

CAPITAL HOTELS PLC

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2014.

CAPITAL HOTELS PLC

FINANCIAL STATEMENTS

31 DECEMBER 2014

CAPITAL HOTELS PLC

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF CAPITAL HOTELS PLC

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

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

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

Olatunji Ogundeyin

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

For: **PKF Professional Services**

Chartered Accountants

Lagos, Nigeria

Date: 26 March 2015

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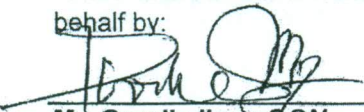
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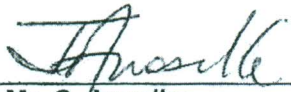
CAPITAL HOTELS PLC

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014

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

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


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


Mr. C. Anosike
Director
FRC/2013/NBA/0000000402


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

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

CAPITAL HOTELS PLC

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 N'000	2013 N'000
Continuing operations			
Revenue	4.1	4,552,725	4,659,930
Cost of sales	4.1	<u>(3,234,439)</u>	<u>(3,450,277)</u>
Gross operating profit		1,318,286	1,209,653
Other income	22	147,625	27,589
Sales and marketing expenses		(90,749)	(77,054)
Administration and general expenses	24	<u>(757,583)</u>	<u>(874,271)</u>
Result from operating activities		617,580	285,917
Finance income	23	<u>50,266</u>	<u>41,278</u>
Profit before tax		667,846	327,195
Tax expense	17	<u>(422,803)</u>	<u>(159,871)</u>
Profit for the year from continuing operations		<u>245,043</u>	<u>167,324</u>
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Unclaimed dividend written back		1,405	-
Actuarial gain	19	<u>-</u>	<u>345,239</u>
Other comprehensive income for the year		<u>1,405</u>	<u>345,239</u>
Total comprehensive income for the year		<u>246,448</u>	<u>512,563</u>
Earnings per share:			
- Basic (Kobo)		<u>15.82</u>	<u>10.80</u>
- Diluted		<u>15.82</u>	<u>10.80</u>

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

CAPITAL HOTELS PLC

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

	Issued share capital N'000	Retained earnings N'000	Total equity N'000
Changes in equity for 2013			
At 1 January 2013	<u>774,390</u>	<u>1,941,178</u>	<u>2,715,568</u>
Profit for the year	-	167,324	167,324
Actuarial gain for the year	<u>-</u>	<u>345,239</u>	<u>345,239</u>
Total comprehensive income for the year	<u>-</u>	<u>512,563</u>	<u>512,563</u>
At 31 December 2013	<u><u>774,390</u></u>	<u><u>2,453,741</u></u>	<u><u>3,228,131</u></u>
	Issued share capital N'000	Retained earnings N'000	Total equity N'000
Changes in equity for 2014			
At 1 January 2014	<u>774,390</u>	<u>2,453,741</u>	<u>3,228,131</u>
Profit for the year		245,043	245,043
Unclaimed dividend written back	<u>-</u>	<u>1,405</u>	<u>1,405</u>
Total comprehensive income for the year	<u>-</u>	<u>246,448</u>	<u>246,448</u>
At 31 December 2014	<u><u>774,390</u></u>	<u><u>2,700,189</u></u>	<u><u>3,474,579</u></u>

