



Ikeja Hotel Plc



2019
Annual Report
and Accounts



Ikeja Hotel Plc



The **PEARL** Awards

Certificate of Excellence

Presented to

Ikeja Hotel Plc

Winner of the

2019 HIGHEST DIVIDEND COVER *Award*

The PEARL Awards

Dated this **24TH** *Day of* **NOV., 2019**

Chief (Dr.) Faruk Umar
Chairman
The PEARL Awards Board of Governors



Tayo Orekoya, FCA
President/Chief Executive
The PEARL Awards Nigeria



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2019 SECTORAL LEADERSHIP (SERVICES - Hotels & Lodging) Award

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Tayo Oregkoya, FCA
President/Chief Executive
The PEARL Awards Nigeria



Certification of Financial Statements

In compliance with Section 60(2) of the Investment and Securities Act, 2007, we have reviewed the audited Financial Statements of the Group for the year ended 31 December 2019.

The Financial Statements, based on our knowledge, does not contain any untrue statement of any material fact or contain any misleading information in any respect.

The Financial Statements, and other financial information included therein, present fairly in all material respects the consolidated statement of financial position, consolidated statement of financial performance and consolidated statement of cash flows of the Group for the year ended 31 December 2019.

We are responsible for designing the internal controls and procedures surrounding the financial reporting process and assessing these controls in accordance with Section 60(2) of the Investment and Securities Act, 2007 and have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us by others within the entity. The controls, which are properly prepared, have been operating effectively during the year under reference.

Based on the foregoing, we, the undersigned, hereby certify that to the best of our knowledge and belief, the information contained in the audited Financial Statements of Ikeja Hotel Plc for the year ended 31 December 2019 are complete, accurate and free from any material misstatement.

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

26 February 2020

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

26 February 2020



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Financial Highlights

	The Group			The Company		
	As at 31 December 2019 N'000	As at 31 December 2018 N'000	% Increase/ (Decrease)	As at 31 December 2019 N'000	As at 31 December 2018 N'000	% Increase/ (Decrease)
Major statement of financial position items						
Non-current assets	23,416,232	21,744,266	8	13,338,198	13,379,216	(0)
current assets	15,254,543	16,072,904	(5)	12,347,267	11,229,894	10
Equity attributable to equity holders of Parent	14,750,052	14,094,302	5	8,777,582	8,102,939	8
Non-controlling interest	4,620,530	4,355,626	6	-	-	
Total equity	19,370,582	18,449,928	5	8,777,582	8,102,939	8
Non-current liabilities	9,365,268	9,232,847	1	10,006,846	9,751,962	3
Current liabilities	9,934,925	10,134,395	(2)	6,901,037	6,754,209	2
Major statement of profit or loss and other comprehensive income items						
Revenue	12,515,560	13,226,569	(5)	7,327,284	7,249,133	1
Profit before taxation	1,147,080	1,229,079	(7)	679,468	827,273	(18)
Profit for the year	834,946	1,105,359	(24)	541,116	677,034	(20)
Profit attributable to:						
Equity holders of the parent	570,042	763,991	(25)	-	-	-
Non-controlling interest	264,904	341,368	(22)	-	-	-
Information per 50 Kobo ordinary share						
Earning per share(Kobo)	40	53	(25)	26	33	(21)



Vision & Mission



Vision

“To be The Preferred Hospitality and Tourism Investment Company”

Mission Statement

“To maintain a leadership position in the provision of first class international Hotel development and management services in the hospitality and tourism industry and thereby contribute effectively to the Socio-economic development of Nigeria”



Company Profile



Lobby Lounge

Ikeja Hotel Plc was incorporated as Properties Development Limited (PDL) on November 18, 1972 with a view to providing world-class hotel and catering services to meet the needs of an ever-increasing number of local and international business and leisure travelers entering the city of Lagos. The Company's name was later changed to Ikeja Hotel Limited in October 1980. It became a public company in 1983, and assumed its present name on February 5, 1991.

The principal business of Ikeja Hotel Plc is the provision of services in the hospitality industry, including the development of other tourist facilities. It has continually expanded its participation in Nigeria's hospitality industry through the development and acquisition of hotel and tourist facilities. Today, Ikeja Hotel boasts of direct or indirect ownership and control of three of Nigeria's leading five-star hotels, namely, Sheraton Lagos Hotel, Sheraton Abuja Hotel, and Federal Palace Hotel & Casino.

Sheraton Lagos Hotel

The dream of establishing Sheraton Lagos Hotel was conceived in 1970. The dream became a reality with the completion and opening of Sheraton Lagos Hotel in September 1985. Sheraton Lagos has 340 guest rooms and an impressive array of conferencing and recreational facilities, making it one of the largest hotels in Nigeria.

Sheraton Abuja Hotel

In a bid to maintain its leadership of the hotel subsector of Nigeria's hospitality industry, Ikeja Hotel Plc extended its operations to the Federal Capital City, Abuja in 2002 through the acquisition of controlling interest in Capital Hotels Plc, the owning company of Sheraton Abuja Hotel. The acquisition was made through its subsidiary, Hans-Gremlin Nigeria Limited. Sheraton Abuja has 575 rooms, facilities for conferences, restaurants and recreational facilities.

Federal Palace Hotel & Casino

The Tourist Company of Nigeria Plc (TCN) is the owning company of Federal Palace Hotel & Casino which is located in Victoria Island, Lagos. Ikeja Hotel Plc in association with other investors (Collectively called the "Ikeja Hotel Group") acquired TCN from the Federal Government in 1992. In 2009 Sun international Limited acquired substantial shares in TCN, thereby becoming equal partners with Ikeja Hotel Group.

Following the acquisition, a comprehensive and phased refurbishment of Federal Palace Hotel was embarked upon. The refurbished wing re-opened for business in July 2008. It has a modern casino, restaurant, meeting rooms, conference centre and recreational facilities.



Directors & Other Corporate Information

Country of Incorporation and Domicile: Nigeria RC 10845

Directors: Chief Anthony Idigbe, SAN (Chairman)
Mr. Toke Alex Ibru
Mr. Ufuoma Ibru
Dr. Alexander Thomopoulos
Mr. Kunle Aluko
Alhaji Abatcha Bulama, FCA
Mrs. Fadeke Olugbemi, FCA
Mr. Waheed Olagunju (Resigned with effect from 17 May 2019)

Registered Office: 84, Opebi Road
Ikeja
Lagos
Tel: 01-2701060, 01-4480887
Website: www.ikejahotelplc.com
Email: info@ikejahotelplc.com

Company Secretary: Punuka Nominees Limited
Plot 45 Oyibo Adjarho Street
Off Ayinde Akinmade Street
Off Admiralty Way
Lekki Peninsula Phase 1, Lagos.

Bankers: Access Bank Plc
Zenith Bank Plc
Union Bank Plc
Sterling Bank Plc

Joint Auditors: Messrs Ugochukwu, Ike & Co
(Chartered Accountants)
1, Obalodu Street
Ilupeju - Lagos.

Ahmed Zakari & Co
(Chartered Accountants)
22B, Oladipo Diya Crescent
2nd Avenue Estate
Ikoyi-Lagos

Registrar: Greenwich Registrars and Data Solutions Limited
274, Murtala Muhammed Way
Yaba
Lagos
Email: info@gtlregistrars.com



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 43rd Annual General Meeting of Ikeja Hotel Plc will hold at Sheraton Lagos Hotel, 30 Mobolaji Bank Anthony Way, Ikeja on Thursday, July 30, 2020 at 10:00 am to transact the following business:

AGENDA

ORDINARY BUSINESS

1. To lay before members for approval, the audited financial statements for the year ended December 31, 2019 and to receive the report of the Directors, Audit Committee and Auditors thereon;
2. To declare a dividend;
3. To re-elect retiring Directors:
 - Dr Alexander Thomopulos (Special notice is hereby given that this director is 73 years old)
 - Mr Ufuoma Ibru
 - Mrs Fadeke Olugbemi
4. To authorise the Directors to fix the remuneration of the External Auditors
5. To elect shareholder-members of the Audit Committee

SPECIAL BUSINESS

6. To approve the remuneration of the Directors
7. To approve the appointment of the former Chief Operating Officer (Mr Theo Eniola Netufo) as Group Managing Director
8. To approve the allotment of 31,200,000 (Thirty-one Million, Two Hundred Thousand) units of ordinary shares at N3.00 per share to Next International Limited, subject to SEC approval.

Notes:

i. PROXY

A member of the Company who is entitled to attend and vote at the meeting who is unable to attend and wishes to be represented at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. A proxy form is enclosed herewith, and for it to be valid for the purpose of the meeting, it must be completed and duly stamped by the Commissioner of Stamp Duties and deposited at the registered office of the Registrars, Greenwich Registrars and Data Solutions, 274 Murtala Muhammed Way, Yaba, Lagos, not later than 48 hours before the time of the meeting. The form may also be sent via email to proxy@gtlregistrars.com

i. STAMPING OF PROXY FORMS

The Company has made arrangements for the stamping of duly completed and signed Proxy Forms at its cost to be submitted to the Company's Registrars within the stipulated time.

ii. COMPLIANCE WITH REGULATORY GUIDELINES ON COVID-19

In line with the Guidelines of the Corporate Affairs Commission (CAC) on the conduct of Annual General Meetings (AGMs) by Proxy, and the need to comply with government directives on health and safety measures against the COVID-19 pandemic, attendance at the AGM will be by proxy only. Shareholders are required to appoint a proxy of their choice from the list of nominated proxies below:

- Mr Ufuoma Ibru
- Mr Toke Alex-Ibru
- Dr Alexander Thomopulos
- Mrs Fadeke Olugbemi
- Mr Kunle Aluko

iii. PROPOSED DIVIDEND

A final dividend of N0.02k per share, subject to appropriate withholding tax and approval will be paid to shareholders whose names appear in the Register of Members as at the close of business on Wednesday July 1, 2020.

iv. DIVIDEND PAYMENT DATE

On Friday August 7, 2020, dividends will be paid electronically to shareholders whose names appear on the Register of Members as at Wednesday July 1, 2020, and who have completed the e-dividend registration and mandated the Registrar to pay their dividends directly into their Bank Accounts.

v. E-DIVIDEND REGISTRATION

Shareholders who are yet to complete the e-dividend registration are advised to download the form from the Registrars' website (www.gtlregistrars.com) complete and submit to the Registrars or their respective Banks.



Notice of Annual General Meeting

vi. **UNCLAIMED DIVIDEND WARRANTS AND SHARE CERTIFICATES**

Shareholders with dividend warrants and share certificates that have remained unclaimed or are yet to be presented for payment or returned for validation are advised to complete the e-dividend registration or contact the Registrar.

vii. **RETIREMENT/RE-ELECTION OF DIRECTORS**

Dr Alexander Thomopoulos, Mr Ufuoma Ibru and Mrs Fadeke Olugbemi are retiring by rotation at the current meeting in line with section 259 of CAMA. The retiring directors, being eligible, are offering themselves for re-election as Directors at the AGM.

The profiles of the Directors are contained in the Annual Report and on the Company's website.

viii. **NOMINATIONS FOR THE AUDIT COMMITTEE**

In accordance with Section 359 (5) of the Companies and Allied Matters Act (CAP C20) Laws of the Federation of Nigeria, 2004 any member may nominate a shareholder for election as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 days before the Annual General Meeting. Such nominations should be guided by the requirements of the Securities and Exchange Commission's Code of Corporate Governance for Public Companies in Nigeria, 2011.

ix. **WEBSITE**

A copy of this notice and other information relating to the meeting can be found on the Company's website at www.ikejahotelplc.com

x. **RIGHT OF SHAREHOLDERS TO ASK QUESTIONS**

Pursuant to Rule 19.12 (c) of the Nigerian Stock Exchange's Rulebook, 2015, please note that it is the right of every shareholder to ask questions not only in the meeting but also in writing prior to the meeting. We urge that such questions be submitted to the Company Secretariat not later than July 23, 2020.

xi. **CLOSURE OF REGISTER**

In accordance with the Companies and Allied Matters Act (CAMA), please note that the Register of members and transfer books of the Company will be closed from Thursday July 2, 2020 to Wednesday July 8, 2020, both dates inclusive.

BY ORDER OF THE BOARD

EBELECHUKWU ENEDAH
FRC/2015/NBA/00000012961
FOR: PUNUKA NOMINEES LIMITED
COMPANY SECRETARY

June 29, 2020



Board of Directors and Management Profile



Chief Anthony Idigbe, SAN

Chairman

A seasoned legal practitioner with over 30 years' experience. Chief Anthony Idigbe (SAN) is the Senior Partner at Pureka Attorneys & Solicitors. He was elevated to the rank of Senior Advocate of Nigeria in 2000 and has been admitted to practice law in Ontario, Canada.

He is a member of the Institute of Directors and the International Insolvency Institute and sat as the immediate past President of the Business Recovery and Insolvency Practitioners Association of Nigeria (BRIPAN). He is the Founder and was the first Chairman of Capital Markets Solicitors Association (CMSA), and now functions as a Trustee of the Association.



Toke Alex Ibru

Director

Toke Alex Ibru is The Executive Director of The Guardian Newspaper Ltd, a role he has played for over 10 years. In this time he has overseen its transformation from a traditional newspaper to an all encompassing integrated multimedia group.

In the last 15 years, doing business in Nigeria with unrivalled contacts across all sectors, Toke sits on the boards of The Guardian, Ikeja Hotels Plc and Capital Hotels Plc. Toke is a History Graduate from Exeter University, UK.



Ufuoma Ibru

Director

Ufuoma Ibru has over thirteen years experience in hospitality investment and strategy, having participated in the planning, implementation and negotiation of public offers, special placements, off-shore lending, private equity transactions and major loan restructuring in the hotel industry in Nigeria.

Ufuoma Ibru has delivered presentations and papers at a variety of investor and industry forums, including the London Stock Exchange, Renaissance Investor Conference, and Ter rapinn Hospitality Conference in South Africa.



Alexander A. Thomopoulos

Director

He attended the University of Kansas, United States where he read and obtained a PHD in 1974 in Environmental Health Science. He is a Laureate and Fellow of the Nigerian Environmental Society.

He worked as a Research Scientist with E. I. DuPont de Nemours & Company of North Carolina, USA.

He was an Executive Consultant to Sheraton Hotels Lagos and Federal Palace Hotel from 1996-2009. He is currently the Chief Operating Officer and Executive Director Guardian Press Limited, the Parent Company of Guardian Newspaper Limited.



Board of Directors and Management Profile (Cont'd)



Mr. Kunle Aluko
Director

Mr. Aluko's background is in commercial banking, principally in Nigeria and punctuated by on-the-job attachments and training stints in England. The long career with Barclays Bank, which later became Union Bank, progressed through the ranks to senior management level and he subsequently worked with three other banks in Nigeria and The Gambia at Board level in both executive and non-executive capacities. He served as Member of Council, University of Port Harcourt, Rivers State, Nigeria between 1993 and 1995 before moving to the United Kingdom where he was Associate Director with JCE Consulting Associates UK, a private consultancy firm. Mr. Aluko is

presently a freelance business consultant in investment banking and finance.

He studied banking with IFS University College, Canterbury, Kent, U.K, now known as London Institute of Banking & Finance, and is an alumnus of Manchester Business School where he completed the Commercial Banking Course. He attended several other professional courses during his banking career. Mr. Aluko is also presently serving as Non-Executive Director on the boards of Law Union & Rock Insurance Plc and Wise Health Services Limited.



Alhaji Abatcha Bulama, FCA
Director

Alh. Bulama is a graduate of the Ahmadu Bello University, Zaria with a degree in Accounting and an MBA. He is a Fellow of the Chartered Institute of Bankers of Nigeria (CIBN) and Institute of Chartered Accountants of Nigeria (ICAN).

