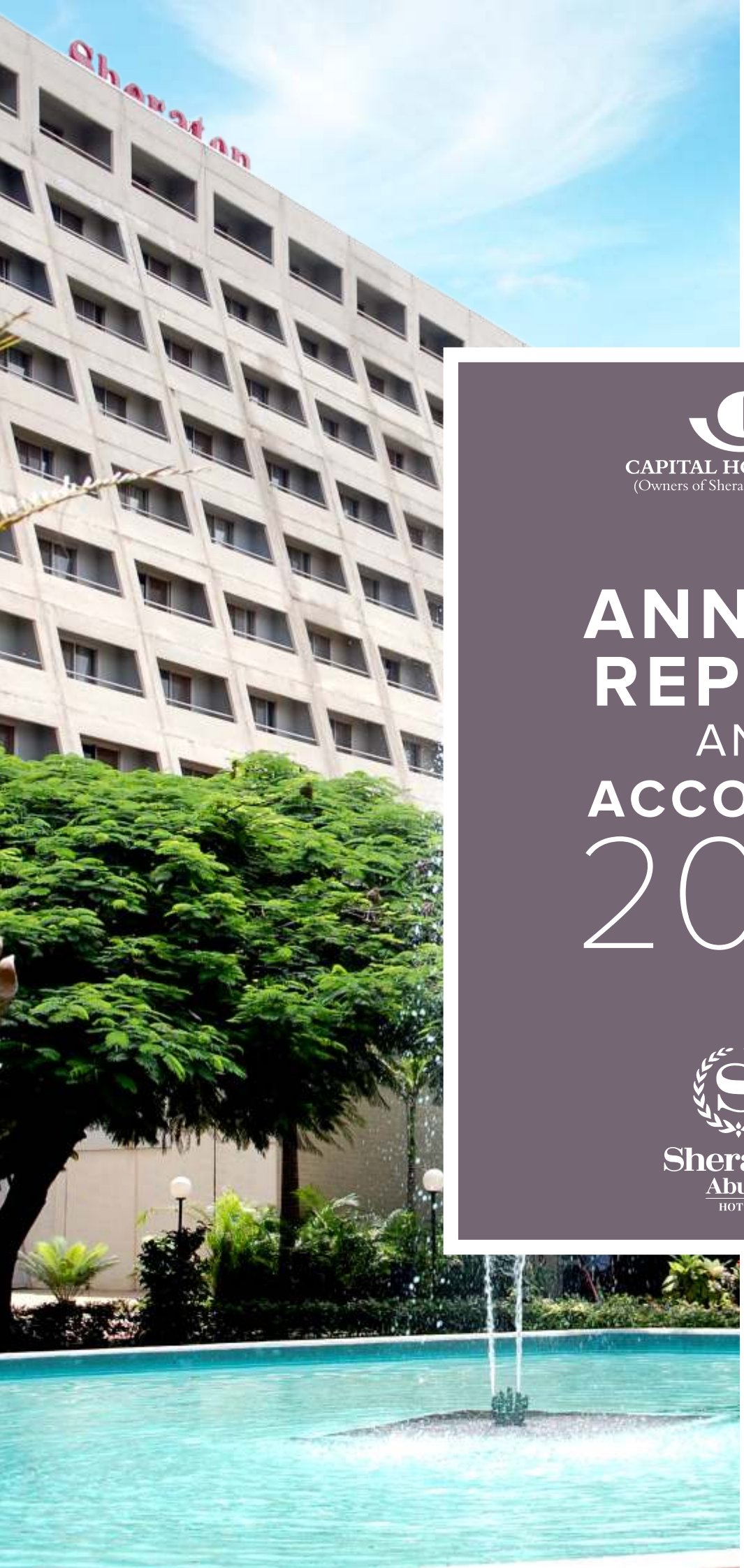

CAPITAL HOTELS PLC
(Owners of Sheraton Abuja Hotel)

ANNUAL REPORT AND ACCOUNTS 2018

Sheraton
Abuja
HOTEL

CAPITAL HOTELS PLC
(Owners of Sheraton Abuja Hotel)

ANNUAL REPORT AND ACCOUNTS 2018

Year Ended 31 December, 2018

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1.0 PREAMBLE

1.1 OVERVIEW

Capital Hotels Plc. was incorporated on 16 January 1981 as a private limited liability company. It became a public liability company (Plc.) on 31 May 1986. Its Hotel, Sheraton Abuja Hotel commenced business in January 1990.

The Hotel which is located at 1 Ladi Kwali Way, Zone 4, Wuse, Abuja is managed and operated by Marriott International, owners of Starwood Eame License and Services Company, BVBA under a System License Agreement dated 7 June 2011.

The strategic plan of Capital Hotels Plc is concerned with the formulation, evaluation and selection of strategies for the purpose of preparing a long term plan of action to attain set objectives of ensuring that shareholder value is enhanced and that the Company has adequate resources to continue in operational existence for the foreseeable future.

1.2 OUR VISION, MISSION AND VALUES

VISION

"To be the hospitality Company of first choice"

MISSION

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

VALUES

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

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

Associate development
- Encourage associates development
- Grow the leaders
- Capture excellence

Future oriented
- Anticipating future trend
- Staying ahead of competition

Upholding high ethical standards
- Build trust across Board
- Ethical buying
- Ethical business practices

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

Environmental responsibility
- Responsive to the environment
- Socially responsible

1.3 BOARD OF DIRECTORS AND OTHER PROFESSIONAL ADVISERS

Anthony. I. Idigbe, SAN	Chairman
Robert Itawa	Executive Director
Akpofure Ibru	Non-Executive Director
Abatcha Bulama	Non-Executive Director
Toke Alex-Ibru	Non-Executive Director
Helen DaSouza (Mrs)	Non-Executive Director
Justin C. Anosike	Non-Executive Director
Fadeke Olugbemi (Mrs.)	Non-Executive Director
Alexander A. Thomopulos	Non-Executive Director
Nicholas E. Dortie	Independent Non-Executive Director

REGISTERED OFFICE
1, Ladi Kwali Street,
Wuse Zone 4, Abuja

COMPANY SECRETARY
Ifebunandu & Co
Barristers & Solicitors
Suite 2B South East Pavilion,
Tafawa Balewa Square, Lagos

REGISTRARS
CardinalStone Registrars Limited
358 Herbert Macaulay Road,
Yaba, Lagos
www.cardinalstone.com
email: registrar@cardinalstone.com

AUDITORS:
Ernst & Young
10th Floor UBA House
57 Marina, Lagos-Nigeria

HOTEL OPERATOR:
Starwood Hotels and Resorts
Worldwide, Inc. (owned by Marriot
International, Middle East & Africa)
Emaar Square 6, Level 6,
PO Box 213111, Dubai,
United Arab Emirates

BANKERS:
Polaris Bank Ltd
Guaranty Trust Bank Plc
Zenith Bank Plc
Union Bank Plc

SOLICITORS:
G. M. Ibru & Co
Suite 011 Sheraton Lagos Hotel & Towers
30, Mobolaji Bank Anthony Way,
Ikeja, P.M.B. 21189, Lagos