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

CAPITAL HOTELS PLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 N'000	2013 N'000
Profit after tax		245,043	167,324
Adjustment for:			
Depreciation of property, plant and equipment	7	301,994	255,332
Amortisation of intangible asset	9	898	898
Post employment benefits	19	59,371	(558,025)
Impairment loss on capital work in progress		-	93,344
Actuarial gains		-	345,239
Finance income	23.	(50,266)	(41,278)
Income tax expense	17.1	422,803	159,871
		979,842	422,705
Changes in:			
Inventory		(57,791)	25,335
Loans and receivables		(19,652)	(20,860)
Trade and other receivables		(31,859)	402,044
Other current assets		21,152	88,703
Trade and other payables		141,891	(1,603)
Deferred income		12,370	21,368
Cash generated from operating activities		1,045,953	937,692
Income tax paid	17.	(236,268)	(177,184)
Net cash from operating activities		809,685	760,508
Cash flows from investing activities			
Purchase of property, plant and equipment	7.	(674,934)	(462,040)
Capital work in progress	8.	(153,032)	
Interest income	23	50,266	41,278
Net cash used in investing activities		(777,700)	(420,762)
Cash flows from financing activities			
Dividend paid	15.1	(2,100)	-
Net cash used in financing activities		(2,100)	-
Net increase in cash and cash equivalents		29,885	339,746
Cash and cash equivalents at the beginning of the year		2,277,354	1,937,608
Cash and cash equivalents at the end of the year	14	2,307,239	2,277,354

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

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1. General information

1.1 Reporting entity

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 Starwood Eame License and Services Company, BVBA under a System License Agreement dated 7 June 2011.

The Company is a member of the Ikeja Hotel Group,

1.2 Principal activities

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

1.3 Going concern status

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

2. Basis of preparation

2.1 Statement of compliance

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

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

2.2 Functional/presentation currency

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

2.3 Basis of measurement

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

2.4 Use of estimates

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

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

a. Asset useful lives and residual values:

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

b. Taxes

- i Uncertainties exist with respect to the amount and timing of future taxable income. Given the complexities of existing contractual agreements, differences arising between the actual results and the assumptions made could necessitate future adjustment to tax income and expenses already recorded. The Company establishes provisions based on reasonable estimates.
- ii Deferred taxes are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.
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c. Provisions/Contingencies

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

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

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

d. 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 statement of comprehensive income and reflected in an allowance account against receivables. Interest on the impaired asset where applicable continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

e. Defined benefit obligation

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

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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.

f. 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.

g. 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 New standards, amendments and interpretations issued but not effective and not early adopted:

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

3.1 IFRS 9 Financial Instruments

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

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

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

3.2 IFRS 14, 'Regulatory deferral accounts'

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

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

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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.

4.4 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.

4.5 Property, plant and equipment

4.5.1 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.

4.5.2 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.

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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:

Classes of assets		No. of years
Land	-	
Building	-	40
Motor vehicles	-	4
Plant and Machinery	-	8
Furniture, fittings and equipment	-	8

Land is not depreciated

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

4.5.3 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.

4.6 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.

4.7 Intangible assets

4.7.1 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.

4.7.2 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.

4.7.3 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		
Class of asset		No. of years
Computer software		10

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

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4.8 Impairment

4.8.1 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.

4.8.2 Reversals

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

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

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

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

4.8.3 Non-financial assets

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

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.

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

4.8.4 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.

4.9 Employee benefits

4.9.1 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.

4.9.2 Pension fund scheme

In accordance with the provisions of the Pension Reform Act, 2014, the Company has instituted a Contributory Pension Scheme for its employees, where while the employees contribute 8%, the Company contributes 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.

4.9.3 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4.10 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.

4.10.1 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.

4.11 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 Chief Operating Officer 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 Chief Operating Officer 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, food and beverage: This includes the sale of rooms and rent of office space

Other services: This includes 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.

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

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

4.12 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.

4.12.1 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.

4.12.2 Interest on investment

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

4.12.3 Dividend

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

4.12.4 Rental income

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

4.13 Taxation

4.13.1 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.

4.13.2 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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.

4.13.3 Value added tax

Non-recoverable VAT paid in respect of non capital nature is written off to statement of comprehensive income. Non-recoverable VAT paid in respect 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 receivables or payables.

4.13.4 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.

4.14 Finance income and finance costs

4.14.1 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.

4.14.2 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.

4.15 Dividend

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

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.

4.15.1 Dividend distributions

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

4.15.2 Unclaimed dividends

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

4.16 Earnings per share

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Company by the number of shares outstanding during the year.

Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shareholders adjusted for the bonus shares issued.

4.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects and costs directly attributable to the issue of the instruments.

	2014 N'000	2013 N'000
Profit after taxation	<u>245,043</u>	<u>167,324</u>
Number of shares	<u>1,548,780</u>	<u>1,548,780</u>
Earnings per share (Kobo):		
- Basic	<u>15.82</u>	<u>10.80</u>
- Diluted	<u>15.82</u>	<u>10.80</u>

5. Financial Risk Management

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Capital Hotels Plc., through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks:

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

Strategic risk

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

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

6 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.

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 debt to capital ratio at the end of the year was:

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

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

Credit risk

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Exposure to risk

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

	2014 N'000	2013 N'000
Financial assets		
Loans and receivables	1,250,569	1,230,917
Trade and other receivables	541,385	509,526
Cash and cash equivalents	<u>2,307,238</u>	<u>2,277,354</u>

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

6.1 Financial instruments and fair values

As explained in Note 3.2, financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, such changes in fair value are recognized in the statement of comprehensive income either through the income statement or other comprehensive income. For items measured at amortised cost, changes in value are recognised in the profit or loss section of the statement of comprehensive income.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

6.2 Fair valuation methods and assumptions

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

The fair value of publicly traded financial instruments is generally based on quoted market prices, with 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).

7. 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	356,392	633,580	1,644,538	2,342,705	209,171	5,186,386
Additions during the year	-	85,043	166,369	423,522	-	674,934
At 31 December	<u>356,392</u>	<u>718,623</u>	<u>1,810,907</u>	<u>2,766,227</u>	<u>209,171</u>	<u>5,861,320</u>
Depreciation						
At 1 January	-	217,048	1,174,083	1,985,122	182,696	3,558,949
Charged during the year	-	16,803	145,238	130,730	9,223	301,994
At 31 December	<u>-</u>	<u>233,851</u>	<u>1,319,321</u>	<u>2,115,852</u>	<u>191,919</u>	<u>3,860,943</u>
Carrying amount:						
At 31 December 2014	<u>356,392</u>	<u>484,772</u>	<u>491,586</u>	<u>650,375</u>	<u>17,252</u>	<u>2,000,377</u>
At 31 December 2013	<u>321,910</u>	<u>383,665</u>	<u>428,456</u>	<u>276,209</u>	<u>10,489</u>	<u>1,627,437</u>

8. Capital work in progress

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N'000	2013 N'000
9. Intangible assets		
Computer software		
Cost		
At 1 January	8,976	8,976
Additions in the year	-	-
At 31 December	8,976	8,976
Amortisation		
At 1 January	1,796	898
Charge for the year	898	898
At 31 December	2,694	1,796
Carrying amount	6,282	7,180
10. Loans and other receivables		
At 1 January	1,230,917	1,210,057
Additions in the year	-	-
Interest received	(30,275)	(19,140)
Interest receivable	49,927	40,000
At 31 December	1,250,569	1,230,917
Current portion	250,569	230,917
Non-current portion	1,000,000	1,000,000
Loans and 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 2% 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.		
11. Inventories		
Food and beverage	43,757	46,166
Maintenance supplies	99,813	70,525
Office supplies	10,451	10,342
Operating equipment	74,240	41,425
General stores	22,581	24,593
	250,842	193,051

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N'000	2013 N'000
12. Trade and other receivables		
Trade receivables (Note 12.1)	392,744	374,632
Impairment allowance (Note 13.2)	<u>(149,136)</u>	<u>(138,123)</u>
	243,608	236,509
Other receivables (Note 12.3)	<u>297,777</u>	<u>273,017</u>
	<u>541,385</u>	<u>509,526</u>

12.1 Analysis of trade receivables

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

Trade receivables that are fully performing are made up of 61% of debtors' balances (2013: 37%). The largest individual debtor corresponds to 6% of the total balance (2013 : 12%). Historically these debtors have always paid balances when due, unless the balance or the quality of services delivered is disputed. The average age of these debtors is 30 days (2012 : 29 days). No debtors' balances have been renegotiated during the year or in the prior year.