He has over 38 years of varied working experience. His career included working with the State Civil Service, Merchant and Commercial Banking, Financial Consultancy and Capital Regulatory Sector at senior levels of responsibility. At various times he was on the Boards of the Securities and Exchange Commission (SEC), Financial Reporting Council of Nigeria (FRCN), Institute of Directors (IOD), Centre for Corporate Governance, Council of the CIBN, etc. He is currently on the Boards of Tourist Company of Nigeria Plc, Ikeja Hotel Plc and a



DR. WAHEED OLAGUNJU
Director

Mr Waheed Olagunju joined the Bank of Industry's precursor institution the Nigerian Industrial Development Bank (NIDB) in August 1990 as a Senior Manager and rose to the position of Executive Director (Business Development) in November 2012. He acted as Managing Director & Chief Executive Officer of the Bank of Industry (BOI) between 11th April and 16th May, 2014. Mr Olagunju was subsequently reassigned as Executive Director (Small and Medium Enterprises) .Mr Olagunju again assumed headship of the bank as acting Managing Director & CEO on 15th February 2016. In the last twenty six (26) years Mr Olagunju headed five different departments/directorates in the bank. Dr. Olagunju resigned from the Board of Ikeja Hotel Plc effective May 17, 2019.



Board of Directors and Management Profile (Cont'd)

Ms. Fadekemi Olugbemi, FCA

Director

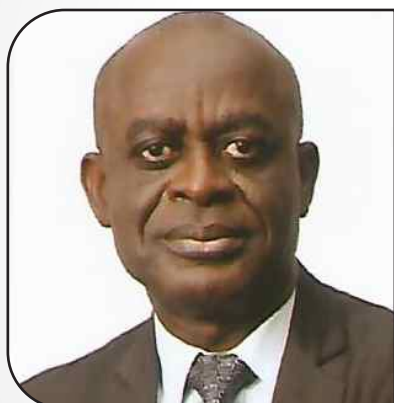


Fadeke Olugbemi is an experienced business executive with over two decades of work experience. She currently heads the Investment & Portfolio Management unit of the Honeywell Group Limited where she has oversight for the professional management of the Assets & Equity Investment Portfolio. Over the years she has garnered expertise in diverse areas of management including Financial & Risk Management, Investment, Treasury and performance management.

She also serves as a Non-Executive Director on the board of two other companies.

She is a Fellow of the Institute of Chartered Accountants of Nigeria and holds a Master's Degree in Business Administration (MBA) from Aston Business School, Aston University, United Kingdom.

She obtained a Bachelor of Science Degree in Accounting from the Prestigious Obafemi Awolowo University, Ife.



Theophilus Eniola Netufo, FCA

Managing Director/CEO - Designate

Theophilus Eniola Netufo is a seasoned Business Administrator with relevant experience spanning over two and half decades. He obtained a Higher National Diploma with Upper Credit in Business Administration and Management from the Federal Polytechnic Akure, then Ado-Ekiti in 1985. He qualified as a Chartered Accountant in May 1991 and was elected a Fellow of the Institute on March 29, 2001. He is a Certified Forensic Accountant and Fraud Examiner, and a Fellow of the International Institute of Certified Forensic Accountants.

Theophilus Eniola Netufo is also a Fellow of Chartered Institute of Taxation, Member, Nigeria Institute of Management and an active member of Institute of Directors (IOD) having satisfactorily completed courses 1 and 2 of the Institute in 2016, and participated in The Independent Directors' Masterclass Programme on August 23, 2018. He is a Member, Faculty of Insolvency and Corporate Re-Engineering of the Institute of Chartered Accountants of Nigeria.

He has put in several years of meritorious services in Professional Practice, in Multinational and Hospitality organizations. He served previously in senior Management position with Coca-Cola Nigeria, (African Division) where he handled financial services responsibilities for Africa, Middle East and Europe. He upgraded his skills regularly by participating in Seminars and Conferences both in Nigeria and abroad.



Board of Directors and Management Profile (Cont'd)



Barry Curran

General Manager

Barry Curran is the General Manager, Sheraton Lagos Hotel and the Area Manager of Starwood Hotels and Resorts Nigeria since 2013. Prior to this appointment, Barry was Area Manager at Le Meridien Pyramids Hotel & Spa based in Cairo, Egypt.

With over 25 years of experience in the hospitality industry and Barry has held various key positions across hotels in Ireland, the United Kingdom, Guyana and Egypt. He has consistently led teams in diverse competitive environments to achieve organizational goals and profitability target.

Throughout his career Barry has remained focus on operational excellence and delivering

He retired in March 2020 and has since been replaced.



Chairman Statement

Distinguished shareholders, fellow directors, members of regulatory bodies and gentlemen of the press, I am happy to welcome you all to the 43rd Annual General Meeting of our Company, Ikeja Hotel Plc; and it is my pleasure to present to you the Annual Report and the consolidated financial statements of the Company and its subsidiaries for the financial year ended December 31, 2019.

THE MACROECONOMIC ENVIRONMENT AND THE HOSPITALITY INDUSTRY

The trading environment for the period under review showed significant improvement in the activities of the Company when compared with the previous year. The Nigerian economy experienced steady growth during this period, as Gross Domestic Product (GDP) remained stable at 2% in the first half of 2019 compared to 1.9% throughout 2018. By the end of the year, the GDP growth had improved to 2.3%, although inflation stood relatively high, at 11.3%. The country's economic growth impacted the performance of your Company, as guest nights rose, and room revenue accelerated. The Company recorded its most massive increase over the last six years.

A report by PWC on the hospitality industry outlook for 2019-2023 show Nigeria is the fastest growing market with a projected 12.0% compound annual increase. Several new hotels may open in the next five years. Although this translated to stiffer competition for Sheraton Lagos Hotel, the expansion in the industry will lead to increased guest nights and room revenue, without putting upward pressure on Average Daily Rate (ADR). We are also optimistic that should the proposed renovations be completed in good time, we will be able to retain and increase our market share in the hospitality industry.

As reported at previous AGMs and in line with the Securities and Exchange Commission (SEC) directive, the Board appointed the firm of Akintola Williams Deloitte (Deloitte) to conduct a forensic investigation into the affairs of the Company. The firm was formally



Chairman Statement (Cont'd)

appointed in January 2018 and has submitted its report to the Securities and Exchange Commission. The Board received a letter from the SEC on the result of the forensic audit. The report raised queries to which the Board was required to respond. The Board engaged Grant Thornton, a firm of external auditors to examine the forensic audit report and appendices to it and present their findings to the Board. After considering Grant Thornton's report, the Board formally responded to the allegations raised. We await directives from the SEC on the forensic audit. We remain optimistic that the decision and recommendation of SEC based on the forensic audit would resolve the Company's legacy issues.

COMPANY PERFORMANCE

The Company's revenue experienced a marginal increase from N7.2 billion in 2018 to N7.3 billion in 2019. Also, the Company's operating profit for the year 2019 decreased by 13% from N1.5 billion in 2018 to N1.3 billion in 2019. The profit after tax for 2019 of N541 million also reduced by 20% when compared with the 2018 figure of N677 million.

GROUP PERFORMANCE

Distinguished shareholders, the consolidated revenue for the year 2019 decreased by 5.4% from N13.2 billion in 2018 to N12.5 billion.

Also, the group operating profit decreased by 5.4% from N2 billion in 2018 to N1.8 billion in 2019. Profit after tax also reduced by 24% from N1.1 billion in 2018 to N834 million in 2019.

DIVIDEND

During the 2019 financial year, the Board of Directors declared and paid an interim dividend of 3 Kobo per 50 Kobo share for the second quarter period ended June 30, 2019. The dividend paid was after the deduction of withholding tax at the appropriate rate.

The Directors propose a final dividend of 2 Kobo per 50 Kobo ordinary share, thereby bringing the total dividend for the financial year to 5 Kobo. The interim dividend paid and the final dividend proposed are presented for ratification.

GOVERNANCE

High standards of corporate governance are fundamental to the sustainable operation of your Company. The Board is committed to ensuring that directors continue to make a valuable contribution to the growth of the business.

The Company has recently completed payment of penalties imposed by SEC, which were due to legacy issues. We have maintained a cordial relationship between the Company and its regulators as well as the operator of its asset, Marriott International, key shareholders and staff and this has enhanced business confidence.

THE TOURIST COMPANY OF NIGERIA

The Company's revenue for the year ended December 31, 2019, increased by 1.6% to N3.7 billion, from the year ended December 31 2018. Due to additional depreciation on buildings resulting directly from the revaluation of land and buildings on October 3 2018, the operating loss increased by 45.2%. Excluding the impact of the additional depreciation, the operating loss reduced by 56.6% due to improved margins, reduced loss on foreign exchange translation and lower management fees. Competition remains aggressive, and price increases were increasingly challenging to pass on to the customer. Strict cost controls remain enforced in all operational departments.

The Company incurred a comprehensive loss before recognising the revaluation surplus of N1.5 billion. The loss included interest capitalised to shareholder loans of N1.0 billion and an unrealised loss on Shareholders loans.

CAPITAL HOTELS PLC

Capital Hotels Plc returned a top-line result of N5.188 billion compared to N5.977 billion in 2018. The net assets of the Company increased by 5% to N6.741 billion in 2019, compared to N6.417 billion in 2018.

THE BOARD

The Board of Directors remained unchanged during the year 2019. The SEC appointed Board still stands with I, Chief Anthony Idigbe, SAN (Chairman), Alhaji Abatcha Bulama, Mrs Fadeke Olugbemi, Dr Alexander Thomopulos, Mr Kunle Aluko, Mr Toke Alex-Ibrue and Mr Ufuoma Ibrue sitting as your Board of Directors.



Chairman Statement (Cont'd)

FUTURE OUTLOOK

This report focuses on the period ended in December 2019; however, significant events have taken place in the first half of 2020, which affect the Company's outlook. Chief among these is the coronavirus (COVID-19) pandemic, which began in Wuhan, China in December 2019 and has affected more than four million people worldwide as at May 2020. In Nigeria, there were more than four thousand cases as of the second week of May 2020. The government has implemented containment measures, which includes travel bans, social distancing and quarantine. The pandemic has had severe effects on the global economy. The International Monetary Fund has warned that the global economy will experience its worst downturn since the Great Depression. The organisation predicted the world economy would contract by 3% in 2020, a reversal from its forecast early this year that the world economy would grow by 3.3%.

The hospitality industry was one of the hardest-hit sectors, with most hotels partially or fully closed. Sheraton Lagos Hotel has experienced an unprecedented decline in occupancy due to the pandemic. To tackle the challenge, the Company has focused on the reduction of operating expenses and the implementation of hygiene and social distancing policies. As the government lockdown eases, there is hope that the process of recovery may resume sooner than later. The Board is also looking towards recovery and diversification into different areas of the hospitality industry to ensure that the Company remains profitable.

The Board continues to work toward its vision of transforming the Nigerian hospitality industry. The Board is hopeful that the conclusion of the forensic audit will help mark the end of the legacy issues that have plagued the Company.

CONCLUSION

Distinguished Shareholders, I appreciate your unwavering support in the past year. I am, also, immensely grateful to the Board and employees of our Company for their hard work in 2019. The easing of the lockdown imposed because of the pandemic brings hope that the Company would soon return to profitability.

Above all, I pray for the repose of the souls of all those lost in the COVID-19 pandemic. I thank God for His mercies, favour and grace on us all in the past year. I also pray for a more prosperous year ahead.

Thank you, and God bless.

CHIEF ANTHONY IDIGBE, SAN
CHAIRMAN
BOARD OF DIRECTORS
FRC/2014/NBA/00000010414



Statement Of Directors' Responsibilities in Relation to the Consolidated Financial Statements For The Year Ended 31 December 2019

In accordance with the provisions of the Companies and Allied Matters Act, the Directors are responsible for the preparation of consolidated financial statements which give a true and fair view of the state of affairs of the group at the end of the year and its profit or loss and other comprehensive income.

The responsibilities include ensuring that:

- i. The Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the group and comply with the requirements of the Companies and Allied Matters Act;
- ii. Appropriate and adequate internal controls are established to safeguard its assets and to prevent and detect fraud and other irregularities;
- iii. The Group prepares its consolidated financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied; and
- iv. It is appropriate for the consolidated financial statements to be prepared on a going concern basis.

The Directors accept responsibility for the consolidated financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in accordance with the International Financial Reporting Standards; in compliance with Financial Reporting Council of Nigeria Act, No 6, 2011 and in the manner required by the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Group and of its profit for the year ended 31 December 2019.

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

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

Signed on behalf of the Board of Directors by:

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

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

Dated: 26 February 2020

Dated: 26 February 2020



Report of the Directors For The Year Ended 31 December 2019

The Directors are pleased to submit to the members of Ikeja Hotel Plc (the "Company"), its report together with the audited financial statements for the year ended 31 December 2019.

1. Legal Status and Principal Activities

The Company was incorporated as Properties Development Limited on November 18, 1972 with a view to provide world class hotel and catering services to meet the needs of an ever-increasing number of local and international business and leisure travellers visiting the city of Lagos. The Company's name was later changed to Ikeja Hotel Limited in 1980 and though it became a public Company in 1983, it assumed its present name in February 5, 1991.

The Company's principal activity remains the development of hotel leisure facilities, operations of hotels and provision of catering services.

The Company also owns majority shareholding in Hans Gremlin Limited and the financial statements of Hans Gremlin has been consolidated with the Company's Group financial statements.

2. State of Affairs

The Directors have assessed the Company's ability to continue as a going concern and have no reason to believe that the Company will not remain a going concern in the years ahead.

Resulting from the above, the Directors have reasonable expectation that the Company possesses adequate resources to continue operations for the foreseeable future. Thus, the Directors have continued with the adoption of the going concern basis of accounting in preparing the annual financial statements.

3. Operating Result

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Turnover	12,515,560	13,226,569	7,327,284	7,249,133
Profit before taxation	1,147,080	1,229,079	679,468	827,273
Tax charge	(312,134)	(123,720)	(138,352)	(150,239)
Profit after taxation	834,946	1,105,359	541,116	677,034

4. Additions to property, plant and equipment

Additions to property, plant and equipment during the year ended 31 December 2019 for the Group and Company amounted to N552.941 million and N310.864 million respectively (31 December 2018: N451.910 million and N263.196 million respectively). Details of movements in property, plant and equipment for the Group and Company are shown on Notes 7.1 and 7.2 respectively of the financial statements.

5. Dividend

During the 2019 financial year, The Board of Directors declared and paid an interim dividend of 3kobo per 50kobo ordinary share for the second quarter period ended 30 June 2019. The dividend was paid after the deduction of withholding tax at the appropriate rate.

The Directors propose a final dividend of 2kobo per 50kobo ordinary share thereby bringing the total dividend for the financial year to 5kobo per share. The interim dividend paid and the final dividend proposed shall be presented to the shareholders for ratification at the next Annual General Meeting.

6. Directors and their interest

The Directors who held office for the year ended 31st December 2019, together with their direct and indirect interests in the issued share capital of the Company as recorded in the Register of Director's



Report of the Directors For The Year Ended 31 December 2019

shareholding and/or as notified by the Directors for the purposes of sections 275 and 276 of the Companies and Allied Matters Act and the listing requirement of the Nigerian Stock Exchange are noted below:

	2019		2018	
	No. of shares held		No. of shares held	
	Direct	Indirect	Direct	Indirect
Dr. Alexander Thomopulus	1,869,205		1,869,205	
Mr Kunle Aluko (Aluko Moses)	60,000		60,000	
Alhaji Bulama Abatcha, FCA	1,096,235		-	

7. Substantial Shareholdings

As at 31 December 2019, no shareholder held more than 5% of the issued capital of the Company, except as stated below:

Name	No. of 50k shares	%
Oma Investments Ltd	544,536,537	26.19
Wagmest Nigeria Limited	180,148,768	8.67
RFC Limited	152,410,464	7.33
Alurum Investment Limited	112,914,212	5.43
Dr. Obafoluke Otudeko, MFR, OFR	105,840,000	5.09
Associated Ventures International Limited	155,183,927	7.47

8. Directors Responsibilities

The Directors accept responsibility for the preparation of the financial statements that gives a true and fair view in accordance with requirements of the International Financial Reporting Standards.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

9. Corporate Governance

The Directors are responsible for the corporate governance of the Company. The Directors have a responsibility to ensure that proper accounting records are kept and that the financial status of the Company at all times is disclosed with reasonable accuracy. The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004 and the Financial Reporting Council of Nigeria Act 2011. In this regards, the responsibility of the Directors includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

As at the day of this report, the Board consist of seven Directors. The Board meets regularly to decide on policy matters and direct the affairs of the Company. During these meetings, the Directors also review the Company's performance, operations and finances and set standards for the ethical conduct of the business.