1.4 RESULTS AT A GLANCE

	2018 N'000	2017 N'000	% Increase/ (Decrease)
Major Balance Sheet Items:			
Property, Plant and Equipment (Fixed Assets)	4,352,423	4,462,113	(2.46)
Other Non- Current Assets	26,101	38,095	(31.48)
Current Assets	5,698,295	5,340,923	6.69
Non- Current Liabilities	1,029,358	1,338,746	(23.11)
Current Liabilities	2,630,478	2,325,190	13.13
Retained Earnings	5,642,593	5,402,805	4.44
Share Capital	774,390	774,390	-
Shareholders' fund	6,416,983	6,177,195	3.88
Major Profit and Loss Account Items:			
Turnover	5,977,436	5,622,013	6.32
Profit before taxation	507,781	780,510	(34.94)
Profit after taxation	379,946	935,906	(59.40)
Per 50k Share Data			
Earnings per share (Kobo) - Basic	25	60	(58.33)
Earnings per share (kobo) - Diluted	25	60	(58.33)
Dividend per share - Kobo	-	5	
Dividend Cover - Times	-	12	
Net assets per share - Kobo	697	399	74.69
Ordinary shares and employees:	**No. of Shares:**	**No. of Shares:**	
Authorized	1,600,000,000	1,600,000,000	-
Issued	1,548,780,000	1,548,780,000	-
Employees	608	612	(0.65)

1.5. PROFILE OF DIRECTORS

Anthony Idigbe, SAN
Chairman.

He is a seasoned Legal Practitioner with over 30 years' experience. Chief Idigbe is the Senior Partner at Punuka Attorneys & Solicitors, a fully integrated and multi-dimensional business law practice with offices in Lagos, Abuja and Asaba, Nigeria and member of Lawyers Associated Worldwide (LAW), a global association of over 95 independent law firms located in more than 50 countries around the world. He was elevated to the rank of Senior Advocate of Nigeria in 2000 and was recently admitted to practice law in
Ontario, Canada.

Nicholas E. Dortie
Independent Non-Executive Director

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

Chuma Anosike
Non-Executive Director

He is a Legal Practitioner with over 25 years' post call experience and Managing Solicitor of the law firm of Chuma Anosike & Co. Mr. Anosike has business interests in Hospitality, Real Estate and Oil & Gas and is currently the President of the Nigeria Kenya Chamber of Commerce among other interests.
He serves as the Chairman of the Nomination, Governance and Risk Committee and a member of the Business, Finance and Purchasing Committee of the Board. He also serves as a member of the Statutory Audit Committee.

Abatcha Bulama
Non-Executive Director

He is a seasoned Chartered Accountant with over 30years experience. Alhaji Abatcha Bulama is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and Chartered Institute of Bankers of Nigeria (CIBN) and the Managing Partner of Alhaji Abatcha Bulama & Co. He was also the Ag. Executive Commissioner, Operations of the Securities and Exchange Commission, Abuja.
Alhaji Abatcha Bulama graduated from the Ahmadu Bello University Zaria in 1981 with BSc Accounting and also holds an MBA. He has attended several courses and seminars including International Financial Reporting Standards (IFRS) by ICAN (2012).

Dr. Alexander Thomopulos
Non-Executive Director

Dr. Alexander Thomopulos, Nigerian, is a product of Government College, Ughelli, Delta State, Nigeria (1964). He is an Environmental Health Scientist with B.A., M.Sc., Ph.D. degrees from the University of Kansas, USA. (M.Sc. & Ph.D. degrees) in Environmental Health Science coupled with post-doctoral certificates from other institutions.

PROFILE OF DIRECTORS

Mrs. Fadeke Olugbemi
Non-Executive Director

She is an experienced business executive with over two decades of work experience. Mrs Fadeke Olugbemi currently heads the Investment & Portfolio Management unit of Honeywell Group Limited where she has oversight for the professional management of the multi-million dollar Assets & Equity Investment Portfolio.
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.

Toke Alex-Ibru
Non – Executive Director

He is History graduate from the University of Exeter in 2002. Mr. Toke Alex-Ibru specialised in Media Development in Nigeria with over 10years of commercial experience in Publishing, 3years in hospitality management and determined to forge a career in the Media, Hospitality and Entertainment in Nigeria.

Mrs. Helen Da-Souza
Non – Executive Director

Mrs. Da-Souza is the Managing Director/Chief Executive Officer (MD/CEO) of Trustfund Pensions Limited.
She joined Trustfund Pensions Limited as Director, Finance and Administration in 2010 and rose to the position of the MD/CEO in 2013, after holding the position in acting capacity between 2011 and 2013.
Before joining Trustfund, she was an Associate Director at Akintola Williams Deloitte. Mrs. Da-Souza joined Akintola Williams Deloitte as a Trainee Accountant in 1985, and grew through the ranks to the position of Associate Director in 2009, a position she held before joining Trustfund Pensions Limited in 2010. She attended the University of Nigeria, Nsukka, where she bagged a B.Sc in Accountancy in 1984.

Akpofure Ibru
Non -Executive Director

He holds an LL. B from Edo State University 1994 and was admitted to the Nigerian Bar in 1995. His extensive experience in commercial negotiations, company promotional and project implementation spans nearly two decades.
A keen Rotarian, he can often be found donating his time, skill and experience to the less fortunate in society.

Robert Itawa
Executive Director.

He holds a Bachelor of Science Degree in Accounting from the University of Lagos. He also holds a Master of Science Degree in Banking & Finance from the University of Benin and a Fellow of the Institute of Chartered Accountants of Nigeria. Mr. Itawa is an Associate member of the Nigerian Institute of Chartered Arbitrators and also a Management Trainer certified by the Centre for Management Development.
Until the recent appointment, Mr. Itawa has been the General Manager of the Hotel and manages the interface among the Hotel Managers, the regulatory agencies and the Board of Directors to ensure harmonious operations. Before joining Capital Hotels Plc, Mr. Itawa had worked with several organizations.

2.0 BUSINESS OVERVIEW

2.1 CHAIRMAN'S STATEMENT

My distinguished Shareholders, Directors, the Regulatory Community, Members of the Press, Ladies and Gentlemen.

It is my honour and great pleasure to welcome you to the 38thAnnual General Meeting of Capital Hotels Plc and to present the Annual Report and Financial Statements of the Company for the Year Ended 31December, 2018.
The Notice conveying this meeting was published in the Financial Statements and Accounts, copies of which were dispatched to you some time back.

I shall now touch on some significant developments in the operating environment that impacted on our operations and performance during the year under review and give an outlook of our Company.

THE GLOBAL ECONOMIC OUTLOOK
The global economic landscape is sending contrasting economic signals.

Surveys and forecast published ahead of the 2019 Davos meeting showed that slowing global economic growth, populism, political tensions and trade wars are among the major worries of the world leaders.

The official theme for Davos 2019 meeting "Globalization 4.0", a vision of an interconnected world that tackles the economic inequality that goes along with globalised trade and production pointed to a number of variables that would influence the direction of trade and the bridging of the gap. These include anticipated relatively flat oil prices over signs of economic slowdown in China. The IMF global growth forecast is 3.5 per cent, down from its 3.7 per cent in October 2018 outlook. Also, the transition to the new International Financial Reporting Standards (IFRS) 9 may result in lower capital position. The shift from Incurred Loss to Expected Credit Loss (ECL) model may result in increasing impairment figures for most entities.

The ongoing protracted negotiations and debates about Brexit is posing a hazy economic outlook over Europe as the impact of the negotiations may have a strong bearing on global trade as countries may align and or realign their positions based on perceived interest.