The ageing of trade receivables at the reporting date was:

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

At 31 December 2014, the Company has recognised an impairment allowance of N81 million (2013: N133 million) and an impairment loss of N70 million (2013: N115 million) for the impairment of its trade receivables. The creation and usage of the provision for impaired receivables has been included in administration and general expenses in the income statement.

	2014 N'000	2013 N'000
12.2 Impairment allowance on trade receivables		
At 1 January	138,123	119,644
Charged in the year	81,337	133,487
Write-off in the year	<u>(70,324)</u>	<u>(115,008)</u>
At 31 December	<u>149,136</u>	<u>138,123</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N'000	2013 N'000
12.3 Other receivables		
Advances to suppliers	242,843	224,096
Advances to staff	42,798	42,123
Insurance claim receivable	9,624	3,037
Others	2,512	3,761
	<u>297,777</u>	<u>273,017</u>
13. Other assets		
Prepayments	65,523	53,868
Withholding tax receivable	90,406	123,213
	<u>155,929</u>	<u>177,081</u>
14. Cash and cash equivalents		
Cash in hand	3,029	3,300
Cash at bank	147,212	239,094
	<u>150,241</u>	<u>242,395</u>
Time deposits	2,156,997	2,034,959
	<u>2,307,238</u>	<u>2,277,354</u>
Time deposits relates to tenured placement with Nigerian banks at varying interest rates.		
15. Accounts payable and accrual		
<i>Financial instruments</i>		
Accounts payables	175,385	106,895
Dividend payable (Note 15.1)	76,169	830
Accrued expenses	160,197	126,087
Other payables (Note 15.2)	122,951	119,055
	<u>534,702</u>	<u>352,867</u>
<i>Non financial instruments</i>		
Deposits from guests	139,354	182,340
VAT payable	8,979	9,444
	<u>683,035</u>	<u>544,651</u>
The fair value of accounts payable and accruals approximate their carrying value.		
15.1 Dividend payable		
At 1 January	830	830
Declared during the year	77,439	-
Payment during the year	(2,100)	-
	<u>76,169</u>	<u>830</u>
At 31 December	76,169	830

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N'000	2013 N'000
15.2 Other payables		
SAH/CHP current account (Note 15.2.1)	65,939	75,411
Service charge payable	-	25,957
Others	<u>57,012</u>	<u>17,687</u>
	<u>122,951</u>	<u>119,055</u>
15.2.1 SAH/CHP current account represents the current account balance between The Company and the Operators of the Hotel.		
16. Due to CHP Hospitality and Tourism Limited	<u>625,254</u>	<u>625,254</u>
17. Current taxation payable		
At 1 January	196,699	236,988
Payment in the year	(236,268)	(177,184)
Charge for the year (Note 17.1)	<u>322,372</u>	<u>136,895</u>
At 31 December	<u>282,803</u>	<u>196,699</u>
	2014 N'000	2013 N'000
17.1 Current tax expense		
Under-provision in prior year	159,611	-
Current tax - income tax	144,167	121,654
Education tax	<u>18,594</u>	<u>15,241</u>
Current tax	322,372	136,895
Deferred taxation	<u>100,431</u>	<u>22,976</u>
Income statement	<u>422,803</u>	<u>159,871</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	218,952	195,976
Charge in the year (Note 17.1)	<u>100,431</u>	<u>22,976</u>
At 31 December	<u>319,383</u>	<u>218,952</u>

