



CAPITAL HOTELS PLC

(Owners of Sheraton Abuja Hotel)

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UNAUDITED FINANCIAL STATEMENT

FOR THE 2ND QUARTER (6 MONTHS) ENDED
30 JUNE 2021

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
Interim Financial Report
FOR THE 2ND QUARTER (6) MONTHS ENDED 30 JUNE, 2021

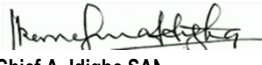
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CAPITAL HOTELS PLC


CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 June, 2021

	Notes	Unaudited June 2021 N'000	June 2020 N'000	Audited December 2020 N'000
Assets:				
Non current assets				
Property, plant and equipment	8.	15,646,173	6,568,146	15,515,398
Intangible assets	9	51,127	160,054	86,886
		15,697,300	6,728,200	15,602,284
Current assets:				
Inventories	10	43,547	37,744	31,899
Trade other receivables	11	791,674	822,160	880,265
Prepayments	12	201,406	208,723	27,711
Cash and cash equivalents	13	977,870	1,870,390	1,565,246
		2,014,495	2,939,017	2,505,121
Total assets		17,711,797	9,667,217	18,107,405
Equity				
Issued capital	19	774,390	774,390	774,390
Retained earnings	20	5,548,727	5,837,761	5,647,636
Revaluation Surplus		8,161,567	-	8,161,567
		14,484,684	6,612,151	14,583,593
Liabilities				
Non-current liabilities				
Employment benefits obligation	14	146,430	308,109	298,043
Deferred taxation	18	1,095,270	419,226	1,095,269
Total non-current liabilities		1,241,700	727,335	1,393,312
Current liabilities				
Trade and other payables	15	1,517,700	1,961,498	1,679,550
Contract Liability		178,745	-	189,819
Deferred income		62,023	44,611	34,186
Income tax payable	17	226,946	321,621	226,945
Total current Liabilities		1,985,413	2,327,730	2,130,500
Retained earnings		3,227,113	3,055,065	3,523,812
Total equity and liabilities		17,711,797	9,667,217	18,107,405

These financial statements were approved by the Board of Directors on 26 July 2021 and signed on its behalf by:


Chief A. Idigbe SAN
Chairman
/2014/NBA/0000001


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 6 to 38 form an integral part of these

CAPITAL HOTELS PLC

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE, 2021

	Notes	Unaudited June 2021 N'000	June 2020 N'000	Audited December 2020 N'000
Turnover	5.11	1,328,047	1,135,964	1,947,583
Cost of sales	5.11	(1,281,161)	(1,259,184)	(2,305,520)
Gross operating profit		46,887	(123,220)	(357,937)
Other operating income	21	69,061	308,157	427,721
Administration and general	23	(225,103)	(248,202)	(558,537)
Operating (Loss)/profit		(109,155)	(63,265)	(488,753)
Finance income	22	10,245	11,536	22,039
(Loss)/profit before tax		(98,909)	(51,729)	(466,714)
Tax expense	18.1	-	-	224,859
Profit/Loss for the Period		(98,909)	(51,729)	(241,855)
Other comprehensive income/(loss) for the year: Revaluation (Net Tax)		-	-	8,161,567
Total comprehensive income for the period		(98,909)	(51,729)	7,919,712
Earning per share:				
- Basic (Kobo)	5.15	(6.39)	(3.34)	(0.16)
- Diluted		(6.39)	(3.34)	(0.16)

CAPITAL HOTELS PLC

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE, 2021

	Issued share capital	Retained earnings	Total equity
	N'000	N'000	N'000
Changes in equity for 2021			
At 1 January 2021	774,390	5,647,636	6,422,026
Loss/Profit for the period		(98,909)	(98,909)
Unrealised Gain on currency translation	-	-	-
Total comprehensive income for the year	-	5,548,727	6,323,117
Issue of share capital	-	-	-
Bonus issue	-	-	-
Transaction costs for equity issue	-	-	-
Dividends paid during the period	-	-	-
Contributions by and to owners of the business	-	-	-
At 30 June 2021	774,390	5,548,727	6,323,117

	Issued share capital	Retained earnings	Total equity
	N'000	N'000	N'000
Changes in equity for 2020			
At 1 January 2020	774,390	5,966,930	6,741,320
Profit for the year		(51,729)	(51,729)
Dividend Paid during the Period			
Actuarial gain for the year	-		
Total comprehensive income for the year	774,390	5,915,201	6,689,591
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	-	-	-
At 30 June 2020	774,390	5,837,762	6,612,152