The African Continental Free Trade Area Agreement, adopted on March 21, 2018 during the 18th Extraordinary Session of the Assembly of AU Heads of State and Governments in Kigali, Rwanda, is showing strong indications of the member states of the African Union doing business inter se. The body seeks to create a single continental market for goods and services in member nations, with free movement of business persons and investments using a single currency. The scope of the Agreement, covered trade in goods, services, investment, and rules and procedures on dispute settlement, including a range of provisions to facilitate trade, reduce transaction costs; provide exceptions, flexibilities and safeguards for vulnerable groups and countries in challenging circumstances.

In the more advanced economies, growth continues to be driven by economic activities amply supported by monetary policies aimed at stimulating consumption, output and employment.

Emerging and developing economies are still highly susceptible to volatility in commodity prices as the future of globalization is still raising questions arising from the discordant voices

from Europe, the Americas and China about protectionist policies.

OUTLOOK OF THE NIGERIAN ECONOMY

The GTBank report indicated that the Nigerian Economy will grow by 1.9 per cent in 2019. The rationale for the project was normalising interest rates, uncertainty in the oil market, slowing global economy and capital flight from emerging markets. Accordingly, Nigeria's economic performance will be largely dependent on the interplay of these external factors especially the global oil market in 2019. The first half of 2019 will see much more of politics and electioneering to the detriment of economic activities. This may translate into muted capital inflow/ fall in foreign direct investment, increased pressure on the Naira, accelerated foreign exchange intervention and declining external reserves. The real economic activities will only begin in the second half of the year.

The Nigerian government, in its 2019 budget of continuity hinged the success thereof on oil price benchmark of $60 per barrel; oil production estimate of 2.3 million barrels per day, including condensate; and exchange rate of N305/$. Other variables were a real GDP growth rate of 3.01% and inflation rate of 9.98%.

As indicated earlier, the market appears to feel that the budget is rather optimistic in its benchmark growth rate of 3.01% and instead forecasting 1.9%.

To enhance efficiency in the system, government had signed an Executive Order (EO) for MDAs to trigger ease of doing business and thus make the environment friendlier. The impact of the EO is still being expected.

STAYING AHEAD IN AN EVOLVING ECONOMIC LANDSCAPE

Capital Hotels Plc is maintaining its status as one of the dominant players in the hospitality industry in the harsh economic terrain and in spite of the reduced room inventory arising from the ongoing renovation exercise.

Excellent service delivery continued to be the hallmark of our brand, a tradition we proudly improve on year-on-year. This is in addition to the homely ambience of the Hotel as well as its unbeatable cuisines. This tradition is borne out of our long term confidence in the hospitality sector of the Nigerian economy.

HIGHLIGHTS OF 2018 FINANCIAL PERFORMANCE

During the year under review, Capital Hotels Plc returned an impressive top-line result. Its Gross Earnings increased from N5.62bn in 2017 to N5.98bn in 2018. The net assets of the Hotel increased by 4% to N6.42 billion in 2018. The figure was N6.18 billion in the previous year.

HOTEL RENOVATION

The first phase of the renovation of the Hotel involving about 97 rooms and the Club Lounge is in progress and is expected to be completed before the end of 2019.

The objective of the renovation is to enhance the outlook of the property and give a memorable experience to guests and other stakeholders for their loyalty. The renovation is still being funded from internally generated revenue.

We hope to come back to shareholders at some point in the future for support in funding the next phase of renovation.

DIVIDEND

Despite ongoing upgrade of a portion of the Hotel from internally generated revenue, we are pleased to recommend for your approval a dividend of 5 Kobo per share to all eligible shareholders whose names appear in the register of members at the date of the close of register.

APPRECIATION

Notwithstanding the challenging economic terrain, the Hotel was able to deliver improved growth in revenues and also improve our asset base. We appreciate our relationship with our Operator, Marriott International and we are continuing to work hard to improve the relationship.

My profound appreciation goes to the shareholders for their support and for giving me the opportunity to serve. I thank our hardworking and dedicated associates for their unwavering commitment to the attainment of objectives of the Company.

I wish to deeply thank my colleagues on the Board and the executive management team for the leadership and guidance to deliver on set strategies and keeping up with its value proposition to all stakeholders.

Above all, I am thankful to God for His guidance and mercy and pray for His continuous direction for the Hotel for the years ahead.

Thank you

Chief Anthony I. Idigbe SAN
Chairman

2.2 CERTIFICATION OF FINANCIAL STATEMENTS

In compliance with section 7(2) of the Financial Reporting Council of Nigeria Act, 2011, we have reviewed the Annual Report and Accounts of Capital Hotels Plc for the year ended 31 December 2018.

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

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

The Financial statements, and other financial information included therein, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the year presented in the financial statements. We are responsible for designing the internal controls system and procedures surrounding the financial reporting process and assessing these controls in accordance with Section 7(2)(f) of the Financial Reporting Council of Nigeria Act, 2011 and have designed such internal controls and procedures, or caused such internal controls and procedures to be designed under our supervision, to ensure that material information relating to the Company is made known to us by others within the entity. The controls, which are properly prepared, have been operating effectively in the period of intended reliance.

Based on the foregoing, we the undersigned, hereby certify that to the best of our knowledge and belief, the information contained in the financial statements of Capital Hotels Plc for the year ended 31 December 2018 appear to be true, correct and up to date.