The Directors who served during the year under review are;

Chief Anthony Idigbe, SAN

Alhaji Bulama Abatcha, FCA

Mrs. Fadeke Olugbemi, FCA

Mr. Kunle Aluko

Dr. Alexander Thomopulos

Mr. Toke Alex-Ibru

Mr. Ufuoma Ibru

Mr. Waheed Olagunju (Resigned with effect from 17 May 2019)



Report of the Directors For The Year Ended 31 December 2019

The Board met five times during the financial year (26 February 2019, 16 April 2019, 19 July 2019, 22 October 2019 and 19 November 2019). In accordance with Section 258(2) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the record of directors' attendance at board meetings held during the financial year under review is set below:

Name	No. attended
Chief Anthony Idigbe SAN	5
Alhaji Bulama Abatcha, FCA	5
Mrs. Fadeke Oluqbemi, FCA	4
Mr. Kunle Aluko	5
Dr. Thomopoulos Alexander	4
Mr. Toke Alex- Ibru	5
Mr. Ufuoma Ibru	5
Mr. Waheed Olagunju	Nil Resigned with effect from 17 May 2019

10. Complaints Management Policy Framework

The Board has approved the Complaints Management Policy and Procedure Manual and same is available on the Company's website. The policy aims to establish a fair, impartial and objective complaints management policy for the handling of the complaints/enquires from shareholders, customers regulatory agencies and the other stakeholders.

11. Human Resources Policy

(a.) Recruitment

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

(b.) Diversity and Inclusion

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

(c) Employment of Physically challenged persons

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

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

(d.) Employees' Involvement and Training

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

12. Dealing in Issuer's Shares Policy

In accordance with the Post-Listing Rules of the Nigerian Stock Exchange, Ikeja Hotel Plc has in place a share dealing policy which regulates securities transactions by its Directors, Employees and other Insiders on terms which are no less exacting than the required standard set out in the Nigerian Stock Exchange Rules. The Policy is to be communicated periodically to derive compliance. In respect of the year ended 31 December 2019, the Directors of Ikeja Hotel Plc hereby confirm that: A code of conduct regarding securities



Report of the Directors For The Year Ended 31 December 2019

transactions by all Directors was adopted by the Company.

A specific enquiry of all Directors has been made during the reporting period and there is no incidence of noncompliance with the listing rules of the Nigerian Stock Exchange, and Ikeja Hotel Plc's code of conduct, regarding securities transactions by Directors.

13. Board Committees

The Board for the year under review had three committees, Finance, Risk and General Purpose Committee, Nominations, Establishments and Governance Committee and Audit Committee.

Finance, Risk and General Purpose Committee

The Finance, Risk and General-Purpose Committee Board met four times during the financial year (19 February 2019, 15 April 2019, 11 July 2019, and 17 October 2019). The record of directors' attendance at this committee meetings held during the financial year under review is set below:

Finance, Risk and General-Purpose Committee	No Attended
Alhaji Bulama Abatcha, FCA- (Chairman)	4
Mrs Fadeke Olugbemi, FCA	4
Mr Toke Alex- Ibru	4
Mr Ufuoma Ibru	4
Dr. Thomopulos Alexander	3*

* Dr. Thomopulos Alexander was on vacation and could not attend one of the meetings.

Nominations, Establishment Governance Committee

The Nominations Establishment Governance Committee Board met four times during the financial year (19 February 2019, 15 April 2019, 11 July 2019 and 17 October 2019). The record of directors' attendance at this committee meetings held during the financial year under review is set below:

Nominations, Establishment and Governance	No Attended
Mrs. Fadeke Olugbemi, FCA-(Chairman)	4
Mr. Toke Alex- Ibru	4
Mr. Ufuoma Ibru	4
Mr. Kunle Aluko	4
Alhaji Bulama Abatcha, FCA	4

14. Audit Committee

In accordance with Section 359(3) of the Companies and Allied Matters Act, CAP C20 LFN 2004, the Company has an Audit Committee comprising three directors and three representatives of the shareholders carrying out its function as set out in Section 359(6) of the Companies and Allied Matters Act, CAP C20 LFN 2004. The Audit Committee met five times (18 February 2019, 12 April 2019, 10 July 2019, 17 October 2019 and 19 November 2019). Those who served on the Audit Committee during the year under review and their attendance at the meeting are:

Audit Committee	No Attended
Chief Victor C.N. Oyolu, FCA *	3
Alhaji Bulama Abatcha, FCA- (Chairman)**	5
Alhaji Wahab A. Ajani	5
Mr. Adelakun Lukmon Adesola	5
Mr. Kunle Aluko	5
Dr. Thomopulos Alexander	5
Mr. Peter Eyanuku ***	5

*Resigned at the 2019 Annual General Meeting

** Appointed Chairman after 2019 Annual General Meeting

***Appointed at the 2019 Annual General Meeting



Report of the Directors For The Year Ended 31 December 2019

15. **Company Distributors**
The Company has no distributors.
16. **Auditors**
Ahmed Zakari & Co and Ugochukwu, Ike & Co being Joint Auditors have indicated their willingness to continue in office as the Company's Auditors.
17. **Donations**
In compliance with Section 38(2) of the Companies and Allied Matters Act, CAP C20, LFN 2004, the Company did not make any donation or gift to any political party, political association or for any political purpose during the 2019 financial year.
18. **Compliance with regulatory requirement**
All regulatory requirements were complied with during the year under review. There was no contravention.

BY ORDER OF THE BOARD

Chisom Umeofia
FRC/2019/NBA/00000019212
Punuka Nominees Ltd
Secretary
26 February 2020



Report Of The Statutory Audit Committee For The Year Ended 31 December 2019

To the members of Ikeja Hotel Plc

In accordance with the provision of Section 359(6) of the Companies and Allied Matters Act of Nigeria, the members of the Audit Committee of Ikeja Hotel Plc hereby report on the financial statements for the Year Ended December 31, 2019 as follows:

We have exercised our statutory functions under Section 359(6) of the Companies and Allied Matters Act of Nigeria and acknowledge the cooperations of management and staff in the conduct of these responsibilities.

We are of the opinion that the accounting and reporting policies of the Company and Group are in agreement with legal requirements and agreed ethical practices and that the scope and planning of both the external and internal audits for the Year Ended December 31, 2019 was satisfactory and reinforce the Group's internal control systems.

We have deliberated on the findings of the external auditors and have confirmed that necessary cooperation was received from management in the course of their statutory audit and we are satisfied with management's responses to the external auditors' recommendations thereon and with the effectiveness of the Company's system of accounting and internal control.

Alhaji Abatcha Bulama
FRC/2014/ICAN/00000006535
Chairman, Audit Committee
17 February 2020

Members of the Audit Committee are:

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

Chairman
Shareholder
Shareholder
Director
Director
Shareholder



Independent Auditors' Report To the Shareholders of Ikeja Hotel Plc



Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Ikeja Hotel Plc. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) in compliance with the Financial Reporting Council of Nigeria Act, No 6, 2011 and with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Forensic audit

We draw your attention to notes 23.1 and 46 relating to the recently concluded forensic audit instituted at the instance of the Securities and Exchange Commission (SEC) on the affairs of the Company. The Board expects that the outcome of the investigation will provide for a resolution of all legacy matters which were the object of the investigation. Our opinion is not qualified in this regard.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significant in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditors' Report To the Shareholders of Ikeja Hotel Plc (Cont'd)

Key Audit Matter	How the matter was addressed with the Audit
<p>a) Trade receivables impairment allowance:</p> <p>"The calculation of impairment allowance on trade receivables is based on the requirements of IFRS 9 which stipulates a change from the Incurred Loss Model under IAS 39 to the Expected Credit Loss Model (ECL). The Company adopts the application of the simplified approach under the ECL model in calculating impairments on trade receivables. The simplified approach under the ECL model is based on a provision matrix and involves the following steps:</p> <p>Creating groups for trade receivables based on similar credit risks characteristics.</p> <p>Collection of historical loss rates data and determining the period of applicability of the data.</p> <p>Determination of the expected loss rates for each of the groups of trade receivables created based on established periods for which receivables are past due.</p> <p>Carry out necessary adjustments on the expected loss rates to reflect the effect of forward looking macro economic conditions expected to exist at the reporting date.</p> <p>Determination of the expected credit losses</p> <p>The calculation of the impairment allowance on the trade receivables is a key audit matter because it involves the use of significant judgement in the determination of the estimates and assumptions applied. Further disclosure are on notes 15 and 47.6</p>	<p>We reviewed the Company's governance policies on the implementation of appropriate credit controls and credit risks practices over its trade receivables.</p> <p>We reviewed internal controls around the ECL impairment model by testing the design and implementation and operating effectiveness of the key controls related to the model including:</p> <ul style="list-style-type: none"> - Evaluation of critical sources of external information applied to the model. - Assessing users understanding of the workings of the model. - Implementation of controls to guard against unauthorized changes to variables applied in the model <p>We challenged the reasonability and rational of management's judgements in the application of estimates and assumptions used in the model based on our understanding and knowledge of the Company's business, industry characteristics of the trade receivables groups created and existing macro economic conditions.</p> <p>Tested the accuracy of historical data and the determination of the expected loss rates for the groups of the trade receivables established.</p> <p>Performed a recomputation of the impairment allowance based on the ECL model and compared the outcome of our result with the allowance computed by management.</p>
<p>b) Valuation of long term employee benefits liability</p> <p>"The Company implements a defined benefit plan in addition to a defined contribution plan imposed by the Pension Reform Act 2014. The carrying amount of the defined benefit plan is significant. Management contracts experts to carry out actuarial valuation of the defined benefit plan as required by IAS 19. The valuation methods and assumptions therein adopted by the experts involves significant judgment resulting in the defined benefit plan included In KAM. Further disclosures on the retirement benefit plan are on Note 25.</p>	<p>"Assessed competence, qualification, experience and objectivity of the expert/valuer.</p> <p>Reviewed basis of valuation for reasonableness by evaluating the underlying assumptions, estimates.</p> <p>Checked that basis of valuation is permissible under IAS 19.</p> <p>Carried out independent review of data inputs for consistency with the assumptions and estimates applied.</p> <p>Assessed the adequacy of the disclosures pertaining the long term employee benefits liability in the financial statements.</p>



Independent Auditors' Report To the Shareholders of Ikeja Hotel Plc (Cont'd)

Key Audit Matter	How the matter was addressed with the Audit
<p>b) Loans from related parties</p> <p>The Company has outstanding loan balances due to related parties. The terms of these balances were mutually agreed but not formally documented and executed. Interest at 12% per annum are compounded annually on the outstanding loan balances. No payment of either principal or interest has been made. The forensic audit instituted by the Securities and Exchange Commission (SEC) was recently concluded. The Board expects that the outcome of the forensic audit would provide an opportunity for a resolution to all legacy issues around these balances. Further disclosures are on note 23.1.</p>	<p>We had examined predecessor audit working papers for consistency of the carrying amounts of the reported loan balances.</p> <p>Examined available information relating to the loan balances.</p> <p>Sent out third party confirmation requests.</p> <p>Obtained management representation.</p>

Other information

The directors are responsible for the other information. The other information comprises the Chairman's statement, Directors' Report; Audit Committee's Report, Corporate Governance Report and Company Secretary's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appeared to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with Governance for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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



Independent Auditors' Report To the Shareholders of Ikeja Hotel Plc (cont'd)

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


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

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


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

From the matters communicated with the Audit Committee, we determine those matters that were of most significant in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Ikechukwu Oguogor and Olukayode Lawal.


Oguogor J. I, FCA
FRC/2013/CAN/00000003423
For: Ugochukwu, Ike & Co.
(Chartered Accountants)
Lagos, Nigeria
Dated: 4 March 2020




Olukayode Lawal, FCA
FRC/2013/CAN/0000000748
For: Ahmed Zakari & Co.
(Chartered Accountants)
Lagos, Nigeria
Dated: 4 March 2020





Sheraton Lagos Hotel



Sheraton Abuja Hotel



Federal Palace Hotel

Consolidated
**Financial
Statements**
for the year ended 31 December 2019



Consolidated Statement of Financial Position

At 31 December 2019

	Notes	The Group		The Company	
		2019 N'000	2018 N'000	2019 N'000	2018 N'000
Assets					
Non current assets					
Property, plant and equipment	7	9,950,728	5,949,416	8,075,375	3,888,645
Investment Property	8	4,630,087	4,630,087	-	-
Capital work in progress	9	4,216,034	6,529,985	13,446	4,238,336
Intangible asset	10	4,619,383	4,487,764	6,137	8,995
Investment in subsidiaries	11	-	-	4,444,518	4,444,518
Investment accounted for using the equity method	12	-	147,014	798,722	798,722
		23,416,232	21,744,266	13,338,198	13,379,216
Current assets					
Inventories	14	654,525	670,302	130,716	55,333
Trade receivables	15	1,250,773	1,065,266	962,689	711,582
Other receivables and prepayments	16	827,307	1,476,348	543,198	759,886
Loan to related party	17	6,752,300	6,455,477	6,752,300	6,455,477
Amount due from related parties	18	113,188	113,188	733,547	722,829
Cash and cash equivalents	19	5,656,450	6,292,323	3,224,817	2,524,787
		15,254,543	16,072,904	12,347,267	11,229,894
Total assets		38,670,775	37,817,170	25,685,465	24,609,110
Equity and liabilities					
Share capital	26.2	1,039,398	1,039,398	1,039,398	1,039,398
Share premium	27	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	28	12,329,582	11,673,832	6,357,112	5,682,469
Equity attributable to equity holders of the Parent		14,750,052	14,094,302	8,777,582	8,102,939
Non-controlling interest	29	4,620,530	4,355,626	-	-
Total equity		19,370,582	18,449,928	8,777,582	8,102,939
Non-current liabilities					
Amount due to related parties	23	7,040,852	6,286,936	8,415,126	7,835,409
Retirement benefit obligations	25	1,770,575	2,334,784	1,457,105	1,728,301
Deferred tax	24.2	553,841	611,127	134,615	188,252
		9,365,268	9,232,847	10,006,846	9,751,962
Current liabilities					
Trade and other payables	20	3,688,993	4,054,306	1,279,658	1,252,102
Deferred income	21	5,572,913	5,259,561	5,382,488	5,085,665
Dividend payable	22	109,845	109,845	16,691	16,691
Deposit for shares	44	93,600	93,600	93,600	93,600
Current tax payables	24.1	469,574	617,083	128,600	306,151
		9,934,925	10,134,395	6,901,037	6,754,209
Total liabilities		19,300,193	19,367,242	16,907,883	16,506,171
Total equity and liabilities		38,670,775	37,817,170	25,685,465	24,609,110

These consolidated financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 26 February 2020.

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

Alhaji Abatcha Bulama
Director
FRC/2014/ICAN/00000006535

Mr. Theophilus E. Netufo
Ag. Managing Director/CEO
FRC/2013/ICAN/00000004775

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

The accompanying notes on pages 32 to 70 and the other national disclosures on pages 72 to 74 form an integral part of these consolidated financial statements.



Consolidated Statement of Profit or Loss and other Comprehensive Income For The Year Ended 31 December 2019

	Notes	The Group		The Company	
		2019 N'000	2018 N'000	2019 N'000	2018 N'000
Continuing operations					
Revenue from contract with customers	30	12,515,560	13,226,569	7,327,284	7,249,133
Cost of sales	32	(8,937,875)	(9,540,474)	(4,805,718)	(4,670,742)
Gross profit		3,577,685	3,686,095	2,521,566	2,578,391
Other income	33	440,949	286,156	33,698	117,176
Sales and marketing expenses	34.1	(281,870)	(236,584)	(281,870)	(236,584)
Administrative expenses	34.2	(1,840,132)	(1,730,910)	(994,028)	(983,406)
Operating profit		1,896,632	2,004,757	1,279,366	1,475,577
Finance income	35	151,378	109,357	178,122	68,722
Finance costs	36	(753,916)	(717,026)	(778,020)	(717,026)
Share of loss in investment accounted for using the equity method	12	(147,014)	(168,009)	-	-
Profit before tax		1,147,080	1,229,079	679,468	827,273
Income tax expense	24.3	(312,134)	(123,720)	(138,352)	(150,239)
Profit for the year from continuing operations		834,946	1,105,359	541,116	677,034
Profit attributable to:					
Equity holders of the parent		570,042	763,991	541,116	677,034
Non-controlling interest		264,904	341,368	-	-
Profit for the year		834,946	1,105,359	541,116	677,034
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurement gain/(loss) of defined benefit plan	25.3	195,891	-	195,891	-
Other comprehensive income for the year net of tax		195,891	-	195,891	-
Total comprehensive income for the year		1,030,837	1,105,359	737,007	677,034
Total comprehensive income for the year attributable to:					
Equity holders of the parent		765,933	763,991	737,007	677,034
Non-controlling interest		264,904	341,368	-	-
		1,030,837	1,105,359	737,007	677,034
Basic earnings per share (Kobo)		40	53	26	33

The accompanying notes on pages 32 to 70 and the other national disclosures on pages 72 to 74 form an integral part of these consolidated financial statements.



Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	The Group					The Company				
	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Total N'000	Non controlling interest N'000	Total equity N'000	Ordinary shares N'000	Share premium N'000	Retained earnings N'000	Total equity N'000
Attributable to equity holders of the Parent										
At 1 January 2018	1,039,398	1,381,072	10,909,841	13,330,311	4,014,257	17,344,568	1,039,398	1,381,072	5,005,435	7,425,905
Changes in equity for 2018	-	-	763,991	763,991	341,369	1,105,360	-	-	677,034	677,034
Profit for the year	-	-	763,991	763,991	341,369	1,105,360	-	-	677,034	677,034
Total comprehensive income for the year	-	-	763,991	763,991	341,369	1,105,360	-	-	677,034	677,034
At 31 December 2018	1,039,398	1,381,072	11,673,832	14,094,302	4,355,626	18,449,928	1,039,398	1,381,072	5,682,469	8,102,939
Attributable to equity holders of the parent										
At 1 January 2019	1,039,398	1,381,072	11,673,832	14,094,302	4,355,626	18,449,928	1,039,398	1,381,072	5,682,469	8,102,939
Changes in equity for 2019	-	-	570,042	570,042	264,904	834,946	-	-	541,116	541,116
Profit for the year	-	-	570,042	570,042	264,904	834,946	-	-	541,116	541,116
Re-measurement gain on defined benefit plans	-	-	195,891	195,891	-	195,891	-	-	195,891	195,891
Interim Dividend	-	-	(110,183)	(110,183)	-	(110,183)	-	-	(62,364)	(62,364)
Total comprehensive income for the year	-	-	655,750	655,750	264,904	920,654	-	-	674,643	674,643
At 31 December 2019	1,039,398	1,381,072	12,329,582	14,750,052	4,620,530	19,370,582	1,039,398	1,381,072	6,357,112	8,777,582

The accompanying notes on pages 32 to 70 and the other national disclosures on pages 72 to 74 form an integral part of these consolidated financial statements.



Consolidated Statement of Cash Flow For The Year Ended 31 December 2019

	Notes	The Group		The Company	
		2019 N'000	2018 N'000	2019 N'000	2018 N'000
Profit before tax		1,147,080	1,229,079	679,468	827,273
Adjustment for:					
Depreciation of property, plant and equipment	7	817,483	731,041	389,988	349,025
Amortisation of intangible asset	10	70,256	14,018	2,858	2,024
Share of loss in investment accounted for using the equity method	12	147,014	168,009	-	-
Dividend income	35	-	-	(26,744)	(26,744)
Post employment benefit expense		320,356	234,930	320,356	234,930
Interest on placements with banks		(151,378)	(109,357)	(151,378)	(41,978)
Finance cost	36	753,916	717,026	778,020	717,026
Loss/(profit) on disposal of property, plant and equipment	33	(9,750)	-	(9,750)	-
Impairment Allowance		25,690	-	6,296	-
Impairment Allowance written back	15.1	(125,800)	(83,139)	(14,549)	-
Net cash from operating activities before changes in working capital		2,994,867	2,901,607	1,974,565	2,061,556
Changes in:					
(Increase)/ decrease in inventories		15,777	320,246	(75,383)	211,362
Increase in trade receivables		(85,397)	(11,898)	(242,854)	(97,016)
Decrease/(increase) in other receivables and prepayments		649,041	(418,759)	216,688	21,979
(Increase)/ decrease in due from related party		-	109,221	(10,718)	(237,501)
Decrease/(increase) in trade and other payables		(365,313)	344,768	27,555	138,401
Increase/(decrease) in deferred income		16,529	(22,765)	-	-
Cash generated from operating activities		3,225,504	3,222,420	1,889,853	2,098,781
Income tax paid	24.1	(516,929)	(262,948)	(369,540)	(27,398)
Post employment benefits paid		(688,674)	(435,034)	(395,661)	(145,320)
Net cash flows provided by operating activities		2,019,901	2,524,438	1,124,652	1,926,063
Cash flows from investing activities					
Purchase of property plant and equipment	7	(552,941)	(451,910)	(310,863)	(263,196)
Purchase of intangible assets	10.1	(201,875)	(834)	-	(834)
Adjustment in property plant and equipment		-	2,100	-	2,100
Proceed on disposal of property, plant and equipment		20,040	-	20,040	-
Dividend received		-	-	26,744	26,744
Interest on placements with banks		151,378	109,357	151,378	41,978
Additions to capital work in progress	9	(1,962,193)	(209,589)	(51,254)	(126,495)
Net cash flows used in investing activities		(2,545,591)	(550,876)	(163,955)	(319,703)
Cash flows from financing activities					
Payment to related parties	23.1	-	-	(198,303)	(36,910)
Dividend paid	22	(110,183)	(47,819)	(62,364)	-
Net cash flows used in financing activities		(110,183)	(47,819)	(260,667)	(36,910)
Net increase/(decrease) in cash and cash equivalents		(635,873)	1,925,743	700,030	1,569,450
Cash and cash equivalents at 1 January		6,292,323	4,366,580	2,524,787	955,337
Cash and cash equivalents at 31 December	19	5,656,450	6,292,323	3,224,817	2,524,787

The accompanying notes on pages 32 to 70 and the other national disclosures on pages 72 to 74 form an integral part of these consolidated financial statements.



Notes To The Consolidated Financial Statements For The Year Ended 31 December 2019

1. The Group

1.1 The reporting entity

1.1.1 The Group

The group comprise Ikeja Hotel Plc. and its subsidiary - Hans Gremlin Limited, a special purpose vehicle which holds 51% of the ordinary shares in Capital Hotels Plc, Charles Hampton and IHL Services Limited with 100% shareholdings.

1.2 The Company

Ikeja Hotel Plc, formerly Properties Development Limited, was incorporated on 18 November, 1972. It owns the Sheraton Lagos Hotel, and is a core investor in Hans Gremlin Nigeria Limited (Owners of Capital Hotel Plc. It also has significant shareholding in the Tourist Company of Nigeria Plc. (Owners of Federal Palace Hotel & Casino, Lagos).

The Hotel was managed and operated by Starwood Eame License and Services Company BVBA up to June 2017 under an agreement dated 31 October 1980 and renewed 1 April 2008. Subsequently Marriot International took over the management of the Sheraton brand from June 2017 due to acquisition of Starwood Eame License and Services Company BVBA.

1.3 Corporate office

The registered office of the company is 84, Opebi Road, Ikeja, Lagos, Nigeria.

1.4 Principal activities

The principal activities of the group are operation of hotels and restaurants, apartment letting, recreational facilities, night clubs and business centre services, advisory and consultancy services.

2. Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies and Allied Matters Act Cap C.20, Laws of the Federation of Nigeria, 2004, the Financial Reporting Council of Nigeria Act, 2011.

2.1 Functional and presentation currency

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

2.2 Going concern status

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

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its subsidiaries as at 31 December, 2019. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using the same accounting policies.



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

All inter-group balances, transactions, dividends, unrealised gains on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from inter-group transactions are eliminated, but only to the extent that there is no evidence of impairment.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3. Basis of measurement

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

- Investment properties measured at fair value.
- Financial assets classified as amortised cost measured at amortised cost.
- Financial assets designated at fair value through other comprehensive income measured at fair value through other comprehensive income.

- Financial assets designated at fair value through profit or loss measured at fair value through profit or loss.
- Financial liabilities including borrowings measured at fair value.
- defined benefit obligations measure at the discounted future value of all expected future obligations plus past service costs and actuarial loss less actuarial gains.

- Inventory measured at lower of cost and net realisable value.

4. Critical accounting estimates and judgement

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4.1 Asset useful lives and residual values:

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

4.2 Taxes

- i Uncertainties exist with respect to the amount and timing of future taxable income. Given the complexities of existing contractual agreement, differences arising between the actual results and the assumptions made could necessitate future adjustment to tax income and expenses already recorded. The Company establishes provisions based on reasonable estimates.

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

4.3 Provisions/contingencies

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

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.



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

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.

4.4 Impairment of financial assets

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

4.5 Retirement benefit obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using various assumptions that may differ from actual developments in future. The assumptions used include the discount rate, future salary increases, mortality rates and future pension increases. Changes in these assumptions will impact the carrying amount of the pension obligation. The Group determines the appropriate discount rate at each reporting date. In determining the appropriate discount rate, management considers the interest rates of corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the expected term of the related pension obligation.

4.6 Investment property

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss. Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replacement components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

4.7 Impairment of inventory

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

5. Standards and interpretations issued/amended but not yet effective.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

5.1 Amendments effective from annual periods beginning on or after 1 January 2020

The following standards have been issued or amended by IASB but are yet to become effective for annual periods beginning on or after 1 January 2019

Standard		
IFRS 3	Business Combination	01-Jan-20
IAS 1 & IAS 8	Definition of Material	01-Jan-20
IFRS 17	Insurance Contracts	01-Jan-21



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

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

5.2 Amendments to IFRS 3 (Business Combination)

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g.) An acquisition or merger). In October 2018, after the post implementation review of IFRS 3, the IASB issued an amendment to IFRS 3 which centers majorly on the definition of a Business.

They include:

- That to be considered a business, an acquired set of activities and assets must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs:
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs: and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The effective date is on or after 1st January 2020. This amendment does not have any impact on the company.

5.3 Amendment to IAS 1 and IAS 8

In October 2018, the IASB issued the definition of 'material'. The amendments are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. In IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), the revised definition of 'material' is quoted below:

"An information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity".

The amendments laid emphasis on five (5) ways material information can be obscured. These include:

- If the language regarding a material item, transaction or other event is vague or unclear;
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- If dissimilar items, transactions or other events are inappropriately aggregated;
- If similar items, transactions or other events are inappropriately disaggregated; and
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

The amendments are effective for annual reporting periods beginning on or after 1st January 2020. The company has taken into consideration the new definition in the preparation of its annual account.

5.4 IFRS 17 - Insurance contracts

IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This standard does not impact the company/group in anyway as the company/group and its subsidiary companies do not engage in insurance business.

6. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently for all the years presented, unless otherwise stated.

6.1 Investments in subsidiaries

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

Control is usually present when an entity has:

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

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

"

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

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

6.2 Investments in associates

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



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

6.3 Investments in joint ventures

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

6.4 Investments in special purpose entities (SPEs)

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

6.5 Business combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured at the fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in order to obtain control of the acquiree (at the date of exchange). Costs incurred in connection with the acquisition are recognised in profit or loss as incurred. Where a business combination is achieved in stages, previously held interests in the acquiree are re-measured to fair value at the acquisition date (date the Group obtains control) and the resulting gain or loss, is recognised in profit or loss. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition profit or loss. If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognised when new information about its existence is obtained during this period. Non-measurement period adjustments to contingent consideration(s) classified as equity are not remeasured. Non-measurement period adjustments to other contingent considerations are remeasured at fair value with changes in fair value recognised in profit or loss. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

6.6 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its costs is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

6.6.1 Subsequent costs

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

6.6.2 Derecognition of property, plant and equipment

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



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

6.6.3 Depreciation of property, plant and equipment

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

The estimated useful lives are as follows:

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

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

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

6.7 Intangible assets

These comprise computer software and goodwill. Intangible assets excluding goodwill is stated at cost, less accumulated amortisation and impairment losses, if any. Subsequent costs are included in the asset's carrying amount the intangible asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

6.7.1 Amortisation of intangible assets

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

- Computer Software - 10 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

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

6.7.2 Intangible assets acquired separately

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

6.7.3 De-recognition of Intangible Assets

Intangible assets are derecognised at disposal date or at the date when it is permanently withdrawn from use without the ability to be disposed of. The difference between the carrying amount at the date of derecognition and any disposal proceed as applicable, is recognised in profit or loss.



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

6.7.4 Intangible assets generated internally

Expenditures on research or on the research phase of an internal project are recognised as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognised if, and only if, the following conditions apply:

- " it is technically feasible to complete the asset for use by the Group
- the Group has the intention of completing the asset for either use or resale
- the Group has the ability to either use or sell the asset
- it is possible to estimate how the asset will generate income
- the Group has adequate financial, technical and other resources to develop and use the asset; and
- the expenditure incurred to develop the asset is measurable."

If no intangible asset can be recognised based on the above, then development costs are recognised in profit and loss in the period in which they are incurred.

6.7.5 Goodwill

Goodwill on acquisitions comprises the excess of the aggregate of the fair value of the consideration transferred, the fair value of any previously held interests, and the recognised value of the non-controlling interest in the acquiree over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Impairment loss is recognized in the profit or loss account.

6.8 Impairment of non financial assets

The Group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where it is impossible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset is allocated. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount an impairment loss is recognized immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment loss is recognized as revaluation decrease. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6.9 Non current assets held for sale

Items of property, plant and equipment (PPE) are classified as non current current assets held for sale when it is highly probable that the item of PPE is available for immediate sale in its present condition, management has committed to the sale and the sale is expected to be completed within one year from the date of classification. Non current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

Items of PPE and intangible assets classified as held for sale are not depreciated or amortised. Impairment losses are recognised for any initial or subsequent write down of the asset to fair value less cost to sell. Gains are recognised on any subsequent increase in fair value less cost to sell, up to the cumulative impairment loss that has been recognised.

6.9.1 Reclassifications

When the use of a property changes from owner-occupier to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognized in income statement to the extent that it reverses a previous impairment loss on the specific property, with any remaining recognized in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognized immediately in income statement.



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

6.10 Financial instruments

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

6.10.1 Financial assets

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

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

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

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

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

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

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

6.10.2 Recognition and measurement

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

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

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

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

The classification is determined by management at initial recognition and depends on the purpose for which the investments were acquired.

6.10.3 Reclassifications

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

6.10.4 Impairment of financial assets

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

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

- a. General approach
- b. Simplified approach

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

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

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

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

6.10.5 Financial liabilities

The Group's financial liabilities at statement of financial position date include 'Borrowings' and payables



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

(excluding VAT and employee related payables). These financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Financial liabilities are included in current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

6.10.6 Interest bearing borrowings

Borrowings, inclusive of transaction costs, are recognised initially at fair value. Borrowings are subsequently stated at amortised costs using the effective interest rate method; any difference between proceeds and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

6.10.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

6.10.8 Cash and cash equivalents

"Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term. Bank overdrafts are shown within borrowing in current liabilities."

6.10.9 Non-derivative financial liabilities

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

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

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

6.10.10 Equity instruments

Equity instruments issued by the Group are recorded at the value of proceeds received, net of costs directly attributable to the issue of the instruments. Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where the Group purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Group's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects.

6.11 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



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

completion and selling expenses.

6.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

6.13 Trade payables

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

6.14 Bank overdrafts and interest-bearing borrowings

Bank overdrafts and interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

6.15 Employee benefits

6.15.1 Defined contribution plans

In accordance with the provisions of the amended Pension Reform Act, 2014 the Company has instituted a Contributory Pension Scheme for its employees, where both the employees and the company contribute 8% and 10% of the employee total emoluments. The company's contribution under the scheme is charged to the profit and loss while employee contributions are funded through payroll deductions.

Obligations for contributions to the defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Contributions to a defined contribution plan that is due more than twelve months after the end of the period in which the employees render the service are discounted to their present value. Payments to defined contribution plans are recognised as an expense as they fall due. Any contributions outstanding at the year end are included as an accrual in the statement of financial position.