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

18.1 Deferred tax assets and liabilities

Reconciliation of deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

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

2014
N'000

2013
N'000

18.2 Reconciliation of effective tax rate

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

Profit before tax	667,846	327,195
Tax @ 30%	200,354	98,159
Add deductible items	78,595	130,451
Capital allowance	(134,782)	(106,955)
Under-provision in prior year	159,611	-
Education tax	18,594	15,241
Deferred tax effect	100,431	22,976
Tax expense for the year	<u>422,803</u>	<u>159,871</u>
Profit after tax	<u>245,043</u>	<u>167,324</u>

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

Tax rate	30	30
Deductible items	12	40
Capital allowance	(20)	(33)
Under-provision in prior year	24	-
Education tax	3	5
Deferred tax effect	15	7
Total effective tax rate	<u>63</u>	<u>49</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N'000	2013 N'000
19. Employee benefits		
At 1 January	1,531,008	2,089,033
Current service cost	338,917	135,434
Net interest on net defined benefit liability/ Interest cost	190,629	232,116
Payments in the year	(470,175)	(580,336)
Actuarial (gain)/loss	-	(345,239)
	<u>1,590,379</u>	<u>1,531,008</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 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 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 N'000	+1% N'000	-1% N'000
Defined benefit obligation	1,590,379	1,459,968	1,738,284
Change		(8.20%)	9.3%

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

Salary increase rate

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

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

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

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

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N'000	2013 N'000
20. Share capital		
20.1 Authorised		
1,600,000,000 ordinary shares of 50k each	<u>800,000</u>	<u>800,000</u>
20.2 Issued and fully paid		
1,548,780,000 ordinary shares of 50k each	<u>774,390</u>	<u>774,390</u>
21. Retained earnings		
At 1 January	2,453,741	1,941,178
Transferred from profit or loss account	<u>246,448</u>	<u>512,563</u>
At 31 December	<u>2,700,189</u>	<u>2,453,741</u>
22. Other income		
Gain on currency translation	122,428	11,316
Sundry receipts	<u>25,198</u>	<u>16,273</u>
	<u>147,625</u>	<u>27,589</u>
23. Finance income		
Interest on loan	<u>50,266</u>	<u>41,278</u>
Interest on loan relates to income earned on loan to Ikeja Hotel Plc.		
24. Administration and general expenses		
Directors fees	1,870	1,305
Directors expenses	42,827	31,439
Depreciation of property, plant and equipment	302,892	255,332
Employee costs	57,679	52,517
License fee (Note 28.1)	116,488	118,922
Impairment allowance for doubtful receivables	81,337	133,487
Impairment loss on capital work in progress	-	93,344
Legal expenses	17,551	16,371
Insurance	37,752	33,299
Transport and travelling	9,161	14,228
Management incentive fee (Note 28.2)	24,471	31,672
Security expenses	15,317	40,657
Bank charges	17,134	11,130
Audit fee	6,000	6,000
Office running expense	<u>27,104</u>	<u>34,567</u>
	<u>757,583</u>	<u>874,271</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

2014	2013
N'000	N'000

25. Transactions with key management personnel

25.1 Directors emoluments

Each director is entitled to the following:

Fees

- Chairman	270	250
- Directors	1,600	1,055

Allowances

- Chairman	2,600	1,817
- Directors	16,000	11,583

25.2 Personnel compensation

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

Personnel compensation

Personnel compensation comprised:

Short-term employee benefits	218,681	384,292
Contribution to compulsory pension fund scheme	31,898	26,541
Long service award	2,550	212,735
Defined benefit gratuity scheme	310,865	367,550
	<u>563,994</u>	<u>991,118</u>

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

	Number	Number
0 - N200,000	-	-
N200,001 - N400,000	-	-
N400,001 - N600,000	76	76
N600,001 - N800,000	130	110
N800,001 - N1,000,000	137	137
N1,000,001 - above	92	92
	<u>435</u>	<u>415</u>