Abatcha Bulama
Director

Robert Itawa
Executive Director

3.0 CORPORATE GOVERNANCE

3.1 CORPORATE GOVERNANCE REPORT

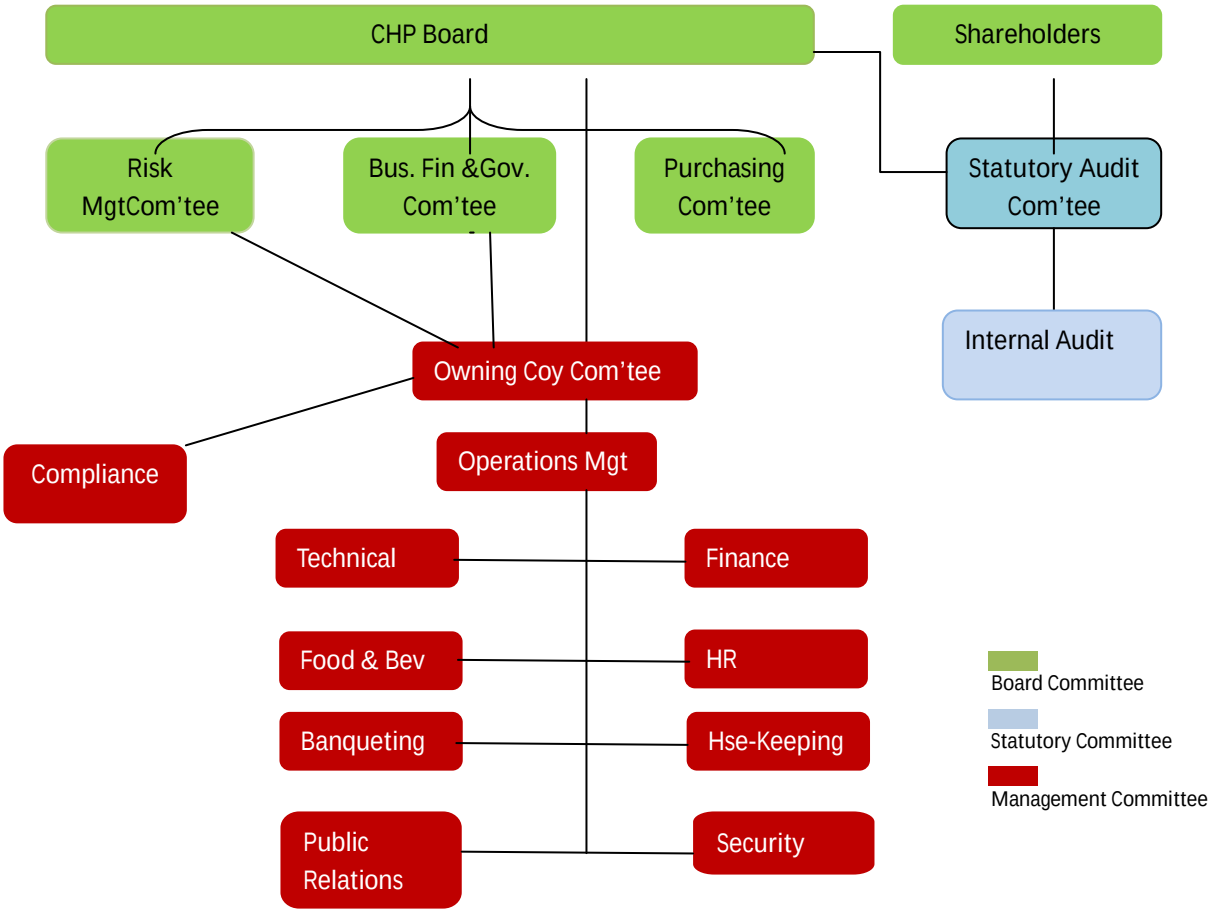
3.1.1 Overview

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

CHP is in business for the creation and delivery of long-term sustainable value in a manner consistent with its obligations as a responsible corporate citizen. It takes corporate governance very seriously as a critical facilitator towards the realization of long-term stakeholder value. The Board regularly reviews the corporate governance principles, processes and practices with a view to ensuring that they are in tandem with global best practice.

3.1.2 Corporate governance framework

The corporate governance framework as set out below depicts how the executive management assists the chief executive in his task of creating shareholder-value. Board-delegated authorities are regularly monitored by the Company Secretary's office.



The Company during the year ended 31st December 2018, complied with the Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission which took effect from April, 2011 (the "SEC Code"). Some of these corporate governance policies include:

- The Framework of the Governance Policies
  It sets out the broad policies that govern the operation of the Company's business including measures for its review and revision/amendment.

- The Charter documents for the Board and Board Committees
  The provisions of the Companies and Allied Matters Act (CAMA), Cap C20, Laws of the Federation of Nigeria, 2004 is the principal source of the functions of the Board and the various Committees as adapted. The Charters contain operational methodologies of the respective Committees including their terms of reference, functions, composition, tenure and method of appointment of the members thereof. The Charter documents are available for review at www.capitalhotelsng.org.

- Code of Conduct
  This policy ensures that ethical issues are handled consistently across every sphere of the operation of the Company. It prescribes zero tolerance for corruption, including bribery, position on corporate gifts, conflict of interest, insider trading, and similar measures to which all members of staff undertake to abide with. It also states the sanctions for non-compliance.

3.2 BOARD OF DIRECTORS

The Company has a ten-member Board of Directors consisting of one executive, eight (8) Non-Executive and one (1) Independent Non-Executive Directors.

The Chairman of the Board of Directors presides over Board meetings in accordance with the provisions of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004 (CAMA) and the Board Governance Charter of the Company.

The Board meets at least four times in a year. The details of Directors' attendance of Board meetings in the Year 2018 are disclosed on paragraph 3.2.2 below.

The Board establishes formal delegations of authority, defining the limits of Management's power and authority and delegating to Management certain powers to run the day-to-day operations of the Company. The delegation of authority conforms to statutory limitations specifying responsibilities of the Board that cannot be delegated to Management as indicated in the Board Charter. Any responsibility not delegated remains with the Board and its committees and this is discharged by board members by bringing to bear their wealth of experience garnered from their respective chosen disciplines.

3.2.1 Membership of the Board

At the end of the year under review, the following members were on the Board of the Company:

SN	DIRECTOR	POSITION	DATE APPOINTED TO THE BOARD	DATE(S) RE-ELECTED / APPOINTED	RESIGNATION/ RETIREMENT DATE
1	Chief Anthony I. Idigbe, SAN	Chairman	7 July, 2017	NIL	N/A
2	Mr. Chuma J. Anosike	Non-Executive Director	2011	27 JUNE 2017	N/A
3	Mr. Akpofure Ibru	Non-Executive Director	2017	NIL	N/A
4	Dr. Alexander Thomopulos	Non-Executive Director	2017	NIL	N/A
5	Alhaji Abatcha Bulama	Non-Executive Director	2017	NIL	N/A
6	Mrs. Fadeke Olugbemi	Non-Executive Director	2017	NIL	N/A
7	Mr. Toke Alex-Ibru	Non-Executive Director	2017	NIL	N/A
8	Mrs. Helen DaSouza	Non-Executive Director	2017	NIL	N/A
9	Chief Nicholas Dortie	Independent Non-Executive Director	2012	25 JUNE 2015	N/A
10	Mr. Robert Itawa	Executive Director	2017	NIL	N/A

3.2.2 Attendance at Board Meetings

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

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

Attendance at Board meetings from 1 January – 31 December 2018 is set out in the following table:

Name	Feb. 22	Mar 27	April 27	July 27	Nov. 30
Anthony. I. Idigbe, SAN	YES	YES	YES	YES	YES
Robert Itawa	YES	YES	YES	YES	YES
Akpofure Ibru	YES	YES	YES	YES	YES
Abatcha Bulama	YES	YES	YES	YES	YES
Toke Alex-Ibru	NO	YES	YES	NO	YES
Helen DaSouza (Mrs)	YES	YES	YES	NO	YES
Justin C. Anosike	YES	YES	NO	YES	NO
Fadeke Olugbemi (Mrs.)	NO	YES	YES	YES	YES
Alexander A. Thomopulos	NO	NO	YES	YES	YES
Nicholas E. Dortie	YES	YES	YES	YES	NO

3.3 COMPANY COMMITTEE AND BOARD COMMITTEES

The Company and the Board established a number of Committees through which it carries out some of its functions by the application of transparent and accountable practices thereby assisting in fulfilling the stated objectives.

The committees' roles and objectives are set out in their respective charters, which are reviewed periodically to ensure they remain relevant. The Charters set out the roles, responsibilities, scope of authority, composition of their respective committees and the procedures for reporting to the Board.

While delegating authorities to the respective committees, the ultimate responsibility thereof rests with the Board. Details of these committees and their operations are summarized below:

3.3.1 Statutory audit committee (Company Committee)

The Statutory Audit Committee of the Company's functions have been developed in accordance with the provisions of Section 359(3) to (6) of the Companies and Allied Maters Act (CAMA) Cap C20 LFN 2004. Its overall objective is to examine the External Auditor's report and make recommendations thereon to the members of the Company at the Annual General Meeting as it may deem fit. Specifically, the Audit Committee during the year under review performed the following functions:

a. Ascertained whether the accounting and reporting policies of the Company were in accordance with legal requirements and agreed ethical practices.
b. Reviewed the scope and planning of audit requirements.
c. Reviewed the findings on management matters in conjunction with the External Auditors and departmental responses thereon.
d. Kept under review the effectiveness of the Company's system of accounting and internal controls.
e. Made recommendations to the Board in regard to the appointment, removal and remuneration of the External Auditors of the Company.
f. Authorized the Internal Auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee.