CAPITAL HOTELS PLC

**STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

	June 2021 N'000	June 2020 N'000
Profit after tax	(98,909)	(51,729)
Adjustment for:		
Depreciation of property, plant and equipment	134,235	172,973
Amortisation of intangible asset	35,759	(298,736)
Post employment benefits	-	19,674
Income on investment of unclaimed dividend	(336)	5,361
Finance income	(10,245)	2,332
Profit on disposal of property, plant and equipment	(2,950)	(11,535)
Unrealised Gain on currency translation	(65,775)	
Income tax expense	-	(7,089)
	(8,222)	(168,748)
Changes in:		
Inventory	(11,648)	13,086
Other financial assets		
Trade receivables	88,591	126,305
Other current assets	(173,695)	(133,652)
Trade and other payables	(11,074)	
Deferred income	27,837	(3,559)
Cash generated from operating activities	(250,061)	(166,568)
Post employment benefits	(151,613)	(5,361)
Income tax paid	-	-
Net cash from/(used in) operating activities	(401,674)	(171,929)
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,646)	(91,306)
Capital work in progress	(250,364)	
Purchase of intangible asset	-	(19,150)
Renovation of Tower 1 and 111	-	(322,371)
Other Income	65,775	9,421
Loan & receivables	10,247	27,429
Interest Income	3,286	11,536
Net cash flow from/ (used in) investing activities	(185,701)	(384,441)
Cash flows from financing activities		
Dividend paid	-	-
Net cash from/(used in) financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	(587,375)	(556,371)
Cash and cash equivalents at the beginning of the year	1,565,246	2,426,761
Cash and cash equivalents at the end of the period	977,871	1,870,390

The explanatory notes on pages 6 to 32 form an integral part of these statement of cash flows.

CAPITAL HOTELS PLC

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE, 2021

1.0 PREAMBLE

1.1 The Company

Capital Hotels Plc. was incorporated 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 Marriott International, owners of 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,

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 actuarial valuation of staff gratuity and 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.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

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.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

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.

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**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021

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

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

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 room.

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.

n. 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.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
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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 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.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

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	Useful life
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.

3.8.2 Financial assets (these include receivables)

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.

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.

3.8.5 Non-financial assets

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.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
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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.

5.9.2 Pension fund scheme**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.

5.10.1 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.

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 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 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.

	2021 N'000	2020 N'000
Revenue		
Rooms	652,202	567,078
Food and beverage	501,901	390,356
Other services	173,944	178,530
	1,328,047	1,135,964
Cost of sales		
Rooms	124,807	134,253
Food and beverage	274,673	305,374
Other services	(39,136)	20,793
Other Operating Overheads:		
Admin. & Gen. Expenses	268,845	282,384
Information & Telecommunications	51,123	74,020
Utilities	347,204	245,688
Property Maintenance	164,353	117,069
Management fee	33,201	28,339
Marketing Fees	56,090	-
	1,281,161	1,207,920
Gross profit	46,887	(71,956)
Gross profit margin (%)	4	(6)

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
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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.

5.12.1 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 (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.

5.12.2 Interest on investment

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

5.12.3 Dividend

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

5.12.4 Rental income

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

5.13 Taxation

5.13.1 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.

5.13.2 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, 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.

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
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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.

5.13.3 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.

5.13.4 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.

5.14 Finance income and finance costs

5.14.1 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. 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.

5.14.2 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.

* This figure includes a judgment debt of N503.6m, which case is on appeal. Provision was however made for the full amount in accordance with prudential guidelines.

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5.15 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise convertible notes and share options granted to employees.

CAPITAL HOTELS PLC

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE, 2021

	2021 N'000	2020 N'000
Profit after taxation	<u>(98,909)</u>	<u>(51,729)</u>
Number of shares	<u>1,548,780</u>	<u>1,548,780</u>
Earnings per share (Kobo):		
- Basic	<u>(6.39)</u>	<u>(3.34)</u>
- Diluted	<u>(6.39)</u>	<u>(3.34)</u>

6. Information on financial risks

The Board of Directors at the apex exercise and assume ultimate authority and responsibility for the corporate risk management. The Risk Management Board Committee is responsible for oversight and approval of risk policies.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports quarterly to the Board of Directors on its activities.

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

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 employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the contributors, regulators and stakeholders.

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 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 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 to meet its contractual obligations. Credit risk arises from loans and receivables, accounts receivables (excluding prepayments and VAT), and cash and cash equivalent.

