Firm is a director of Ikeja Hotel

The Firm provides legal services to Capital

- - - -

28. 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.

29. 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):

29.1 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.

29.2 Incentive Fee

The amount equal to two and half percent (2.5%) of adjusted gross operating profit (AGOP) for each operating year during the operating term.

30. Contingent liabilities

The Company is subject to various claims and other liabilities arising in the normal course of business. The contingent liabilities in respect of pending litigation and other liabilities amounted to N450m as at 30 September 2018 (2017: 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.

31. 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.

32. Prior period corresponding balances

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

CAPITAL HOTELS PLC
FORECAST STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER 4 OCTOBER - 31 DECEMBER, 2018

	N'000
Turnover	1,300,000
Cost of Sales	<u>(700,000)</u>
Gross Profit	600,000
Other Income	12,000
Admin Expenses	<u>(410,000)</u>
Operating Profit	202,000
Finance Income	<u>15,000</u>
Profit Before Tax	217,000
Adjustment for Exceptional Items	<u>(18,200)</u>
Profit Befor Tax and after Exceptional Items	198,800
Forecast Taxation	<u>(63,616)</u>
Profit After Taxation	<u><u>135,184</u></u>

CASH FLOW INFORMATION:

Cash Flows from Operating Activities	1,310,000
Operating Cash Flow before Working capital charges	<u>(900,000)</u>
Net Cash Generated from Operating Activities	410,000
Cash Flow from Investing Activities	(80,000)
Cash Flow from Financing Activities	<u>45,000</u>
Net Increase/decrease in Cash and Cash Equivalent	375,000
Cash/Bank Balance at the beginning of the period	<u>4,000,244</u>
Cash/Bank Balance at the end of the period	<u><u>4,375,244</u></u>

B1

CAPITAL HOTELS PLC
NOTE TO THE FORECAST STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER 4 OCTOBER - 31 DECEMBER, 2018

Turnover	N'000
Room	
F & B	920,000
Others	340,000
	<u>40,000</u>
COST OF SALES	<u><u>1,300,000</u></u>
Room	
F & B	210,000
Others	208,900
Management Fees	250,000
	31,100
OTHER INCOME	<u><u>700,000</u></u>
Under Other Statement of Comprehensive Income	
	<u><u>12,000</u></u>
ADMIN EXPENSES	
Insurance	
Depreciation	5,600
Sundry Expenses	120,000
	<u>284,400</u>
	<u><u>410,000</u></u>

B2