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

As at 31st December, 2018, the Statutory Audit Committee consisted of the following members:

Barr. (Chief) C. F. Nwokocha*	Chairman
Mr. Patrick Ajudua*	Member
Mr. Olugbosun Banji*	Member
Barr. J. C. Anosike**	Member
Mr. Akpofure Ibru**	Member
Alhaji Abatcha Bulama**	Member

* = Shareholders' Representative
** = Non-Executive Director

The Shareholders re-elected the entire shareholders' representative on the Audit Committee at the AGM held on 27th June, 2018.

The attendance of the members at meeting of the Statutory Audit Committee during the year is set out below:

No. of meeting	Member	Attendance
3	Barr. (Chief) C. F. Nwokocha	3
	Mr. Patrick Ajudua	3
	Mr. Olugbosun Banji	3
	Barr. J. C. Anosike	3
	Mr. Akpofure Ibru	3
	Alhaji Abatcha Bulama	3

3.3.2. Nomination, Governance and Risk Committee

The Nomination, Governance and Risk Management Committee of the Board handled its responsibilities in three broad areas during the year ended 31 December, 2018, namely, nomination matters, governance issues and risk management concerns. The details of these functions are contained in the Charter of the Committee in www.capitalhotelsng.org

During the year, the Committee executed its mandate and made recommendation to the Board on the functions stated above, which in the opinion of the Committee deserved the attention of the Board. The following were members of the Committee and their attendance at meeting:

Committee	Meeting Times During the year	Members	Member's Attendance
Nomination, Governance and Risk Management Committee	5	Mr. J.C. Anosike (Chairman) Mrs. Fadeke Olugbemi Mr. AbatchaBulama Mr. Toke Alex-Ibru Mrs. Helen Da -Souza (Mr. Musa Nasr)	5 2 5 2 3

3.3.3 Business, Finance and Purchasing Committee

The Business, Finance and Purchasing Committee of the Board during the period under review was vested with performing three broad functions, namely, oversight of business development functions, handling financing issues and handling procurement matters. For detailed review of these functions, please visit the Corporate Governance Page at www.capitalhotelsng.org

During the year, the Committee discharged its responsibilities and made recommendations to the Board on its functions, which in the opinion of the Committee deserved the attention of the Board. The following were members of the Committee and their attendance at meetings:

Committee	Meeting Times During the year	Members	Member's Attendance
Business, Finance& Purchasing Committee	6	Mr. AbatchaBulama (Chairman)	6
		Mr. J.C. Anosike	5
		Dr. Alexander Thomopulos	3
		Mrs. Fadeke Olugbemi	4
		Chief Nicholas Dortie	5
		Mr. AkpofureIbru	5
		Mr. Toke Alex-Ibru	4
		Mr. Robert Itawa	6

The Management Team
The Executive Management Team (EMT) is charged with conducting the day to day activities of the Company and presenting periodic reports to the Board and its Committees for consideration and approval. It executes Board policies and strategies for the creation of stakeholder values. The EMT prepares annual budgets/ financial plans for the approval of the Board to ensure achievement of set corporate objectives.
The EMT ensures appropriate returns are filed with the regulatory agencies as necessary.

During the year, the EMT comprises:
a. Executive Director/CEO
b. General Manager of the Hotel
c. Head of Operations
d. Head of Finance
e. Head, Internal Audit & Compliance
f. Head, Human Resources
g. Company Secretary

3.4 INTERNAL CONTROL/AUDIT
The primary functions of the Internal Audit are to review transactions entered into by the Company to ensure accuracy, completeness, compliance with laid down procedures/ legality. Internal audit also provides assurance to the Board and Management Team that internal control measures are in place and adequate.

Apart from the Internal Audit Department taking specific responsibility for protecting the Company against fraudulent transactions, the entire staff and management of Capital Hotels Plc take ownership and responsibility for ensuring the safety of the assets of the Company. In addition, the Internal Audit Department is also saddled with promoting compliance with statutory and regulatory requirements, as well as internal control measures approved by the Board.

The Head of Internal Audit reports directly to the Statutory Audit Committee Chairman and the Board of Directors.

3.5 RELATIONSHIP WITH SHAREHOLDERS
As an indication of its fundamental responsibility to create shareholder value, effective and ongoing communication with shareholders is essential. In addition to the ongoing engagement facilitated by the Company Secretary, the Hotel encourages Shareholders to attend the Annual General Meeting and or other shareholder meetings where interaction is welcomed. The Chairman of the Hotel's Audit Committee is available at the meeting to respond to questions from shareholders.

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

3.6 INVESTOR RELATIONS
The Company has an investors' relations unit under the Finance department which provides briefings to all stakeholders on operations of the Company and also files statutory returns to the regulatory authorities, which information is usually accessible to the shareholders via market news.

3.7 COMMUNICATION POLICY

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

3.8 ENTERPRISE-WIDE RISK MANAGEMENT

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

3.9 CORPORATE SOCIAL RESPONSIBILITY

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

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

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

It is in realization of the above corporate objective that CHP in its 2018 Corporate Social Responsibility Outreach selected and visited Abuja School for the Deaf, Pasali Road, Kuje, FCT.

Established in 1991, the Abuja School for the Deaf caters for deaf children and those with speech impairment. The institution wholly owned by the government is a boarding school with a population of 653 children from Nursery, Primary to Junior Secondary School 1-3. The school has 44 teaching staff, 22 non-teaching staff and 12 PTA-provided teachers.

The Company presented students mattresses, bags of rice, indomie noddles and other edible items to the school management.

3.10 SECURITIES TRADING POLICY

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

3.11 COMPLAINTS MANAGEMENT POLICY FRAMEWORK

In compliance with the Securities and Exchange Commission Rule relating to the Complaints Management Policy Framework of the Nigerian Capital Market (SEC Rules) issued in February 2015, Capital Hotels Plc has further strengthened its complaints management procedures. The Company has in place a formal complaints management policy by virtue of which complaints arising from issues covered under the Investment and Securities Act 2007 (ISA) are registered and promptly resolved.

3.12 GOING CONCERN

The Board annually considers and assesses the going concern basis for the preparation of the financial statements at the year-end after receipt of the recommendation of the Audit Committee.

The Directors, at the end of 2018, have satisfied themselves that the Company is in a sound financial position and has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, they are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

3.13 INDUCTION AND TRAINING

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

Directors are kept abreast of all relevant legislations and regulations as well as sector developments leading to changing risks to the organization on an on - going basis. This is achieved by way of management reporting and quarterly Board meetings, which are structured to form part of ongoing training, including familiarization with the content of the SEC's Code of Corporate Governance as amended.

3.14 COMPANY SECRETARY

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

3.15 DIRECTORS' REMUNERATION POLICY

The Board's remuneration policy is structured taking into account the environment in which it operates and the results it achieves at the end of each financial year. It includes the following elements:

a. Non-Executive Directors

Components of remuneration are payable annually while sitting allowances accrue per meeting.

Directors are sponsored for trainings that they require to enhance their duties to the Company as deemed appropriate.

b. Executive Directors

The remuneration policy for executive directors considers various elements, including fixed remuneration which takes into account the level of responsibility, and ensuring this remuneration is competitive with remuneration paid for equivalent posts of equivalent status within the industry.