CAPITAL HOTELS PLC

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
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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 maximum credit risk to which the Company is exposed is summarised below:

	2021 N'000	2020 N'000
Cash and cash equivalent	977,870	1,870,390
Trade and other receivables	791,674	375,505
Other current assets	244,953	107,049
	<u>2,014,496</u>	<u>2,352,944</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 company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

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

- 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.

CAPITAL HOTELS PLC

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
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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).

8. Property, plant and equipment

	Land	Building	Plant and machinery	Furniture, fittings and equipment	Motor vehicle	CAPITAL WORK IN PROGRESS	Total
	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Cost							
At 1 January 2021	9,424,800	979,781	2,340,769	3,819,842	224,284	4,872,276	21,661,752
Additions during the year	-	-	-	14,646	-	250,364	265,010
Disposal							
At 30 June 2021	9,424,800	979,781	2,340,769	3,834,488	224,284	5,122,640	21,926,762
Depreciation							
At 1 January 2021	-	359,158	2,110,720	3,361,896	221,236	93,344	6,146,354
Disposal							
Charge for the Year	-	12,202	42,264	79,367	403		134,235
At 30 June 2021	-	371,360	2,152,984	3,441,263	221,639	93,344	6,280,589
Carrying amount:							
At 30 June 2021	9,424,800	608,421	187,785	393,225	2,645	5,029,296	15,646,173
At 1 January 2021	9,424,800	620,623	230,049	457,946	3,048	4,778,932	15,515,398
						2021	2020
						N'000	N'000

9. Intangible assets

Computer software

Cost

At 1 January	262,195	250,891
Additions in the Period	-	19,150
At 30 June 2021	262,195	270,041

Amortisation

At 1 January	175,309	90,313
Charge for the Period	35,759	19,674
At 30 June 2021	211,068	109,987
At 30 June 2021	51,127	160,054
At 30 June 2021	86,886	160,578

10. Inventories

Food	35,013	26,963
Bev	8,534	10,781
Operating items	-	-
Linen & Uniform	-	-
	43,547	37,744

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	2021 N'000	2020 N'000
11. Trade receivables		
Trade receivables (Note 11.1)	374,168	301,273
Impairment allowance (Note 11.2)	<u>(97,955)</u>	<u>(65,185)</u>
	276,212	236,088
Other receivables Ikeja Hotels (Note 11.3)	<u>515,462</u>	<u>586,072</u>
	791,674	822,160

Other receivables are expected to be recoverable.

11.1 Analysis of trade receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. For terms and conditions relating to related party receivables, refer to Note 11.4.

All trade and other receivables are due and payable within one year from the end of the reporting period. Due to the short-term nature of the current receivables, their carrying amount approximates the fair value.

As at 30 June 2021, the Company has trade receivables of N374,168,000 (2020: N301,273,000) which is net of an allowance for credit losses of N97,955,000 (2020: N65,185,000).

	2021 N'000	2020 N'000
11.2 Impairment allowance on trade receivables		
At 1 January	-	82,296
Charged in the year	-	(17,111)
Impaired	-	-
At 30 June 2021	<u>-</u>	<u>65,185</u>

11.3 Loan receivables

At 1 January	517,717	613,501
Additions/Adjustment in the year	-	-
Payment Received	<u>(12,500)</u>	<u>(38,964)</u>
Interest receivable	<u>10,245</u>	<u>11,535</u>
At 30 June	515,462	586,072
Current portion	<u>-</u>	<u>-</u>

11.4 Non-current portion

515,462	586,072
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The Company provided a loan facility of N1billion to Ikeja Hotels Plc on 4 November 2010 and the terms of the loan renegotiated on 30 April 2018. The term of the loan was agreed to be three and a half years on that date. The loan pays interest at 4% per annum and it is expected to be fully repaid by August 2021. For the year ended 31 December 2020, the Company recognised a writeback for expected credit losses (ECL) of N1,772,000 relating to provision not required for related parties receivables (2019: provision for ECL of N1,633,000).