6.15.2 Defined benefit plan

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

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. Actuarial gains and losses are recognised in full in the year in which they occur in other comprehensive income"

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

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



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

6.15.3 Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

6.15.4 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

6.16 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

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

6.17 Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

6.18 Revenue from contract with customers

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

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

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

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



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

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

6.19 Leases

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

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

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

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

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

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

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

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

Management has opted to exempt rental payments for its office as they are of a short term nature and not considered material. Also the Group has not entered into any lease contract where it is the lessor.

6.20 Investment return

Investment return comprises of dividend, interest and rent receivable, movement in amortized cost on debt securities and other loan and receivables, realized gains and losses, and unrealized gains and losses on fair value assets. Dividends on ordinary shares are appropriated from revenue reserve in the period they are approved by the Group's Shareholders.

6.21 Dividend distributions

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

6.22 Unclaimed dividend

Unclaimed dividends are amounts payable to shareholders in respect of dividend previously declared by the Group, 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



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

twelve years are transferred to retained earnings.

6.23 Related parties

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

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

The Group discloses transactions with related parties which includes the:

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

The Group discloses the following information regarding key management personnel

- Short term employee benefits
- Post employment benefit

6.24 Taxation

Income tax for the period is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods. Income tax for the period is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

6.25 Deferred tax

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

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates where the parent company is able to control of the timing of the reversal of the temporary differences and it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Group's policy to reinvest undistributed profits arising in group companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and liabilities are offset where the entity has a legal enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

6.26 Earnings per share

The Group presents basic earnings per share for its ordinary shares. Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of the Group by the number of shares outstanding during the year. Adjusted earnings per share is determined by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shareholders adjusted for the bonus shares issued.

6.27 Share capital

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

6.28 Segment Reporting

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

6.29 Finance income and finance costs

6.29.1 Finance income

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in consolidated income statement using the effective interest method.

6.29.2 Finance costs

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



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

7. Property, plant and equipment

	Land N'000	Building N'000	Hotel equipment N'000	Office equipment furniture and fittings N'000	Computer equipment N'000	Motor vehicles N'000	Total N'000
7.1 The Group							
Cost							
At 1 January 2018	3,440,742	1,688,230	4,638,334	3,512,426	224,594	290,844	13,795,170
Additions in the year	-	19,777	194,573	109,705	127,855	-	451,910
Disposals during the year	-	-	(2,100)	-	-	-	(2,100)
At 31 December 2018	3,440,742	1,708,007	4,830,807	3,622,131	352,449	290,844	14,244,980
At 1 January 2019	3,440,742	1,708,007	4,830,807	3,622,131	352,449	290,844	14,244,980
Additions in the year	-	75,568	228,544	210,810	25,419	12,600	552,941
Disposals during the year	-	-	(81,347)	-	-	(4,990)	(86,337)
Transfer from work in progress	-	3,966,491	286,397	8,945	14,311	-	4,276,144
At 31 December 2019	3,440,742	5,750,066	5,264,401	3,841,886	392,179	298,454	18,987,728
Depreciation							
At 1 January 2018	-	785,812	3,544,387	2,772,602	187,746	273,976	7,564,523
Charge for the year	-	37,363	412,229	235,166	34,017	12,266	731,041
At 31 December 2018	-	823,175	3,956,616	3,007,768	221,763	286,242	8,295,564
Depreciation							
At 1 January 2019	-	823,175	3,956,616	3,007,768	221,763	286,242	8,295,564
Charge for the year	-	153,714	375,474	222,141	59,782	6,372	817,483
Eliminated on disposal	-	-	(71,057)	-	-	(4,990)	(76,047)
At 31 December 2019	-	976,889	4,261,033	3,229,909	281,545	287,624	9,037,000
Carrying amount							
At 31 December 2019	3,440,742	4,773,177	1,003,368	611,977	110,634	10,830	9,950,728
At 31 December 2018	3,440,742	884,832	874,191	614,363	130,686	4,602	5,949,416



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

	Land N'000	Building N'000	Hotel equipment N'000	Office Furniture fittings and equipment N'000	computer equipment N'000	Motor vehicles N'000	Total N'000
7.2 The Company							
Cost							
At 1 January 2018	3,084,350	765,570	2,403,608	79,031	222,942	54,425	6,609,926
Additions	-	11,381	118,116	5,844	127,855	-	263,196
Disposals during the year	-	-	(2,100)	-	-	-	(2,100)
At 31 December 2018	3,084,350	776,951	2,519,624	84,875	350,797	54,425	6,871,022
At 1 January 2019	3,084,350	776,951	2,519,624	84,875	350,797	54,425	6,871,022
Additions in the year	-	41,858	228,544	2,443	25,419	12,600	310,864
Transfer from work in progress	-	3,966,491	286,397	8,945	14,311	-	4,276,144
Disposals during the year	-	-	(81,347)	-	-	(4,990)	(86,337)
At 31 December 2019	3,084,350	4,785,300	2,953,218	96,263	390,527	62,035	11,371,693
Depreciation							
At 1 January 2018	-	489,008	1,846,481	62,506	186,094	49,263	2,633,352
Charge for the year	-	29,920	276,078	3,848	34,017	5,162	349,025
Eliminated on disposal	-	-	-	-	-	-	-
At 31 December 2018	-	518,928	2,122,559	66,354	220,111	54,425	2,982,377
At 1 January 2019	-	518,928	2,122,559	66,354	220,111	54,425	2,982,377
Charge for the year	-	130,269	193,812	4,356	59,782	1,769	389,988
Eliminated on disposal	-	-	(71,057)	-	-	(4,990)	(76,047)
At 31 December 2019	-	649,197	2,245,314	70,710	279,893	51,204	3,296,318
Carrying amount							
At 31 December 2019	3,084,350	4,136,103	707,904	25,553	110,634	10,831	8,075,375
At 31 December 2018	3,084,350	258,023	397,065	18,521	130,686	-	3,888,645



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

8. Investment Property

The Group		The Company	
2019	2018	2019	2018
N'000	N'000	N'000	N'000
4,630,087	4,630,087	-	-

Investment property disclosed in the group financial statements relates to its subsidiary, Charles Hampton & Company Limited in which it has 89.9% interest and the property comprise land held for future development. Investment property is measured using the fair value model.

The revaluation surplus arising there from is recognised in retained earnings.

9. Capital work in progress

At 1 January	6,529,985	6,320,396	4,238,336	4,111,841
Additions in the year	1,962,193	209,589	51,254	126,495
Reclassification to Property plants & equipments	(4,276,144)	-	(4,276,144)	-
At 31 December	4,216,034	6,529,985	13,446	4,238,336

This represents on-going renovation work on the Group's property.

10. Intangible asset

10.1 Computer software

Cost

The Group		The Company	
2019	2018	2019	2018
N'000	N'000	N'000	N'000
At 1 January	70,087	69,253	21,070
Additions in the year	201,875	834	-
At 31 December	271,962	70,087	21,070

Amortization

At 1 January	34,991	20,973	12,075	10,051
Charge for the year	70,256	14,018	2,858	2,024
At 31 December	105,247	34,991	14,933	12,075

Carrying amount

4,452,668	4,452,668	-	-
4,619,383	4,487,764	6,137	8,995

10.2 Goodwill

Goodwill arises from the consolidation of the financial statements of Capital Hotel Plc with Ikeja Hotel Plc. It represents the excess of the cost of acquiring interest in Capital Hotel Plc over the fair value of its identifiable net assets. Interest in Capital Hotel was acquired indirectly through the Company's 75% interest in Hans Gremlin Nigeria Limited, which has 51% interest in Capital Hotels Plc. In assessing goodwill for impairment, management considered the future outlook of the identified cash generating Unit (CGU), Capital Hotel Plc from which the goodwill arose in addition to its current market capitalisation. Capital Hotel Plc is the owner of Sheraton Abuja Hotel (SAH), the revenue generating operation of the Company. SAH presently has a guest room capacity of 575 out of which 266 are undergoing renovation and upgrading to state of the art club rooms and suites. The Company projects to make 97 rooms out of 266 undergoing renovation available for guest use in the year 2020. The strategic renovation/upgrading is expected to significantly grow revenues and profits, boost market share and enhance customer loyalty and increase shareholders' value. Based on these strategic initiatives, management has assessed that the carrying amount of goodwill has not been impaired.



Notes To The Consolidated Financial Statements (Cont'd)

For The Year Ended 31 December 2019

		The Company	
		2019	2018
		N'000	N'000
11.	Investment in subsidiaries		
	Hans Gremlin Nigeria Limited	4,440,919	4,440,919
	IHL Services Limited	100	100
	Charles Hampton and Company Limited	3,499	3,499
		4,444,518	4,444,518

The Company holds 75% of the issued share capital of Hans Gremlin Nigeria Limited, a special purpose vehicle used in acquiring 51% of the issued share capital of Capital Hotels Plc.

11.1 Subsidiaries undertakings

All shares in subsidiaries undertakings are ordinary shares

Subsidiaries	Country of incorporation	Proportion of ownership	Principal activities
Hans Gremlin Nigeria Limited	Nigeria	75%	Special purpose vehicle.
Capital Hotels Plc	Nigeria	38.25%	Operation of hotels and restaurants, apartment letting, recreational facilities, night clubs and a business center.
IHL Services Limited	Nigeria	100%	Advisory and consultancy services to undertake advisory management on all types of businesses.
Charles Hampton	Nigeria	89.9%	To Carry on Business as an Investment company amongst others

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

	Hans-Gremlin Nigeria Limited N'000	Capital Hotel Plc N'000	IHL Services Limited N'000	Charles Hampton and Company Limited N'000
31 December 2019				
Revenue from contract with customers	39,494	5,188,276	3,355	851
(Loss)/profit after tax	70,104	401,775	2,827	(7,119)
Total assets	6,334,272	9,900,732	1,016,728	5,103,473
Total liabilities	513,544	3,159,413	47,987	831,036
Equity	5,820,727	6,741,319	968,741	4,272,437
31 December 2018				
Revenue	39,494	5,977,436	-	-
Profit/(Loss) after tax	(735)	379,946	(2,033)	(22,870)
Total assets	6,334,272	10,076,821	1,036,833	5,103,115
Total liabilities	583,648	3,659,838	71,399	706,856
Equity	5,750,623	6,416,983	965,434	4,396,259

12. Investment accounted for using the equity method

The Company holds 12.18% interest in Tourist Company of Nigeria (TCN). The terms of the contractual arrangement confers on Ikeja Hotel Plc the right to participate in the strategic operating and financial decisions of TCN, making TCN an associate company of Ikeja Hotel Plc. Therefore, Ikeja Hotel Plc's investment in TCN is accounted for using the equity method.

	The Group		The Company	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
At 1 January	147,014	315,023	798,722	798,722
Group's share of loss of the associate company	(147,014)	(168,009)	-	-
At 31 December	-	147,014	798,722	798,722



Notes To The Consolidated Financial Statements (Cont'd)

For The Year Ended 31 December 2019

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
13. Investment in unquoted entities				
ICON Stockbroker	7,421	7,421	-	-
A. Savoia Ltd	2,571	2,571	-	-
Felfan	13,005	13,005	-	-
	<u>22,997</u>	<u>22,997</u>	-	-
Impairment allowance	(22,997)	(22,997)	-	-
	-	-	-	-
14. Inventories				
Food and Beverage	93,068	120,847	42,238	55,333
Maintenance Supplies	18,161	76,476	18,161	-
Operating Supplies	70,317	-	70,317	-
Work in Progress	472,979	472,979	-	-
	<u>654,525</u>	<u>670,302</u>	<u>130,716</u>	<u>55,333</u>

As at the reporting dates, the carrying amount of the inventory were at cost and were lower than their net realisable values. There was no impairment of inventory at 31 December 2019 (2018: Nil).

15. Trade receivables				
Trade receivables	1,341,017	1,255,620	970,637	727,783
Allowances for impairment losses	(90,244)	(190,354)	(7,948)	(16,201)
Net trade receivables	<u>1,250,773</u>	<u>1,065,266</u>	<u>962,689</u>	<u>711,582</u>
15.1 Movement in impairment allowance for trade receivables:				
At 1 January	190,354	273,493	16,201	79,373
Charge for the year	25,690	-	6,295	-
Write back of impairment allowance	(125,800)	(83,139)	(14,548)	(63,172)
	<u>90,244</u>	<u>190,354</u>	<u>7,948</u>	<u>16,201</u>

Additional impairment allowance is recognized in cost of sales. Write back of impairment allowance is recognized in other income (31 December 2018: cost of sales). Further notes on trade receivables impairments are shown on note 47.6.

Trade and other receivables are stated at their original invoiced value as the interest that would be recognised from discounting future cash receipts over the short period is not considered to be material.

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
16. Other receivables and prepayments				
Withholding tax receivable	487,486	913,149	370,883	627,429
Advances to suppliers	239,483	311,738	141,960	111,143
Advances to employees	47,328	40,624	3,696	3,931
Prepayments (Note 16.1)	53,010	210,837	26,659	17,383
	<u>827,307</u>	<u>1,476,348</u>	<u>543,198</u>	<u>759,886</u>
16.1 Prepayments				
P/PM PC's Software	12,912	11,160	12,912	11,160
Rent	2,569	1,809	2,569	1,809
Maintenance	7,891	14,035	-	-
Dues and subscription	2,342	2,343	2,342	2,343
Insurance	6,936	255	6,936	255
Supplies	9,316	144,662	-	-
Staff benefits	9,144	30,752	-	-
Intranet resources	1,900	5,821	1,900	1,816
	<u>53,010</u>	<u>210,837</u>	<u>26,659</u>	<u>17,383</u>



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

	The Group			The Company		
	2019 US \$'000	2019 N'000	2018 N'000	2019 US \$'000	2019 N'000	2018 N'000
17. Loan to related party						
At 1 January	17,882	6,455,477	6,151,565	17,882	6,455,477	6,151,565
Interest capitalised	822	296,823	303,912	822	296,823	303,912
At 31 December	18,704	6,752,300	6,455,477	18,704	6,752,300	6,455,477

Loan to related party relates to receivable from The Tourist Company of Nigeria Plc. The interest rate of 5% (2018: 5%) has been set on the Company's fixed borrowing. The Company had no unutilised borrowing facilities at 31 December 2019 (2018: Nil).

Terms of the above loan:

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

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
18. Amount due from related parties				
Hans Gremlin Nigeria Limited	-	-	486,048	485,313
Charles Hampton Limited	-	-	247,499	237,516
AVIS - Current Account	31,122	31,122	-	-
GMI & Co	113,188	113,188	-	-
Felfan Limited	59,074	59,074	-	-
	203,384	203,384	733,547	722,829
Impairment allowance (Note 18.3)	(90,196)	(90,196)	-	-
	113,188	113,188	733,547	722,829

18.1 This amount represent balance in AVIS- Current account and Felfan without movement for the past three years and have been fully impaired.

18.2 The carrying amount of receivables from related party represents their fair value at the reporting date.

18.3 Impairment Allowance

At 1 January	90,196	198,667	-	-
Write back during the year	-	(108,471)	-	-
At 31 December	90,196	90,196	-	-

Prior year's write back of impairment allowance is included in "provision no longer required" amount of N185.6 million disclosed in other income.