Variable annual remuneration linked to performance. The amount of this remuneration is subject to achieving specific quantifiable targets, aligned directly with shareholders' interests.

3.16 BOARD EFFECTIVENESS AND PERFORMANCE EVALUATION

The Board is continuously focused on improving its corporate governance performance. This it does through a process of evaluating its effectiveness and that of the Board Committees and individual Directors.

Each Executive and Non-Executive Director's performance is appraised personally by the Chairman. The Non-Executive Directors in a meeting presided over by an Independent Non-Executive Director equally assess the Chairman's performance.
The Board and Board Committees' evaluation process was overseen by Chief Anthony Idigbe, SAN in his capacity as Chairman of the Board. The exercise was conducted by an internal mechanism with the aim of assisting the Board and Board Committees to constantly improve their effectiveness. This process was supported by the Company Secretary through the review of the attendance of Directors at the meetings and activities of the various Board Committees of the Company.

The review covered the key decisions taken at the meetings of the Committees, the amount of follow-through assurances done through liaison with management. It also included assessment of Board's capability, process, structure, corporate governance, strategic clarity and alignment as well as the performance of individual Committees and Directors.

The performance of the Chairman is assessed annually by his management of proceedings at meetings; giving Board direction and strategic visioning for, and performance of the Company. For the Board Committees, a similar assessment was made in 2018 in agreement with the Committee Chairmen and each Committee member. The assessment covered a number of areas, including the role and responsibilities of each Committee, its organization and effectiveness and the qualifications of its members. The results of the assessments were also discussed at the various Committee meetings and further actions were agreed from this process.

3.17 DIRECTORS' REPORT

The Directors have pleasure in presenting to the members of Capital Hotels Plc their report together with the audited financial statements for the year ended 31 December 2018.

Legal Form

Capital Hotels Plc was incorporated in Nigeria on 16 January 1981 under the Companies and Allied Matters Act as a private limited liability Company in accordance with the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. It became a Public Limited Company on 31 May 1986.

Capital Hotels Plc (Owner of Sheraton Abuja Hotel) commenced business in January 1990. The Hotel is managed and operated by Marriott International, owners of Starwood Eame License and Services Company, BVBA under a system License Agreement dated 7 June 2011.

Principal activities

The company is engaged in the hospitality industry; particularly the rendering of hotel services.

Result for the year

The Company's result for the year ended 31 December 2018 is set out on pages that follow. The profit for the year of N379.9 million has been transferred to retained earnings. The summarised results are presented below.

	2018 N'000	2017 N'000
Revenue	5,977,436	5,622,013
Gross Profit	1,107,704	1,214,973
Profit before taxation	507,781	780,510
Taxation	(127,835)	155,396
Profit after taxation	379,946	935,906

DIVIDEND

The directors recommend the payment of a dividend in respect of the year ended 31 December 2018. This will be approved by the shareholders at the next Annual General Meeting (2017: N77.4 million).

DIRECTORS' INTEREST IN CONTRACTS

None of the Directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act of their direct or indirect interest in contracts or proposed contracts with the Company during the year.

DIRECTORS' SHAREHOLDING

The directors who held office during the year and to the date of this report together with their direct and indirect interests in the issued share capital of the Company as recorded in the register of Directors' shareholdings and/or as notified by the Directors for the purposes of sections 275 and 276 of the Companies and Allied Matters are as follows:

	2018		2017	
	Direct	Indirect	Direct	Indirect
Alhaji Abatcha Bulama	1,000	-	-	-
Chief Nicholas Dortie	1,500	-	1,500	-

Shareholding structure

The issued and fully paid share capital of the Company as at reporting date was beneficially owned by:

	31 December 2018		31 December 2017	
	Number of shares	% holding	Number of shares	% holding
Hans-Gremlin Nig. Ltd	789,877,800	51.00	789,877,800	51.00
Continental Energy Resources Ltd	228,564,655	14.76	228,564,655	14.76
Oma Investment Ltd	228,648,915	14.76	228,648,915	14.76
Abuja Invt. & Prop. Dev. Co. Ltd	100,775,620	6.51	100,775,620	6.51
Bank of Industry Limited (NBCI)	13,200,000	0.85	13,200,000	0.85
Ministry of Finance Incorporated	31,348,113	2.02	31,348,113	2.02
Associated Ventures Int'l Ltd	-	-	43,124,586	2.78
Bank of Industry (NIDB)	-	-	28,464,040	1.84
Nigeria Re-insurance Corporation	-	-	31,059,600	2.01
Nigeria Airways Pension Board	-	-	7,374,400	0.48
Others	156,364,897	10.10	46,342,271	2.99
Total	1,548,780,000	100.00	1,548,780,000	100.00

It is hereby declared that no other person(s) aside from the names listed therein holds more than 5% of the issued and fully paid shares of the Company.

Analysis of shareholding

Share range			No. of shareholders	No. of shares held at 31 Dec.,2018	% Holding
1	-	5,000	5,138	3,517,955	0.23
5,001	-	50,000	431	6,665,217	0.43
50,001	-	200,000	78	8,298,458	0.78
200,001	-	1,000,000	14	5,263,736	0.34
1,000,001	-	100,000,000	18	179,709,036	11.60
100,000,001	-	Above	4	1,345,325,598	86.86
			5,683	1,548,780,000	100.00

EMPLOYMENT AND PERSONAL MATTERS

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

a. Health, Safety and Environment

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

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

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

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

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

b. Employment of physically challenged persons

Capital Hotels Plc does not discriminate against the employment of less able and/or physically challenged persons. The Company makes every effort to encourage physically challenged persons to offer themselves for employment, to develop their skills, knowledge and leadership quality. The Company has two disabled persons in its employment as at 31st December, 2018.

c. Employee's Involvement & Training

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

ACQUISITION OF THE COMPANY'S SHARES
During the year under review, the Company did not acquire any of its own shares.

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

AUDIT COMMITTEE
The members of the Statutory Audit Committee appointed at the Annual General Meeting held on 27 June, 2018 in accordance with Section 359(3) of CAMA were:

- Barr. (Chief) C. F. Nwokocha (Member)+
- Mr. Olugbosun Banji (Member)+
- Mr. Patrick Ajudua (Member)+
- Mr. A. Bulama (Member) ++
- Mr. A. Ibru (Member) ++
- Mr. C. Anosike++

+ Shareholders' representatives
++ Non-Executive Director Members

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

ETHICS AND WHISTLE BLOWING
High ethical standard is the hallmark of Capital Hotels Plc, a practice that is championed at the top by the Directors. The Company has in place appropriate measures for the guests, staff and other stakeholders to bring to its attention, case(s) of unethical practices.

The Company has a dedicated whistle blowing procedure for reporting any deemed infractions of the policies of the Company or regulatory policies and or laws of the Federation.

Every staff signs on to a code of ethical behavior and conduct, a document which provides clear position on acts of corruption, bribery, money laundering, etc.

DONATIONS AND GIFTS
The Company made a donation of N355,000 by way of gift items to the Abuja School for the Deaf in the current year (2017: N694,000 including used beddings worth N5.2m).

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

been and is in substantial compliance with the provisions of the Code of Corporate Governance and the regulatory requirements of the regulators.