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

26. Related party transactions

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

		Value of goods and services supplied (to)/by the Company		Amount due (to)/from the Company	
		2014 N'000	2013 N'000	2014 N'000	2013 N'000
26.1 Ikeja Hotel Plc	Capital Hotels Plc is a member of the Ikeja Hotel Group.				
	Transactions in the year relate to:				
	- interest receivable on loan	50,266	40,000	-	-
	- additional amount advanced	-	-	-	-
26.2 Minet Nigeria Limited	A director in the Company is also a director in Capital Hotels Plc.				
	The Company provides insurance brokerage services to Capital Hotels Plc	17,466	18,343	-	-
26.3 AVI Services Limited	A director in the Company is also a director in Capital Hotels Plc.				
	The Company provides transport services to the staff of the Hotel for which they are provided a space in the lobby of the Hotel.	85,500	96,907	-	-
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.

CAPITAL HOTELS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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.

28.3 Marketing Fee

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

29. Contingent liabilities

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

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

30. Events after the reporting date

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

31. Prior period corresponding balances

Certain prior period balances have been 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

STATEMENT OF VALUE ADDED FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 N'000	%	2013 N'000	%
Turnover	4,552,725		4,659,930	
Finance income	50,266		41,278	
Other income	147,625		27,589	
	<u>4,750,616</u>		<u>4,728,797</u>	
Cost of goods and services - foreign	(140,959)		(150,593)	
Cost of goods and services - local	(2,996,081)		(2,659,320)	
	<u>1,613,576</u>	<u>100</u>	<u>1,918,884</u>	<u>100</u>
Value added				
Applied as follows:				
To pay employees:				
Salaries wages and other staff costs	563,994	35	991,118	52
To providers of capital:				
Dividend declared	77,439	5	-	-
Finance charges	-	-	-	-
To pay Government:				
Company income tax	322,372	20	136,895	7
To provide for assets replacement:				
Depreciation of property, plant and equipment	302,892	19	255,332	13
Retained for future expansion:				
- Deferred taxation	100,431	7	22,976	1
- Retained profit on ordinary activities	246,448	-	512,563	27
	<u>1,613,576</u>	<u>86</u>	<u>1,918,884</u>	<u>100</u>
Value added				

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

CAPITAL HOTELS PLC

FINANCIAL SUMMARY 31 DECEMBER

	2014 N'000	2013 N'000	2012 N'000	2011 N'000	2010 N'000
Assets:					
Non current assets					
Property, plant and equipment	2,000,377	1,627,437	1,420,729	1,472,804	1,490,746
Capital work in progress	523,803	370,771	464,115	464,115	464,115
Intangible assets	6,282	7,180	8,078	-	-
Loans and receivables	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Net current assets	1,853,879	1,972,703	2,107,656	2,154,612	1,654,206
Non current liabilities	(1,909,762)	(1,749,960)	(2,285,009)	(2,298,758)	(3,902,034)
Net assets	3,474,579	3,228,131	2,715,569	2,792,773	707,033
Equity and reserves					
Ordinary share capital	774,390	774,390	774,390	774,390	774,390
Retained earnings	2,700,189	2,452,741	1,941,179	2,018,383	(67,357)
Total equity	3,474,579	3,227,131	2,715,569	2,792,773	707,033
Turnover	4,552,725	4,659,930	4,318,842	4,823,712	4,944,026
Profit before tax	667,846	327,195	477,606	549,757	1,068,606
Taxation	(422,803)	(159,871)	(120,094)	(122,031)	(470,016)
Profit for the year	245,042	167,324	357,512	427,726	598,590
Other comprehensive income for the year	1,405	345,239	(326,302)	1,774,173	-
Total comprehensive income for the year	246,447	512,563	31,210	2,201,899	598,590
Per share data:					
Earnings per share (kobo):					
- Basic	15.82	10.80	23.08	27.62	45.65
- Diluted	15.82	10.80	23.08	27.62	45.65
Net assets per ordinary share (kobo)	224.34	208.43	175.34	180.32	45.65

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

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