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
19. Cash and cash equivalents				
Cash and cash equivalents consists of cash on hand, balances and fixed deposits with banks.				
Cash in hand	2,507	918	1,836	335
Cash at bank	3,083,908	2,760,408	1,734,530	2,312,561
	3,086,415	2,761,326	1,736,366	2,312,896
Fixed deposits (Note 19.1)	2,570,035	3,530,997	1,488,451	211,891
	5,656,450	6,292,323	3,224,817	2,524,787
19.1 Fixed deposits				
These are placements with banks in Nigeria	2,570,035	3,530,997	1,488,451	211,891



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
20. Trade and other payables				
Trade payables	811,611	1,193,288	335,512	468,677
Accrued expenses	1,185,350	810,390	612,435	366,939
CHP Hospitality and Tourism Limited	617,013	625,254	-	-
Advance deposits	453,961	640,156	164,087	252,141
Due to Starwood Eame License and Service Company	16,170	9,424	16,170	9,424
Service charge distribution	77,454	43,327	51,334	43,327
VAT Payable	363,537	347,849	22,981	16,892
Unclaimed dividend (Note 20.1)	51,879	51,879	51,879	51,879
Other sundry creditors (Note 20.2)	112,018	332,739	25,260	42,823
	3,688,993	4,054,306	1,279,658	1,252,102
20.1 This amount represents total unclaimed dividend returned by registrar.				
20.2 This amount represent credit balance in trade receivables, outstanding consumption tax and other account payables. The carrying value of accounts payable and accruals approximate their fair value.				
21. Deferred income				
At 1 January	5,259,561	4,978,414	5,085,665	4,781,753
Additions during the year	447,024	449,166	296,823	303,912
Recognized in profit or loss account	(133,672)	(168,019)	-	-
At 31 December	5,572,913	5,259,561	5,382,488	5,085,665
21.1 Deferred income comprise				
Ikeja Hotel (Note 21.2)	5,382,488	5,085,665	5,382,488	5,085,665
Capital Hotel (Note 22.2)	48,170	31,641	-	-
Charles Hampton	142,255	142,255	-	-
	5,572,913	5,259,561	5,382,488	5,085,665
21.2 This relates to interest receivable from the loan granted to Tourist Company of Nigeria Plc, which are payable based on the Company's liquidity.				
22. Dividend payable				
At 1 January	109,845	109,845	16,691	16,691
Declared during the year	110,183	47,819	62,364	-
Payment during the year	(110,183)	(47,819)	(62,364)	-
At 31 December	109,845	109,845	16,691	16,691

Dividend paid during the year comprise interim dividend of N62.364 million paid by Ikeja Hotel Plc and N47.819 million paid by Capital Hotels Plc to non controlling interests.



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
23. Amount due to related parties				
Capital Hotels Plc	-	-	589,514	763,713
IHL Services Limited	-	-	784,760	784,760
Federal Palace/Sun International	4,247	4,247	4,247	4,247
Alurum Investment Ltd/Omamo Trust Limited (Note 23.2)	3,468,880	3,097,221	3,468,880	3,097,221
Minabo Limited (Note 23.2)	2,028,881	1,811,501	2,028,881	1,811,501
Associated Ventures International Limited (Note 23.2)	1,538,844	1,373,967	1,538,844	1,373,967
	7,040,852	6,286,936	8,415,126	7,835,409
23.1 Movement in amount due to related parties is as follows:				
At 1 January	6,286,936	5,613,549	7,835,409	7,155,293
interest accrued during the year	753,916	673,387	778,020	717,026
Repayments during the year	-	-	(198,303)	(36,910)
	7,040,852	6,286,936	8,415,126	7,835,409

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

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
24. Taxation				
24.1 Current tax payables				
At 1 January	617,083	440,748	306,151	142,934
Payment in the year	(516,929)	(262,948)	(369,540)	(27,398)
Charge for the year (Note 23.3)	376,870	439,283	128,600	190,615
(Over)/under provision	(7,450)	-	63,389	-
At 31 December	469,574	617,083	128,600	306,151
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.				
24.2 Deferred taxation				
At 1 January	611,127	926,690	188,252	228,628
Charge for the year (Note 25.3)	(57,286)	(315,563)	(53,637)	(40,376)
At 31 December	553,841	611,127	134,615	188,252
24.3 Income tax expense				
Income tax	332,459	280,326	107,167	173,978
Education tax	44,411	30,919	21,433	16,637
	376,870	311,245	128,600	190,615
Prior years (over)/underprovision	(7,450)	128,038	63,389	-
	369,420	439,283	191,989	190,615
Deferred taxation	(57,286)	(315,563)	(53,637)	(40,376)
	312,134	123,720	138,352	150,239



Notes To The Consolidated Financial Statements (Cont'd)

For The Year Ended 31 December 2019

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
24.4 The tax expense for the year is reconciled to the profit/(loss) for the year as follows:				
Profit/(loss) before tax	1,147,080	1,229,079	679,468	827,273
Tax @ 30%	408,099	368,724	203,841	248,183
Net deductible items	1,043,445	391,044	617,771	185,909
Balancing charge		18,267	-	13,118
Capital allowance utilised	(1,112,394)	(369,671)	(714,445)	(273,231)
Education tax	44,411	30,919	21,433	16,637
Prior years (over)/underprovision	(7,450)		63,389	-
Effect of non taxable profits of subsidiaries	(10,340)		-	-
Deferred tax effect	(53,637)	(315,563)	(53,637)	(40,376)
Income tax recognised in the profit or loss account	312,134	123,720	138,352	150,239

25. Retirement benefit obligation

i The Company complies with the provisions of the Pension Reform Act 2014 whereby both employer and employees contributed 10% and 8% each of employee gross emolument on monthly basis. Both employer and employee contributions are remitted monthly to the employees' chosen Pension Fund Administrators (PFA). Employer contribution has been charged to the statement of profit or loss and other comprehensive income.

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

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Defined contribution plan (Note 25.1)	-	-	-	-
Defined benefit plan (Note 25.2)	1,770,575	2,334,784	1,457,105	1,728,301
	1,770,575	2,334,784	1,457,105	1,728,301

25.1 Defined contribution plan

At 1 January	-	-	-	-
Contribution in the year	147,007	163,538	84,754	73,336
Remittance during the year	(147,007)	(163,538)	(84,754)	(73,336)
At 31 December	-	-	-	-

25.2 The defined benefit plan is further analysed into:

Active plan	1,386,217	1,633,014	1,386,217	1,633,014
Terminated plan	384,358	701,770	70,888	95,287
	1,770,575	2,334,784	1,457,105	1,728,301



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
25.3 Movement in defined benefit plan				
Active defined benefit obligations				
At 1 January	1,633,014	1,488,404	1,633,014	1,488,404
Current service cost	145,977	163,138	145,977	163,138
Interest cost	174,379	173,343	174,379	173,343
Payments in the year	(371,262)	(90,320)	(371,262)	(90,320)
Provision written back	-	(101,551)	-	(101,551)
Re-measurement gain on defined benefit plan	(195,891)	-	(195,891)	-
At 31 December	1,386,217	1,633,014	1,386,217	1,633,014
Present value of defined benefit obligation	1,386,217	1,633,014	1,386,217	1,633,014
Fair value of plan assets	-	-	-	-
Terminated obligations				
At 1 January	701,770	1,046,484	95,287	150,287
Payments in the year	(317,412)	(344,714)	(24,399)	(55,000)
At 31 December	384,358	701,770	70,888	95,287

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

25.4 Assumptions applied in the estimates:

The weighted average of the following indices formed part of the actuarial assumptions used at 31 December 2019

Discount rate	10.71%	10.71%	10.71%	10.71%
Net return on investment	12.00%	12.00%	12.00%	12.00%
Future salary increases	10.00%	10.00%	10.00%	10.00%

Assumptions regarding future mortality experiences are set based on actuarial advices, published statistics and experience in a given jurisdiction. The Projected Unit Credit Method (PUCM) was applied to determine the present value of the Company's defined benefit obligations and the related current service cost and where applicable the past service costs in accordance with Guidance Note (GN 9) issued by the Institute and Faculty of Actuaries.

Defined benefit scheme are based upon independent actuarial valuation performed by B.A. Adigun and Associates using the projected unit credit basis. This valuation was carried out as at 31 December 2019. Defined benefit schemes expense is recognised in administrative expenses in the statement of profit or loss and other comprehensive income.

The actuarial valuation report was signed on 13 February 2020 by I. A. Abraham (FRC/2016/NAS/00000015764) for B. A. Adigun & Associates.

26. Share capital				
26.1 Authorised				
4,000,000,000 Ordinary shares of 50 kobo each	2,000,000	2,000,000	2,000,000	2,000,000
26.2 Issued and fully paid				
2,078,796,399 ordinary shares of 50 kobo each	1,039,398	1,039,398	1,039,398	1,039,398
27. Share premium				
At 31 December	1,381,072	1,381,072	1,381,072	1,381,072



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
28. Retained earnings				
At 1 January	11,673,832	10,909,841	5,682,469	5,005,435
Profit attributable to the owners of the company	570,042	763,991	541,116	677,034
Re-measurement gain/(loss) on defined benefit plan	195,891	-	195,891	-
Dividend paid	(110,183)	-	(62,364)	-
At 31 December	12,329,582	11,673,832	6,357,112	5,682,469

- 28.1 At a meeting of the Directors of Ikeja Hotel Plc held on 19 July .2019, It was resolved to pay an interim dividend of 3k per share amounting to N62.364 Million (2018: Nill) out of retained earnings. The dividend was paid to members after deduction of withholding tax at the approved rate. The dividend payment would be ratified by the shareholders at the Annual General Meeting. Included in dividend paid is the portion of dividend paid by Capital Hotels Plc to shareholders who are not members of the group (non controlling interests) amounting to N47.819 million.

The Directors proposed a final dividend of 2k per share amounting to N41.576 million. The dividend proposed is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these group financial statements.

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
29. Non controlling interest				
At 1 January	4,355,626	4,014,257	-	-
Share of profit or loss	264,904	341,369	-	-
At 31 December	4,620,530	4,355,626	-	-
30. Revenue from contracts with customers				
Revenue comprise				
Room sales	7,790,599	7,822,852	5,174,457	5,164,481
Food and beverage	4,153,450	4,277,018	2,114,192	2,011,984
Other minor operating departments	571,511	1,126,699	38,635	72,668
	12,515,560	13,226,569	7,327,284	7,249,133
30.1 Timing of revenue recognition				
Goods transferred at a point in time	4,153,450	4,277,018	2,114,192	2,011,984
Services transferred over time	8,362,110	8,949,551	5,213,092	5,237,149
Total revenue from contracts with customers	12,515,560	13,226,569	7,327,284	7,249,133

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

There is no other revenue items outside IFRS 15. Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information (Note 30).

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Revenue				
External customer	12,515,560	13,226,569	7,327,284	7,249,133
Total Revenue from contracts with customers	12,515,560	13,226,569	7,327,284	7,249,133



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

30.2 Contract assets

Trade receivables (Note 17)

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Expected credit losses on trade receivables as at 31 December 2019 were N90.244 million and N7.948 for the Group and Company respectively (31 December 2018: N190.354 million and N16.201 million respectively).

31. Segment information

31.1 Reportable segments

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

The two reportable segments are:

Lagos and;
Abuja

31.2 Segmented financial information

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

2019	Lagos N'000	Abuja N'000	Eliminations N'000	Total N'000
Segmented results				
Revenue	7,327,284	5,188,276	-	12,515,560
Profit before tax	527,430	646,394	(26,744)	1,147,080
Income tax	(67,513)	(244,621)	-	(312,134)
Profit for the year	459,917	401,773	(26,744)	834,946
Segmented assets and liabilities				
Non current assets				
Investment in subsidiaries	10,778,790	-	(10,778,790)	-
Investment in associate	798,722	-	(651,708)	147,014
Other non current assets	12,766,062	4,378,522	4,452,668	21,597,252
	24,343,574	4,378,522	(6,977,830)	21,744,266
Current assets	12,637,147	5,704,241	(2,268,483)	16,072,905
	36,980,721	10,082,763	(9,246,313)	37,817,171
Non current liabilities				
	10,471,972	1,029,358	(2,268,483)	9,232,847
Current liabilities	7,503,917	2,630,478	-	10,134,395
	17,975,889	3,659,836	(2,268,483)	19,367,242



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

2018	Lagos N'000	Abuja N'000	Eliminations N'000	Total N'000
Segmented results				
Revenue	7,249,133	5,977,436	-	13,226,569
Profit before tax	742,097	513,726	(26,744)	1,229,079
Income tax	(178,160)	54,440	-	(123,720)
Profit for the year	563,937	568,166	(26,744)	1,105,359
Segmented assets and liabilities				
<i>Non current assets</i>				
Investment in subsidiaries	10,778,790	-	(10,778,790)	-
Investment in associate	798,722	-	(651,708)	147,014
Other non current assets	12,766,062	4,378,522	4,452,668	21,597,252
	24,343,574	4,378,522	(6,977,830)	21,744,266
Current assets	12,637,147	5,704,240	(2,268,483)	16,072,904
	36,980,721	10,082,762	(9,246,313)	37,817,170
Non current liabilities	10,471,972	1,029,358	(2,268,483)	9,232,847
Current liabilities	7,503,917	2,630,478	-	10,134,395
	17,975,889	3,659,836	(2,268,483)	19,367,242

Notes

With regards the year ended 31 December 2019 the eliminations consist of:

- Investment in subsidiaries - N10.779 billion: elimination of the company's investments in subsidiary companies against the proportion of its interests in the net assets of the subsidiaries.
- Investment in associates - N798 million: adjustment for cumulative share of loss of the company in the net losses of its associate company.
- Other non current assets - N2.325 billion: being the net of the goodwill amount of N4.453 billion created on elimination of the Company's investments in subsidiaries and elimination of non current intercompany balances of N2.128 billion from the group.
- Non current liabilities - N2.128 billion: elimination of non current intercompany balances.
- Profit or loss account - N26.744 million: elimination of group's share of intercompany dividend.

With regards the year ended 31 December 2018 the eliminations consist of:

- Investment in subsidiaries - N10.779 billion: elimination of the company's investments in subsidiary companies against the proportion of its interests in the net assets of the subsidiaries.
- Investment in associates - N652 million: adjustment for cumulative share of loss of the company in the net losses of its associate company.
- Other non current assets - N2.184 billion: being the net of the goodwill amount of N4.453 billion created on elimination of the Company's investments in subsidiaries and elimination of non current intercompany balances of N2.268 billion from the group.
- Non current liabilities - N2.268 billion: elimination of non current intercompany balances.
- Profit or loss account - N26.744 million: elimination of group's share of intercompany dividend.

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
32. Cost of sales				
Rooms	1,335,560	3,198,375	1,039,106	1,032,689
Food and beverage	2,210,802	2,485,615	1,623,338	1,516,173
Operating overheads	5,391,513	3,856,484	2,143,274	2,121,880
	8,937,875	9,540,474	4,805,718	4,670,742
Gross profit	3,577,685	3,686,095	2,521,566	2,578,391
Gross profit margin (%)	29	28	34	36
Employee cost included in cost of sales	2,138,338	3,113,415	1,162,896	1,248,913



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
35. Finance income				
Interest earned on placement with banks	151,378	109,357	151,378	41,978
Dividend income	-	-	26,744	26,744
	151,378	109,357	178,122	68,722
36. Finance costs				
Interest expense	753,916	717,026	778,020	717,026
Intragroup interests amounting to N24.104million was eliminated from group interest expense for the year				
37. Basic and diluted earnings per share				
Earnings per share (basic and diluted) have been computed for each year on the profit after tax attributable to ordinary shareholders and divided by the number of issued and fully paid up N0.50 kobo ordinary shares during the year.				
Profit after taxation	834,946	1,105,359	541,116	677,034
Number of shares	2,078,796	2,078,796	2,078,796	2,078,796
Earnings per share (Kobo)	40	53	26	33
38. Information regarding directors and employees				
38.1 Compensation of key management personnel				
Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the company directly or indirectly, including all the directors (whether executive or otherwise). Below is the key management compensation during the year:				
38.1.1 Emolument of the Directors				
Chairman's fee	1,500	1,270	1,500	1,500
Other Directors fee	6,740	8,470	6,000	7,200
38.2 Scale of Directors' remuneration	Number	Number	Number	Number
N0 - N100,000	-	-	-	-
N100,001 - above	13	14	6	7
	13	14	6	7
	N'000	N'000	N'000	N'000
38.3 Staff costs				
Personnel compensation comprised:				
Salaries and wages	2,137,574	3,084,638	1,173,980	1,254,937
Defined benefit gratuity scheme	147,007	163,538	84,754	73,336
	2,284,581	3,248,176	1,258,734	1,328,273
38.4 The average number of persons employed during the year by				
Management staff	65	67	56	32
Non-management staff	1,010	1,015	411	442
	1,075	1,082	467	474



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

			The Group		The Company	
	2019	2018	2019	2018	2019	2018
	N	N	N'000	N'000	N'000	N'000
38.5	Scale of employees' remuneration					
	250,001 -	500,000	295	274	21	-
	500,001 -	750,000	70	67	8	5
	750,001 -	1,000,000	155	253	3	101
	1,000,001 -	1,250,000	121	249	1	129
	1,250,001 -	1,500,000	6	78	6	78
	1,500,001 -	1,750,000	6	40	6	40
	1,750,001 -	2,000,000	2	28	2	28
	2,000,001 -	Above	420	93	420	93
			1,075	1,082	467	474