AUDITORS
Ernst & Young was appointed as the auditors on 8 February 2018 and have expressed their willingness to continue in office as the Company's auditors in accordance with Section 357(2) of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

By order of the Board

Alex Ugwuanyi, Esq
FRC/2017/NBA/000000016473
For: Ifebunadu & Co
Company Secretary

26 March, 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2018

The Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include:

a) Ensuring that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004;
b) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; and
c) Preparing the Company's financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates that are consistently applied.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards issued by the International Accounting Standards Board, Financial Reporting Council of Nigeria Act No 6, 2011 and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Chief Anthony. I. Idigbe, SAN	Mr. Chuma Anosike
Chairman	**Director**
FRC/2014/NBA/00000010414	FRC/2013/NBA/0000004027

Report of the Audit Committee to the members of Capital Hotels Plc
For the year ended 31 December, 2018

In compliance with section 359 (6) of the Companies and Allied Matters Act (CAMA), Cap C20, LFN 2004, members of the Audit Committee hereby report as follows:

1. The Audit Committee met in exercise of its statutory responsibilities in accordance with section 359 (6) of CAMA.
2. Reviewed the scope and planning of the Audit;
3. Reviewed the findings on management matters in conjunction with External Auditors, as well as the departmental responses thereon;
4. Reviewed the effectiveness of the Company's system of Accounting and Internal Controls;
5. Ascertained that the reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
6. Reviewed the Auditor's Report as required under S.359 (3) of CAMA

In our opinion, the scope and planning of the audit for the year ended 31 December 2018 were adequate and the management responses to the Auditors findings were satisfactory.

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

Barr. J. C. Anosike
Chairman

Members of the Committee:

Barr. J. C. Anosike	Chairman
Barr. (Chief) C.F. Nwokocha	Member
Mr. Akpofure Ibru	Member
Mr. Patrick Ajudua	Member
Mr. Olugbosun Banji	Member
Alhaji Abatcha Bulama	Member

March 21, 2019

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CAPITAL HOTELS PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Capital Hotels Plc which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Capital Hotels Plc as at 31 December 2018,and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, Financial Reporting Council of Nigeria Act No.6, 2011 and the relevant provisions of the Companies and Allied Matters Act. CAP C20, Laws of the Federation of Nigeria 2004.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA) and other independence requirements applicable to performing audits of Capital Hotels Plc. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Capital Hotels Plc. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risk of material misstatements of financial statements. The results of our procedures including the procedure performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CAPITAL HOTELS PLC - Continued

Key Audit Matter	How the matter was addressed in the audit
Impairment assessment of trade receivables Effective 1 January 2018, IFRS 9 - financial instruments which covers financial assets requires that financial assets are assessed for impairment using the Expected Credit loss (ECL) model that will lead to timely recognition of expected losses. An "expected loss" focuses on the risk that a debtor will default in payment rather than whether a loss has been incurred. As at 31 December 2018, the Company had a trade receivables balance of N527 million which represents a significant portion of the Company's working capital. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the hospitality sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. Based on our application of the ECL model on the Company's trade receivables, an impairment allowance of N186 million was calculated and recognised as at 31 December 2018. The impairment allowance represents 35% of the trade receivables. The ECL model requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and assessment of a significant increase in credit risk. Small changes in the amount and timing of future cash flows can result in different levels of allowances. We considered this as a key audit matter in the financial statements given the level of complexity and judgement involved in the process which required considerable audit time.	• We reviewed IFRS 9 models prepared by the management for computation of impairment on trade receivables in line with the requirements of IFRS 9. • We reviewed the grouping of trade receivables based on the number of days, trade debt became past due. • We tested the historical accuracy of the model by assessing historical projections versus actual losses. • We analysed historical credit loss with a view to identifying which portion of receivables remain unpaid during the year so as to enable us determine the default rate. • We engaged our internal specialist to perform independent recalculation of the impairment provision. • The review of other areas of complexities which includes incorporating forward looking information such as macroeconomic indicators that includes inflation rates, exchange rates, unemployment rate, Gross Domestic Products (GDP) e.tc. These macro-economic indicators were equally challenged for reasonableness taking into consideration available information in the public domain

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CAPITAL HOTELS PLC - Continued

Other Information
The directors are responsible for the other information. The other information comprises the Corporate information, the Report of the Directors, Statement of Directors' Responsibilities, Value Added Statements and Five-Year financial summary as required by the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of these other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements
The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, Financial Reporting Council of Nigeria Act No 6, 2011 and the relevant provisions of the Companies and Allied Matters Act. CAP C20, Laws of the Federation of Nigeria 2004, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether dye to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 financial statements.

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

- Identify and assess the risk of material misstatements of the 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 Tor 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 controls 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 Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CAPITAL HOTELS PLC - Continued

- 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements
In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004, we confirm that:

i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii. in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
iii. the Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Yusuf Aliu, FCA
FRC/2012/ICAN/00000000138

For: Ernst & Young
Lagos, Nigeria

29 March 2019

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0892885

CAPITAL HOTELS PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 ₦'000	2017 ₦'000
Revenue from contracts with customers	4	5,977,436	5,622,013
Cost of sales	7	(4,869,732)	(4,407,040)
Gross profit		1,107,704	1,214,973
Other operating income	8	50,783	258,885
Administrative expenses	9	(721,477)	(781,532)
Operating profit		437,010	692,326
Finance income	10	70,771	88,184
Profit before tax	11	507,781	780,510
Income tax expense	12	(127,835)	155,396
Profit for the year		379,946	935,906
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		379,946	935,906
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders	13	0.25	0.60
Diluted, profit for the year attributable to ordinary equity holders	13	0.25	0.60

The notes on pages 15 to 56 are integral part of this financial statements.

CAPITAL HOTELS PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018	2017
Assets		₦'000	₦'000
Non-current assets			
Property, plant and equipment	14	4,352,423	4,462,113
Intangible assets	15	26,101	38,095
Total non-current assets		4,378,524	4,500,208
Current assets			
Inventories	16	141,990	251,229
Trade and other receivables	17	1,620,077	1,615,857
Prepayments	18	193,454	63,927
Cash and short term deposit	19	3,742,774	3,409,910
Total current assets		5,698,295	5,340,923
Total assets		10,076,819	9,841,131
Equity			
Issued capital	20	774,390	774,390
Retained earnings		5,642,593	5,402,805
Total equity		6,416,983	6,177,195
Liabilities			
Non-current liabilities			
Employee benefit obligation	21	606,483	896,197
Deferred tax liabilities	12	422,875	442,549
Total non-current liabilities		1,029,358	1,338,746
Current liabilities			
Trade and other payables	22	2,378,096	1,935,123
Deferred income	23	31,641	54,406
Income tax payable	12	220,741	335,661
Total current liabilities		2,630,478	2,325,190
Total liabilities		3,659,836	3,663,936
Total equity and liabilities		10,076,819	9,841,131

The notes on pages 16 to 56 are integral part of this financial statements.
The financial statements was approved and authorised for issue by the Board of Directors on 26 MARCH 2019 and was signed on its behalf by:

Chief Anthony. I. Idigbe, SAN	Mr. Chuma Anosike	Mr. Robert Itawa
Chairman	Director	Director
FRC/2014/NBA/00000010414	FRC/2013/NBA/0000004027	FRC/2013/ICAN/00000000887

CAPITAL HOTELS PLC
STATEMENT OF CHANGES OF EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Issued capital (Note 20) ₦'000	Retained earnings ₦'000	Total equity ₦'000
At 1 January 2017		774,390	4,466,899	5,241,289
Profit for the year		-	935,906	935,906
Total comprehensive income, net of tax		-	935,906	935,906
At 31 December 2017		774,390	5,402,805	6,177,195
At 1 January 2018		774,390	5,402,805	6,177,195
Effect of adoption of new accounting standards	2.3	-	(62,718)	(62,718)
As at 1 January 2018 (restated)		774,390	5,340,087	6,114,477
Profit for the year		-	379,946	379,946
Total comprehensive income, net of tax		-	379,946	379,946
Dividend paid (Note 20.1)		-	(77,439)	(77,439)
At 31 December 2018		774,390	5,642,593	6,416,983

The notes on pages 15 to 56 are integral part of this financial statements.