11.5 Other current assets

Insurance claim receivable	-	-
Hotel Guest Receivables	-	-
Credit card Receivables	-	-
Non Credit Card Rec	-	600
Prepayments (Note 14.1)	-	68,972
Withholding tax receivable	-	-
Other Receivables (Note 13.3)	-	-
Impairment allowance	-	(266)
	<u>-</u>	<u>69,306</u>

12 Prepayments:

	2021 N'000	2020 N'000
Prepaid Insurance	21,213	667
Prepaid Contracts Expense	-	16,884
Prepaid Contracts	700	12,098
Prepaid Expenses	50,306	4,913
Prepaid Other	129,187	-
Supplies - Ppd	-	34,410
	<u>201,406</u>	<u>68,972</u>

CAPITAL HOTELS PLC

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

12.1 Other receivables

Property Ins Receivable	-	1,679
AR Trade Unbilled	-	-
Due To From Payroll Receiv	-	3,980
Other Deposit	-	96,440
Current WHT Taxes Receivable	-	37,318
Associate Wages Advances	-	-
	-	<u>139,417</u>

2021	2020
N'000	N'000

13. Cash and cash equivalents

Cash in hand	615	925.00
Cash at bank	776,080	996,349.00
	776,694	997,274
Time deposits	201,175	873,116
	977,870	1,870,390

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

14 Employee benefits

At 1 January	298,043	313,470
Current service cost	-	-
Past service cost	-	-
Interest cost	-	-
Net interest on net defined benefit liability/ Interest cost	-	-
Payments in the year	(151,613)	(5,361)
Actuarial (gain)/loss	-	-
	146,430	308,109

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

- the discount rate assumption on the defined benefit obligation by adding and subtracting 1% to the discount rate, and

Discount rate

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

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

Salary increase rate

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

- 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	-	-	-
Change		0.00%	0.00%

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

CAPITAL HOTELS PLC

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

15 Trade & Other Payables	2021	2020
	N'000	N'000
<i>Financial instruments</i>		
Accounts payables	115,885	68,698
Dividend payable (Note 16.1)	89,268	128,762
Accrued expenses	211,485	190,856
SAH/CHP Other payables	372,668	118,157
Due to CHP Hospitality & Tourism Limited	-	625,254
Other payables	395,418	182,086
<i>Non financial instruments - Commissions payable</i>		
Deposits from guests	478	166,210
VAT payable	332,497	332,223
	1,517,700	1,961,498

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

15.1 Dividend payable		
At 1 January	89,268	66,408
Declared during the year	-	77,439
Payment during the year	-	(15,085)
	89,268	128,762
At 30 June	89,268	128,762

15.2 Other payables		
SAH/CHP current account (Note 16.2.1)	451,955	-
Service charge payable	-	-
Others	(79,287)	-
	372,668	-

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

15.3 Accrued Expenses		
Bonus Accrual Annual 1	5,616	7,296
Bonus Accrual Non-Annual	15,286	20,888
Vacation Accrual	34,831	12,588
Property Insurance Accrual	69	490
Pension Liability - Natl	599	3,870
International Payroll Taxes	2,230	2,223
Property PSF Accrued Exp	2,187	96,164
General Accruals	75,038	6,204
AP Period Accrual	22,764	1,367
Accrued Mgmt Fee Expense	6,174	627
Accrued Mktg and Advertising	2,577	5,000
Audit fee	5,000	6,766
Audit Expenses	4,067	11,793
Directors Fees and expenses	14,785	13,580
Subscription for NSE, CSCS FRC & Others	15,741	2,000
Secretarial Services (CoySec & Registrars)	4,521	-
	211,485	190,856

15.4 Other Payable Liabilities:		
W-H Union Dues-Hotels	6,057	-
Misc W-H Union Dues	691	5,136
Occupancy tax -FCT IRS	686	417
Income Tax Payable	104,825	-
Gratuity Payable	215	282
Banq Incent Payable	17,883	10,846
Other Current Liabilities:	25,893	-
Charity Collection	-	20
Directors dues	190,993	116,038
Gratuity Payable - CHP staff	48,175	49,348
	395,418	182,086

CAPITAL HOTELS PLC

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021

16 Due to CHP Hospitality and Tourism Limited	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
17 Current taxation payable					
At 1 January	226,946	321,621			
Payment during the period	-	-			
Charge for the Period (Note 18.1)	-	-			
At 30 June	<u>226,946</u>	<u>321,621</u>			
17.1 Current tax expense					
Under-provision in prior year					
Income tax b/f	-	-			
Education tax	-	-			
Profit & Loss Account	-	-			
Current tax	-	-			
Deferred taxation	-	-			
Income statement	<u>-</u>	<u>-</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.