39. Related party transaction

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

	Transactions		Balance	
	2019	2018	2019	2018
	N'000	N'000	N'000	N'000
39.1 The Tourist Company of Nigeria Plc Ikeja Hotel Plc is a shareholder of the Company and some Directors on the Board of the Company also serve on the Board of Ikeja Hotel Plc.	296,823	6,572,300	295,747	6,455,477
39.2 Hans-Gremlins (Nigeria) Limited The Company is a subsidiary of Ikeja Hotel Plc and some of the Directors serve on the board of both companies. Transaction in the year related to expenses incurred by Ikeja Hotel on behalf of Hans Gramin	735	486,048	735	485,313
39.3 Minabo Limited One of the Directors of Ikeja Hotel Plc is also a director of Minabo Limited. Transaction in the year relate to interest payable on outstanding loan liability	217,380	2,028,881	194,089	(1,811,501)
39.4 Associated Ventures International Limited One of the Directors of the Company is also a director of Associated Ventures International Limited. Transaction relates to interest payable on outstanding loan balance	1,075,599	1,538,844	147,214	1,373,967
39.5 Alurum Investment Limited/Oma Trust Limited One of the Directors of the Company is also a director of Oma Trust Limited. Transaction in the year was in respect interest accrued on outstanding loan liability	371,659	3,468,880	331,929	3,097,221
39.6 Capital Hotels Plc Capital Hotels Plc is a member of the Ikeja Hotel Group. Transactions in the year relate to loan repayments.	(174,199)	589,514	220,638	763,713
39.7 Charles Hampton Charles Hampton Ltd is a member of the Ikeja Hotel Group. Transaction in the year relates to expenses borne on their behalf	12,802	234,697	234,697	234,697
39.8 IHL Services Limited IHL Services Limited is a member of the Ikeja Hotel Group. Transaction in the year relates to expenses borne on their behalf	-	784,760	1,390	784,760



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

39.9	Punuka Attorneys & Solicitors The firm provides secretarial services to Ikeja Hotel Plc. The Chairman of the Board of Ikeja Hotel Plc is the Senior partner in the firm	5,208	-	5,208	-
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40. Financial commitments

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

41. Management/technical service agreement

The Ikeja Hotel Plc entered into an agreement with Starwood Eame License and Services Company BVBA (Marriotts) to manage Sheraton Lagos Hotel on its behalf for which a basic fee of 1.5% of total revenue together with an incentive fee of 3% of adjusted gross operating profit of the Hotel during each financial year. This agreement has been registered with the National Office for Technology Acquisition and Promotion (NOTAP).

42. Deposit for shares

This represents deposits made by Next International Limited for 31,200,000 units of shares at N3.00 each yet to be allotted.

43. Contingencies

43.1 Guarantees and other capital commitments

The Directors are of the opinion that all known liabilities and commitments have been taken into consideration in the preparation of the consolidated financial statements. The liabilities are relevant in assessing the group's state of affairs. (2018: Nil)

43.2 Pending litigations and claims

There were a total of five (5) lawsuits involving the Company out of which 4 of the suits are against the Company as at 31 December 2019. In the Directors best judgement based on reliance on the assessment of the Company's legal counsel, no material claims are likely to arise against the Company from the suits and there are no other suits involving the Company outside the number disclosed. The Directors are not aware of any threatened or pending litigations which may affect the continuous operations of the Company.

The above legal advise was giving by Oku Enyore Oyibo (FRC/2019/NBA/00000019588) for G.M. Ibru & Co.

44. Events after the reporting date

The Directors are of the opinion that there were no significant events after the reporting date which would have had any material effect on the state of affairs as at 31 December 2019 and on the profit or loss for the year ended on that day which require disclosure in these financial statements.

45. Comparative information

Reclassifications have been made to some comparative numbers on the statements of financial position, profit or loss and cash flows to align with the current years classification. These include: interest income and dividend received reclassified from revenue and other income to finance income and other receivables reclassified from trade receivables to other receivables and prepayments. A reconciliation is provided below:

Group	Note	Prior year		Prior year
		31 Dec 18 N'000	Reclassification N'000	31 Dec 19 N'000
SPOL				
Revenue	30	13,267,667	(41,098)	13,226,569
Other income	33	354,415	(68,259)	286,156
Finance income	35	-	109,357	109,357
		13,622,082	-	13,622,082



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

		Prior year 31 Dec 18	Reclassification	Prior year 31 Dec 19
		N'000	N'000	N'000
SFP				
Trade receivables				
Gross amount of trade receivables	15	1,311,774	(56,154)	1,255,620
Advance to employees		40,264	(40,264)	-
		<u>1,352,038</u>	<u>(96,418)</u>	<u>1,255,620</u>
Other receivables and prepayment				
Advance to suppliers	16	255,584	56,154	311,738
Advance to employees	16	-	40,264	40,264
		<u>255,584</u>	<u>96,418</u>	<u>352,002</u>
Company				
		Prior year 31 Dec 18	Reclassification	Prior year 31 Dec 19
		N'000	N'000	N'000
SPOL				
Revenue	30	7,290,231	(41,098)	7,249,133
Other income	33	144,800	(27,624)	117,176
Finance income	35	-	68,722	68,722
		<u>7,435,031</u>	<u>-</u>	<u>7,435,031</u>
	Note	Prior year 31 Dec 18	Reclassification	Prior year 31 Dec 19
		N'000	N'000	N'000
SFP				
Trade receivables				
Gross amount of trade receivables	15	783,003	(55,220)	727,783
Advance to employees		3,931	(3,931)	-
		<u>786,934</u>	<u>(59,151)</u>	<u>727,783</u>
Other receivables and prepayment				
Advance to suppliers	16	55,923	55,220	111,143
Advance to employees	16	-	3,931	3,931
		<u>55,923</u>	<u>59,151</u>	<u>115,074</u>

Loans to related parties and amounts due from related parties amounting to N6.455 billion and N113 million respectively have been reclassified from non current assets to current assets as present circumstances indicate they should be disclosed as such.

46. Forensic audit

The Forensic Audit instituted by the Securities & Exchange Commission (SEC) in the year 2017 into the affairs of the Company was recently concluded. Consequent upon its conclusion, the Board expects a resolution to all legacy issues including those matters disclosed in note 23.2.

47. Financial instruments risk management framework

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

The Group has exposure to the following risks:

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



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

47.1 Strategic risk

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

47.1.1 Capital Management Policies, Objectives and Approach

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

- To maintain the required level of financial stability thereby providing a degree of security to stakeholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the contributors, regulators and stakeholders

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

47.1.2 Approach to capital management

The Group seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and customers.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital level on a regular basis.

The Group's primary source of capital used is equity shareholders' funds.

47.2 Credit risk

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

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

47.2.1 Exposure to credit risk

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

	The Group		The Company	
	2019 N'000	2018 N'000	2019 N'000	2018 N'000
Financial assets				
Related party receivables	6,752,300	6,455,477	6,752,300	6,455,477
Investments accounted for using the equity method	-	147,014	798,722	798,722
Trade and other receivables	1,250,773	1,065,266	962,689	711,582
Cash and cash equivalents	5,656,450	6,292,323	3,224,817	2,524,787
	13,659,523	13,960,081	11,738,528	10,490,569



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

47.2.2 Impairment of trade receivables

Group	Days						181 and above	Total
	0 - 30	31-60	61-90	91-120	121-180			
2019	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Gross carrying amount	510,172	316,534	109,372	79,871	76,351	248,717	1,341,017	
Default rate	1.18%	0.95%	1.44%	2.05%	1.48%	30.93%		
Lifetime ECL	5,995	2,992	1,573	1,640	1,126	76,918	90,244	
2018								
Gross carrying amount	321,680	344,033	103,242	42,248	27,736	416,683	1,255,620	
Default rate	1.22%	7.48%	5.17%	5.95%	5.40%	36.32%		
Lifetime ECL	3,930	25,723	5,341	2,514	1,498	151,347	190,354	

Company	Days						181 and above	Total
	0 - 30	31-60	61-90	91-120	121-180			
2019	N'000	N'000	N'000	N'000	N'000	N'000	N'000	N'000
Gross carrying amount	369,279	278,861	91,009	56,603	76,351	98,534	970,637	
Default rate	0.42%	0.62%	1.00%	1.25%	1.48%	1.95%		
Lifetime ECL	1,539	1,742	912	707	1,126	1,922	7,948	
2018								
Gross carrying amount	321,680	283,212	53,896	22,992	27,736	18,268	727,783	
Default rate	1.22%	2.07%	5.01%	5.31%	5.40%	5.48%		
Lifetime ECL	3,930	5,853	2,698	1,220	1,498	1,002	16,201	

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

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

These macro economic variables include inflation and interest rates.

47.3 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each unit. This responsibility is supported by the development of operational standards for the management of operational risk in the following areas:

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



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

47.4 Financial risk

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

47.4.1 Liquidity risk

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

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

	Due within one year N'000	Due after one year N'000	Total N'000
At 31 December 2019			
Financial liabilities			
Other liabilities	6,136,087	9,365,268	15,501,355
Trade and other payables	3,688,993	-	3,688,993
Dividend payable	109,845	-	109,845
	9,934,925	9,365,268	19,300,193
At 31 December 2018			
Financial liabilities			
Other liabilities	5,970,244	9,232,847	15,203,091
Trade and other payables	4,054,306	-	4,054,306
Dividend payable	109,845	-	109,845
	10,134,394	9,232,847	19,367,241
Contractual maturity analysis for financial liabilities - Company			
	Due within one year N'000	Due after one year N'000	Total N'000
At 31 December 2019			
Financial liabilities			
Other liabilities	5,604,688	10,006,846	15,611,534
Trade and other payables	1,279,658	-	1,279,658
Dividend payable	16,691	-	16,691
	6,901,037	10,006,846	16,907,883
At 31 December 2018			
Financial liabilities			
Other liabilities	5,485,416	9,751,962	15,237,378
Trade and other payables	1,252,102	-	1,252,102
Dividend payable	16,691	-	16,691
	6,754,209	9,751,962	16,506,171

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

47.4.2 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.



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

The primary objectives of the treasury function are to provide secure and competitively priced funding for the activities of the Group and to identify and manage financial risks, including exposure to movement in interest and foreign exchange rates arising from those activities. The components of the market risk are highlighted below:

47.4.3 Foreign exchange risk

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

47.4.4 Pricerisk

The Group is exposed to variability in the prices of commodities used in running its operations especially those relating to food and beverages and housekeeping functions. Commodity price risk is managed within minimum and maximum guardrails principally through multi-year fixed price contract with suppliers.

47.5 Fair value determination

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

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

At 31 December 2019

At 31 December 2019

Assets

	Fair value N'000	Amortised cost N'000	Carrying amount N'000
Cash and cash equivalents	5,656,450	-	5,656,450
Trade and other receivables	-	1,250,773	1,250,773
Loans and receivables	-	6,752,300	6,752,300
Investments accounted for using the equity method			
	5,656,450	8,003,073	13,659,523

Liabilities

Trade and other payables	3,688,993	-	3,688,993
Other liabilities	6,245,932	-	6,245,932
	9,934,925	-	9,934,925

At 31 December 2018

Assets

Cash and cash equivalents	6,292,323	-	6,292,323
Trade and other receivables	-	1,065,266	1,065,266
Loans and receivables	-	6,455,477	6,455,477
Investments accounted for using the equity method	147,014	-	147,014
	6,439,337	7,520,743	13,960,081

Liabilities

Trade and other payables	4,054,306	-	4,054,306
Other liabilities	5,970,244	-	5,970,244
	10,024,550	-	10,024,550

The Company

At 31 December 2019

Assets

Cash and cash equivalents	3,224,817	-	3,224,817
Trade and other receivables	-	962,689	962,689
Loans and receivables	-	6,752,300	6,752,300
Investments accounted for using the equity method	798,722	-	798,722
	4,023,539	7,714,989	11,738,528

Liabilities

Trade and other payables	1,279,658	-	1,279,658
Other liabilities	5,621,379	-	5,621,379
	6,901,037	-	6,901,037



Notes To The Consolidated Financial Statements (Cont'd) For The Year Ended 31 December 2019

47.14 Fair value determination (continued) The Company (continued)

At 31 December 2018

Assets

Cash and cash equivalents
Trade and other receivables
Loans and receivables
Investments accounted for using the equity method

	Fair value N'000	Amortised cost N'000	Carrying amount N'000
Cash and cash equivalents	2,524,787	-	2,524,787
Trade and other receivables	-	711,582	711,582
Loans and receivables	-	6,455,477	6,455,477
Investments accounted for using the equity method	798,722	-	798,722
	<u>3,323,509</u>	<u>7,167,059</u>	<u>10,490,568</u>
Liabilities			
Trade and other payables	1,252,102	-	1,252,102
Other liabilities	5,485,416	-	5,485,416
	<u>6,737,518</u>	<u>-</u>	<u>6,737,518</u>

47.5 Financial instruments and fair values

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

The carrying amounts of financial instruments shown on the statement of financial position in terms of their measurement basis are shown as follows:

47.5.2 Fair valuation methods and assumptions

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

The fair value of publicly traded financial instruments is generally based on quoted market prices, with unrealised gains in a separate component of equity at the end of the reporting year.

47.5.3 Fair value measurements recognised in the statement of financial position

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

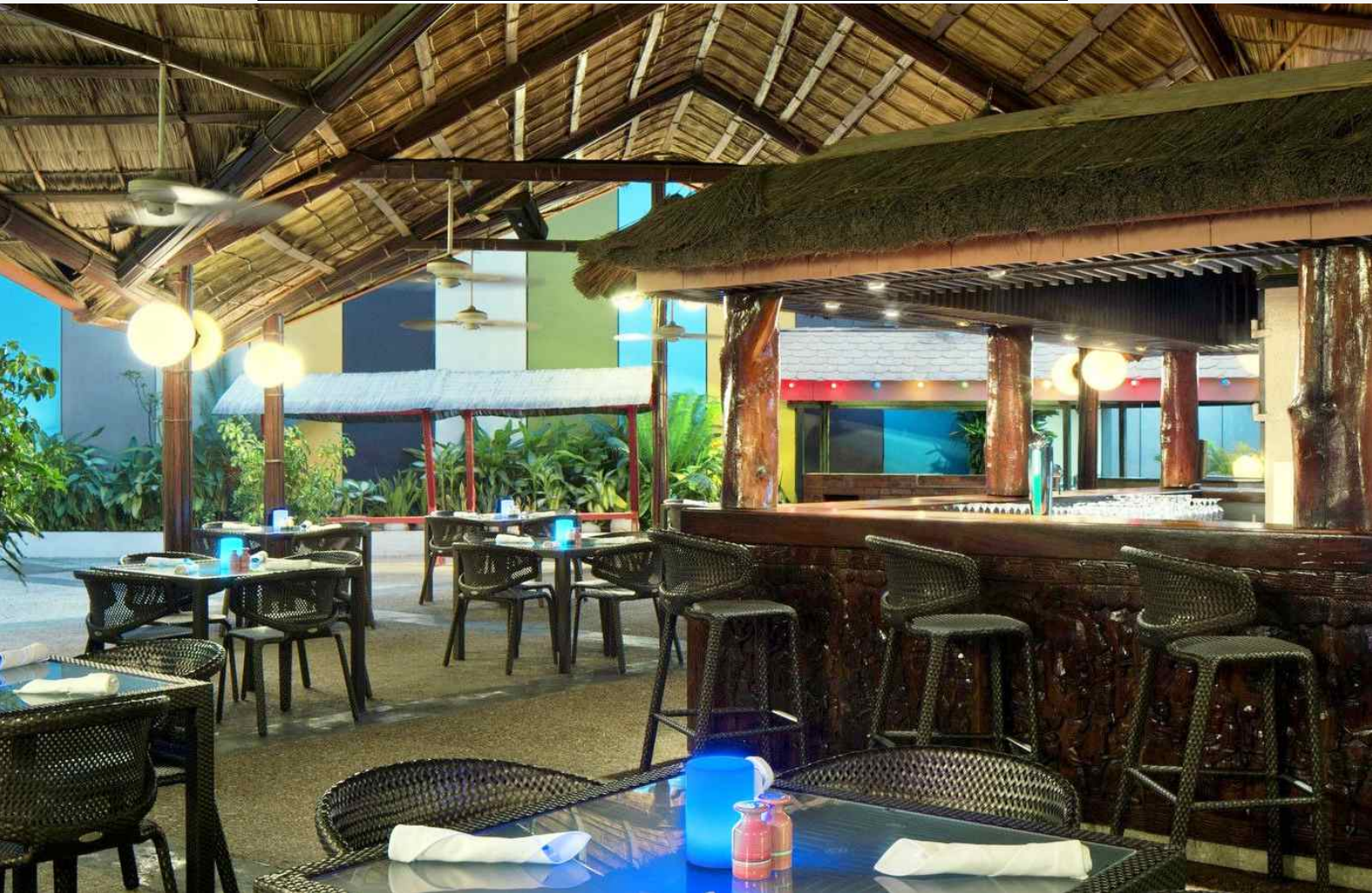
Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: for equity securities not listed on an active market and for which observable market data exist that the Group can use in order to estimate the fair value;

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).



OTHER NATIONAL DISCLOSURE



Pool Terrace Bar



Statement of Value Added For The Year Ended 31 December 2019

	The Group				The Company			
	2019 N'000	%	2018 N'000	%	2019 N'000	%	2018 N'000	%
Revenue	12,515,560		13,226,569		7,327,284		7,249,133	
Other income	440,949		286,156		33,698		117,176	
Finance income	151,378		109,357		178,122		68,722	
	13,107,887		13,622,082		7,539,104		7,435,031	
Cost of goods and services - foreign	(2,210,802)		(2,485,616)		(1,623,338)		(1,516,173)	
Cost of goods and services - local	(5,823,769)		(5,197,125)		(2,806,698)		(2,695,236)	
Value added	5,073,316	100	5,939,341	100	3,109,068	100	3,223,622	100
Applied as follows:								
To pay employees:								
Salaries wages and other staff costs	2,284,581	45	3,248,176	35	1,258,734	40	1,328,273	41
To providers of capital:								
Finance costs	753,916	15	717,026	12	778,020	25	717,026	22
To pay Government:								
Income and Education tax	369,420	7	439,283	7	191,989	6	190,615	6
To provide for assets replacement:								
Depreciation and amortisation of property, plant and equipment and intangible assets	887,739	17	745,060	13	392,846	13	351,050	11
Retained for future expansion:								
- Deferred taxation	(57,286)	(1)	(315,563)	(5)	(53,637)	(2)	(40,376)	(1)
- Retained profit for the year	834,946	16	1,105,359	20	541,116	17	677,034	21
Value added	5,073,316	100	5,939,341	100	3,109,068	100	3,223,622	100

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



Financial Summary

31 December

	2019	2018	2017	2016	2015
	N'000	N'000	N'000	N'000	N'000
Group					
Statement of financial position					
Assets					
Property, plant and equipment	9,950,728	5,949,416	6,230,647	6,485,634	6,596,153
Investment Property	4,630,087	4,630,087	4,630,087		
Capital work in progress	4,216,034	6,529,985	6,320,396	4,267,914	2,252,946
Intangible assets	4,619,383	4,487,764	4,500,948	32,031	23,401
Investment	-	147,014	315,023	576,344	633,856
Loans to related party	-	-	6,151,565	5,914,936	3,653,928
Long term investment	-	-	-	-	26,496
Net current (liabilities)/assets	5,319,618	5,938,508	(1,730,939)	(1,363,930)	1,254,617
Non-current liabilities	(9,365,268)	(9,232,847)	(9,073,159)	(8,347,268)	(8,009,794)
Net assets	19,370,582	18,449,927	17,344,568	7,565,661	6,431,603
Equity and reserves					
Share capital	1,039,398	1,039,398	1,039,398	1,039,398	1,039,398
Share premium reserve	1,381,072	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	12,329,582	11,673,832	10,909,841	2,605,832	2,096,037
	14,750,052	14,094,302	13,330,311	5,026,302	4,516,507
Non-controlling interest	4,620,530	4,355,626	4,014,257	2,539,359	1,915,096
Total equity	19,370,582	18,449,928	17,344,568	7,565,661	6,431,603
Statement of profit or loss and other comprehensive income					
Revenue from contract with customers	12,515,560	13,226,569	12,122,013	10,865,037	9,855,086
Profit/(loss) before tax	1,147,080	1,229,079	733,817	1,607,431	824,257
Income tax expense	(312,134)	(123,720)	(130,205)	(500,979)	(263,527)
Profit for the year	834,946	1,105,359	603,612	1,106,452	560,730
Other comprehensive income for the year	195,891	-	(18,539)	27,607	99,450
Total comprehensive income for the year	1,030,837	1,105,359	585,073	1,134,059	660,180
Per share data:					
Basis and diluted earnings per share - Kobo	40	53	29	53	27
Net assets (kobo)	932	888	29834	364	309

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

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



Financial Summary

31 December

	2019	2018	2017	2016	2015
	N'000	N'000	N'000	N'000	N'000
Company					
Statement of financial position					
Assets					
Property, plant and equipment	8,075,375	3,888,645	3,976,574	4,101,120	4,389,071
Capital work in progress	13,446	4,238,336	4,111,841	3,744,111	1,729,143
Intangible assets	6,137	8,995	10,185	12,209	14,232
Investment in subsidiary	4,444,518	4,444,518	4,444,518	4,440,919	4,440,919
Investments accounted for using the equity method	798,722	798,722	798,722	798,722	798,722
Loans to related party	-	-	6,151,565	5,914,936	3,653,929
Net current (liabilities)/assets	5,446,230	4,475,685	(3,046,856)	(3,429,191)	275,602
Non-current liabilities	(10,006,846)	(9,751,962)	(9,020,644)	(8,274,028)	(8,111,373)
Net assets	8,777,582	8,102,939	7,425,905	7,308,798	7,190,245
Equity and reserves					
Share capital	1,039,398	1,039,398	1,039,398	1,039,398	1,039,398
Share premium reserve	1,381,072	1,381,072	1,381,072	1,381,072	1,381,072
Retained earnings	6,357,112	5,682,469	5,005,435	4,888,328	4,769,775
Total equity	8,777,582	8,102,939	7,425,905	7,308,798	7,190,245
Statement of profit or loss and other comprehensive income					
Revenue from contract with customers	7,327,284	7,249,133	6,317,459	5,463,967	5,015,735
Profit/(loss) before tax	679,468	827,273	264,876	103,500	192,423
Income tax expense	(138,352)	(150,239)	(129,230)	(12,554)	(83,055)
Profit for the year	541,116	677,033	135,645	90,945	109,368
Other comprehensive income for the year	195,891	-	(18,539)	27,607	99,450
Total comprehensive income for the year	737,007	677,033	117,106	118,552	208,818
Per share data:					
Basis and diluted earnings per share - Kobo	26	33	7	4	5
Net assets (kobo)	422	390	357	352	346

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

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



Shareholder Information

IKEJA HOTEL PLC RANGE ANALYSIS AS AT 31 DECEMBER 2019

Range of Shareholding			Total Numbers of Shareholders	% of Total Shareholders	Total Number of Shares Held	% Shareholding
1	-	1,000	1,640	11.90	641,808	0.03
1,001	-	5,000	4,167	30.23	9,568,780	0.46
5,001	-	10,000	3,845	27.89	25,390,136	1.22
10,001	-	100,000	3,636	26.38	93,952,036	4.52
100,001	-	500,000	394	2.86	73,931,724	3.56
500,001	-	1,000,000	34	0.25	23,647,086	1.14
1,000,001	-	10,000,000	42	0.30	115,883,026	5.57
10,000,001	-	And above	26	0.19	1,735,781,803	83.50
			13,784	100.00	2,078,796,399	100.00

SHARE CAPITAL HISTORY

DATE	AUTHORISED (₦)		ISSUED AND FULLY PAID (₦)		CONSIDERATION
	Increase	Cumulative	Increase	Cumulative	
November 1972	20,000	20,000	20,000	20,000	Cash
October 1980	11,000,000	11,200,000		20,000	Cash
June 1981		11,200,000	8,980,000	9,000,000	Cash
August 1982		11,200,000	1,500,000	10,500,000	Cash
April 1984	5,300,000	16,500,000	500,000	11,000,000	Cash
November 1984		16,500,000	500,000	11,500,000	Cash
December 1984		16,500,000	842,680	12,342,680	Cash
January 1985		16,500,000	124,516	12,467,196	Cash
January 1985		16,500,000	71,333	12,538,529	Cash
July 1985		16,500,000	1,455,000	13,993,529	Cash
December 1986	7,000,000	23,500,000	4,025,901	18,019,430	Cash
September 1987		23,500,000	213,500	18,232,930	Cash
July 1988	15,000,000	38,500,000	13,338,010	31,570,490	Cash
May 1989		38,500,000	150,000	31,720,940	Cash
November 1989		38,500,000	4,743,920	36,464,860	Cash
September 1993	41,500,000	80,000,000	43,535,140	80,000,000	Cash
March 1998	120,000,000	200,000,000	80,000,000	160,000,000	Bonus
November 1998	400,000,000	600,000,000	80,000,000	240,000,000	Bonus
March 2000		600,000,000	210,000,000	450,000,000	Cash
September 2004		600,000,000	90,000,000	540,000,000	Bonus
December 2004	500,000,000	1,100,000,000		540,000,000	-
December 2006			326,165,167	866,165,167	Cash
July 2008	900,000,000	2,000,000,000			-
April 2010			346,466,067	1,212,631,234	Bonus



Proxy Form



<p>The 43rd Annual General Meeting to be held at the Lagos Sheraton Hotel, 30 Mobolaji Bank Anthony Way, Ikeja, Lagos on 30th July 2020, at 10:00am</p> <p>I/We</p> <p>Being a shareholder of Ikeja Hotel Plc, hereby appoint:</p> <div style="border: 1px solid black; height: 30px; width: 100%;"></div> <p>Or failing him/her, the Chairman of the meeting as my/our proxy at the Annual General Meeting to be held on 30th July 2020, at 10:00am and any adjournment thereof.</p> <p>Dated this.....day of.....2020</p>	NUMBER OF SHARES		
	RESOLUTION	FOR	AGAINST
	ORDINARY BUSINESS To lay before members for approval, the audited Financial Statements for the year ended 31st December 2019 and to receive the report of the Directors, Audit Committee and Auditors Thereon		
	To re-elect retiring Directors:-		
	<ul style="list-style-type: none"> ■ Dr. Alexander Thomopoulos as Director ■ Mr Ufuoma Ibru as Director ■ Mrs. Fadeke Olugbemi as Director 		
	To authorise Director to fix the remuneration of the Auditors		
	To elect Shareholder Members of the Statutory Audit Committee.		
	SPECIAL BUSINESS		
	To approve the remuneration of the Directors		
	To approve the appointment of the former Chief Operating Officer (Mr Theo Eniola Netufo) as Group Managing Director		
	To approve the allotment of 31, 200,000 (Thirty-one million, Two Hundred Thousand) units of ordinary shares at N3.00 per share to Next International Limited		
	Please mark the appropriate box with an 'x' to indicate how you wish your votes to be cast on the resolutions set above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion.		

Signature of Shareholder

Name of Shareholder



Before posting this form, please tear off this part and retain it for admission into the meeting
The form may also be sent via email to proxy@gtlregistrars.com

ADMISSION CARD

Please admitTo the 43rd annual general meeting of Ikeja Hotel Plc, which will take place at the Sheraton Hotel, 30 Mobolaji Bank Anthony Way, Ikeja, Lagos on 30th July 2020 at 10:00am

Name of Shareholder (in BLOCK LETTERS)

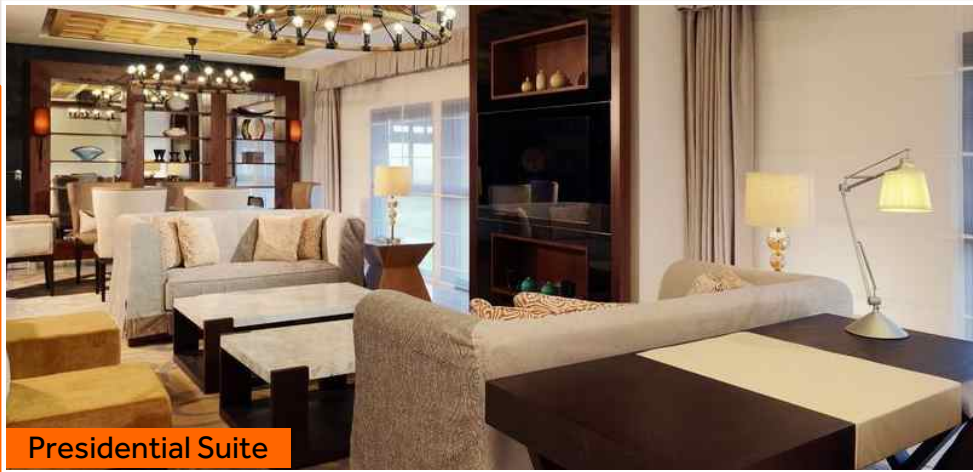
(Surname)

(First name)

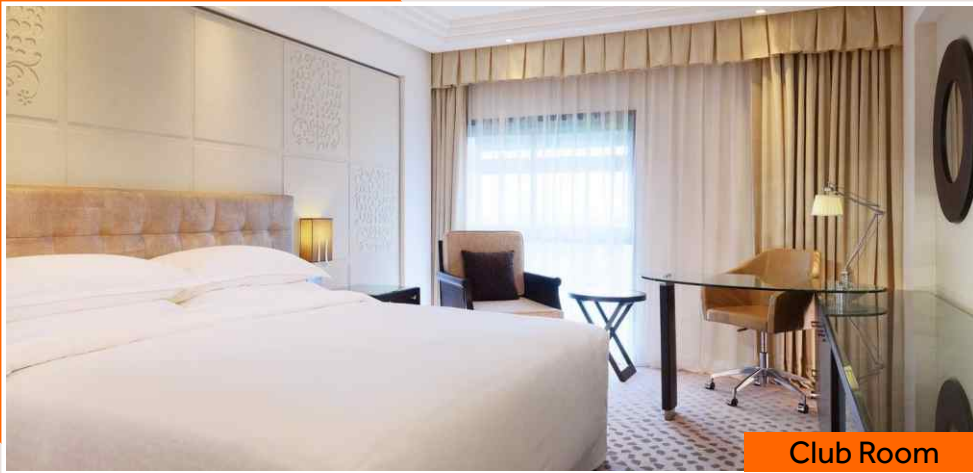
(Address)

(Signature of person attending)

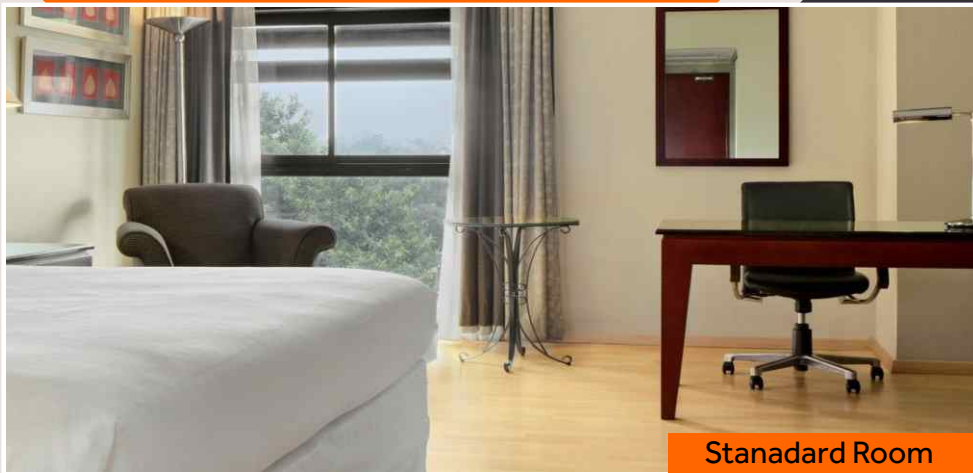




Presidential Suite



Club Room



Standard Room



Banquet



www.ikejahotelplc.com