18 Deferred taxation					
At 1 January	1,095,270	419,226			
Charge for the Period (Note 18.1)	-	-			
At 30 June	<u>1,095,270</u>	<u>419,226</u>			

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	
	2021 N'000	2020 N'000	2021 N'000	2020 N'000	2021 N'000	2020 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>	<u>-</u>

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

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>	<u>-</u>	<u>-</u>	<u>-</u>
Profit after tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CAPITAL HOTELS PLC

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021

	N'000	N'000
18.3 The tax rate is reconciled to the effective tax rate as follows:		
Tax rate	-	-
Deductible items	-	-
Balancing charge	-	-
Capital allowance	-	-
Education tax	-	-
Deferred tax effect	-	-
	<hr/>	<hr/>
Total effective tax rate	-	-
	<hr/> <hr/>	<hr/> <hr/>
Share capital	2020	2019
	N'000	N'000
19 Issued and fully paid		
1,548,780,000 ordinary shares of 50k each	774,390	774,390
	<hr/> <hr/>	<hr/> <hr/>
20 Retained earnings		
At 1 January	5,647,636	5,966,929
Dividend declared during the year	-	(77,439)
Transferred from profit or loss account	(98,909)	(51,729)
	<hr/>	<hr/>
At 30 June	5,548,727	5,837,761
	<hr/> <hr/>	<hr/> <hr/>
21 Other income		
Unrealised Gain on currency translation	65,775	-
Income from investment of unclaimed dividend	336	2,332
Scrap sales	2,950	6,519
Sundry receipts	-	570
	<hr/>	<hr/>
	69,061	9,421
	<hr/> <hr/>	<hr/> <hr/>
22 Finance income		
Interest on loan	10,245	11,535
	<hr/> <hr/>	<hr/> <hr/>
Interest on loan relates to income earned on loan to Ikeja Hotel Plc.		
23 Administration and general expenses		
AGM Expenses	742	443
Audit Fee	5,000	5,000
Audit Expenses	4,067	6,766
Bank chargess	42	1,759
Communication Cost	362	80
Depreciation & Amortisation	170,897	192,610
Directors' Expenses	13,850	10,858
Directors' Fees	935	935
Pension Cost	623	-
Insurance	3,261	-
Legal & Professional Expenses	625	500
Employee costs	7,629	8,350
Medical Expenses	3,922	7,920
Meetings & Secretarial Expenses	4,411	6,707
Security Expenses	-	-
Transport & Travels	818	191
Other expense	7,920	6,084
	<hr/>	<hr/>
	225,103	248,202
	<hr/> <hr/>	<hr/> <hr/>

CAPITAL HOTELS PLC

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021

24 Transactions with key management personnel

24.1 Directors emoluments	2021	2020
Each director is entitled to the following:	N'000	N'000
<i>Fees</i>		
- Chairman	270	270
- Directors	1,600	1,600
<i>Allowances</i>		
- Chairman	2,600	2,600
- Directors	16,000	16,000

24.2 Personnel compensation

The Company had 295 employees in 2021 (2020 : 581).

Personnel compensation

Personnel compensation comprised:

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

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

	Number	Number
0 - N200,000	-	-
N200,001 - N400,000	-	-
N400,001 - N600,000	-	-
N600,001 - N800,000	-	-
N800,001 - N1,000,000	-	-
N1,000,001 - above	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
	2021	2020
	N'000	N'000

25 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	<hr/>	<hr/>
Number of shares	1,548,780	1,548,780
	<hr/>	<hr/>
Dividend per share (DPS) (Kobo)	-	-
	<hr/>	<hr/>

Related party transactions

26 During the period, the Company had significant business dealings with related parties. The transaction value and balances of these business

	Value of goods and services supplied (to)/by the Company		Amount due (to)/from the Company	
	2021	2020	2021	2020
	N'000	N'000	N'000	N'000
26.1 Ikeja Hotel Plc				
Capital Hotels Plc is a member of the Ikeia Hotel Group.				
Transactions in the year relate to:				
- interest receivable on loan	-	-	-	-
- additional amount advanced	-	-	-	-

CAPITAL HOTELS PLC

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE, 2021

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

- -

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

- -

26.4 G. M. Ibru & Co

A partner in the Firm is a director of Ikeja Hotel Plc.
The Firm provides legal services to Capital Hotels Plc.

- -

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

29. 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.

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

Securities Trading Policy

The Company has a security trading policy that provides information about insider trading provisions as contained in its Handbook.

The objective of the policy is to ensure that Officials, including Directors, Principal Officers, Employees, persons discharging managerial responsibility, External Advisers of the Company and persons closely connected to them, must refrain from dealing in the Company's securities, as soon as they become aware of, or are privy to, any negotiations or agreements related to intended acquisitions or disposals, which are notifiable transactions or connected transactions under the Listing Rules of the Exchange or any insider information until such a time that the information has been made public.

The above information was made known to the Directors and such other officials and they have complied with same at the time of this quarterly return.

CAPITAL HOTELS PLC

**CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021**

**CAPITAL HOTELS PLC
FORECAST STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER 1 JULY - 30 SEPTEMBER, 2021**

	N'000
Turnover	847,154
Cost of Sales	<u>(605,268)</u>
Gross Profit	241,886
Other Income	10,000
Admin Expenses	<u>(200,680)</u>
Operating (Loss)/Profit	51,206
Finance Income	<u>11,000</u>
(Loss)/Profit Before Tax	62,206
Adjustment for Exceptional Items	<u>30,000</u>
Profit Before Tax and after Exceptional Items	92,206
Forecast Taxation	<u>(45,000)</u>
(Loss)/Profit After Taxation	<u><u>47,206</u></u>

CASH FLOW INFORMATION:

Cash Flows from Operating Activities	1,000,000
Operating Cash Flow before Working capital charges	<u>(600,000)</u>
Net Cash Generated from Operating Activities	400,000
Cash Flow from Investing Activities	<u>(200,000)</u>
Cash Flow from Financing Activities	50,000
Net Increase/decrease in Cash and Cash Equivalent	<u>(150,000)</u>
Cash/Bank Balance at the beginning of the period	<u>1,000,000</u>
Cash/Bank Balance at the end of the period	<u><u>850,000</u></u>

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**CAPITAL HOTELS PLC
NOTE TO THE FORECAST STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER 1 JULY - 30 SEPTEMBER, 2021**

	N'000
Turnover	489,728
Room	285,082
F & B	<u>58,646</u>
Others	<u><u>833,456</u></u>
COST OF SALES	80,259
Room	151,563
F & B	5,068
Others	520,004
Management Fees	<u>21,034</u>
	<u><u>777,928</u></u>
OTHER INCOME	
Under Other Statement of Comprehensive Income	<u><u>20,000</u></u>
ADMIN EXPENSES	
Insurance	5,600
Depreciation	85,000
Sundry Expenses	<u>19,400</u>
	<u><u>110,000</u></u>

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CAPITAL HOTELS PLC

CONDENSED NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2021

Company Name:	Capital Hotels Plc	
Board Listed	Main Board	
Period End:	-	
Reporting Period:	Six Months Ended 30 June 2021	
Share Price at the end of reporting period	N2021 N(2.42)	2020 N3.83

Shareholding Structure/Free Float Status

Description	30-June-2021		30-June-2020	
	Unit		Unit	
Issued Share Capital	1,548,780,000	100%	1,548,780,000	100%
Substantial Shareholdings (6% and above)				
HANS-GREMLIN NIGERIA LIMITED	789,877,800	51.000	789,877,800	51.000
CONTINENTAL ENERGY RESOURCES LTD	228,564,655	14.7577	228,564,655	14.7577
OMA INVESTMENT LTD	226,107,523	14.5991	226,107,523	14.5991
Total Substantial Shareholdings	1,244,549,978	80.36	1,244,549,978	80.36
Directors' Shareholdings (direct and indirect), excluding directors with substantial interests				
Chief Anthony Idigbe, SAN	-	-	-	-
Mr. Chuma J. Anosike	-	-	-	-
Mrs. Fadeke Moradeke Olugbemi	-	-	-	-
Alh. Abatcha Bulama	-	-	-	-
Dr. Alexander A. Thomopolus	-	-	-	-
Barr. Akpofure Ibru	-	-	-	-
Mr. Toke Samuel Alexander Ibru	-	-	-	-
Helen Da-Suoza	-	-	-	-
Robert Itawa	-	-	-	-
Total Directors' Shareholdings	-	-	-	-
Other Influential Shareholdings				
ABUJA INVESTMENT COMPANY LIMITED	100,775,620	6.5068	100,775,620	6.5068
Free Float in Units and Percentage	203,454,402	13.140	203,454,402	13.140
Free Float in Value	1,548,780,000	100.00	1,548,780,000	100.00

Declaration:

(A) Capital Hotels Plc with a free float percentage of 13.14% as at 30 June 2021, is near compliant with The Exchange's free float requirements for companies listed on the Main Board.

(B) Capital Hotels Plc with a free float Value of N203,454,403.00 as at 30 June 2020, is near compliant with The Exchange's free float requirements for companies listed on the Main Board.

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