CAPITAL HOTELS PLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 ₦'000	2017 ₦'000
Operating activities			
Cash receipt from customers		5,996,822	6,019,281
Cash paid to suppliers and employees		(5,192,836)	(4,934,029)
Income tax paid	12	(235,550)	(54,248)
Net cash flows from operating activities	24	568,436	1,031,004
Investing activities			
Interest received		70,771	88,184
Purchase of property, plant and equipment	14	(271,808)	(1,922,612)
Purchase of intangible assets	15	-	(23,173)
Net cash flows used in investing activities		(201,037)	(1,857,601)
Financing activities			
Dividend paid		(77,439)	(5,226)
Net cash flows used in investing activities		(77,439)	(5,226)
Net increase/ (decrease) in cash and short-term deposit		289,960	(831,823)
Net foreign exchange difference		42,904	250,883
Cash and cash equivalents at 1 January		3,409,910	3,990,850
Cash and short-term deposit at 31 December		3,742,774	3,409,910

The notes on pages 15 to 56 are integral part of this financial statements.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Corporate information

Capital Hotels Plc was incorporated in Nigeria on 16 January 1981 as a private limited liability Company in accordance with the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004. The company became a public limited company (plc) on 31 May 1986. Its hotel, Sheraton Abuja Hotel commenced business in January 1990. Its parent Company is Hans-Gremlin Nig. Ltd. Its ultimate parent Company is Ikeja Hotels Plc, Lagos.

The Hotel is managed and operated by Marriot International (Starwood Eame License and Services Company, BVBA) under a system license Agreement dated 7 June 2011.

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

2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), in accordance with the requirements of the Financial Reporting Council of Nigeria and the provisions of the Companies and Allied Matters Act, CAP C20, Laws of the Federation of Nigeria 2004.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Naira which is the Company's functional currency and all values are rounded to the nearest thousand (N'000), except when otherwise indicated.

2.2 Summary of significant accounting policies

a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.
A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

b) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

c) Revenue from contracts with customers

The Company is engaged in the hospitality industry and largely offers lodging, meals and other guest services to customers.

I. Rooms
ii. Food and beverages
iii. Other services

The Company has applied IFRS 15 practical expedient to a portfolio of contracts (or performance obligations) with similar characteristics since the Company reasonably expects that the accounting result will not be materially different from the result of applying the standard to the individual contracts. The Company has been able to take a reasonable approach to determine the portfolios that would be representative of its types of customers and business lines. This has been used to categorise the different revenue stream detailed below.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

At contract inception, the Company assess the goods or services promised to a customer and identifies as a performance obligation each promise to transfer to the customer either:

- a good or service (or a bundle of goods or services) that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Performance obligation

The Company has identified three distinct performance obligations as highlighted above.

In arriving at the performance obligations, the Company assessed the goods and services as capable of being distinct and as distinct within the context of the contract after considering the following:

- If the customer can benefit from the individual good or service on its own;
- If the customer can use the good or service with other readily available resources;
- If multiple promised goods or services work together to deliver a combined output(s); and
- whether the good or service is integrated with, highly interdependent on, highly interrelated with, or significantly modifying or customising, other promised goods or services in the contract

Rooms

Contract for the rendering of service by providing a room for an agreed period begins on performance which is when a customer makes a deposit to guarantee a reservation. Revenue is recognised over time because as the Company performs its obligations on the contract, the customer simultaneously receives and consumes the benefits provided by the Company's performance.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (if any).

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

Service charge
The Company charges a flat rate for all in-room services relating to foods and beverages offered to customers and it is part of the component of the consideration paid for food and beverages.

Food and beverages
The Company sells food and beverages to hotel guests and visitors. The Company recognises revenue from the sale of food and beverages at a point in time when control of the food and beverage is transferred to the customer. For service charge levied on food and beverages, the Company recognises the revenue at a point in time.

Other services
The Company generates revenue from other streams such as fitness club, laundry services, business centre, valet services. Revenue from rendering these services is recognised over time. For service charge levied on other services, the Company recognises the revenue over time because as the Company performs its obligations on the contract, the customer simultaneously receives and consumes the benefits provided by the Company's performance.

Contract balances
Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

Refund liabilities – security deposit
The Company receives a refundable deposit from customers. The refundable deposit is called a security deposit and the deposit is used to recoup unpaid balances owed by the customer. However, if the customer does not have unpaid balances, the security deposit is refunded to the customer.

The Company measures the obligation of the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

d) Taxes
Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting 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 deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities. And the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

Value added tax (VAT)
Expenses and assets are recognised net of the amount of Value added tax (VAT), except:

- When the Value added tax (VAT) incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the Value added tax (VAT) is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of Value added tax (VAT) included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

e) Foreign currencies
The Company's financial statements are presented in Naira, which is also the parent company's functional currency. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

- Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration. When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

f) Cash dividend
The Company recognises a liability when dividend distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws of Nigeria, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

g) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Other property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the motor vehicle, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of motor vehicle and plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. Refer to significant accounting judgements, estimates and assumptions (Note 3).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Freehold Land	Not depreciated
Building	40 years
Plant & Machinery	62/3 years
Furniture, fittings and equipment	62/3 years
Motor Vehicle	4 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

I) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income.

Computer software

Computer software acquisition costs recognised as assets are amortised over their estimated useful lives from the point at which the asset is ready for use. The estimated useful lives of the software of the Company is three years.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

k) Financial instruments – initial recognition and subsequent measurement

Policy applicable as from 1 January 2018
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

I) Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified as shown below:
- Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  And
- 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

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, receivables from other related parties and cash and short term deposit.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired
  Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions — Note 3
- Trade receivables — Note 17

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (if any).

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or payables, as appropriate.

All financial liabilities are recognised initially at fair value

The Company's financial liabilities include trade and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables measured at amortised cost
Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of a business, if longer). If not, they re presented as non current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

Financial instruments for comparative period
The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

- Classification

Financial assets and liabilities at fair value through profit or loss
Financial assets or liabilities at fair value through profit or loss are financial assets or liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be realised within twelve months; otherwise, they are classified as non-current.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprises 'trade and other receivables' and 'cash and cash equivalents' in the Statement of Financial Position.

Financial liabilities at amortised cost
Financial liabilities at amortised cost include trade and other payables and advance deposits.

- Recognition and measurement

Financial assets and liabilities at fair value through profit or loss
Financial instruments in this category are recognised initially and subsequently at fair value. Transaction costs are expensed in the statement of income. Gains and losses arising from changes in fair value are presented in the statement of income within "other gains and losses (net)" in the period in which they arise. Non-derivative financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the reporting date, which are classified as long-term. Interest swaps and warrants are classified as current.

Loans and receivables
Loans and receivables are initially recognised at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

Financial liabilities at amortised cost
Trade payables are initially recognised at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

- Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

l) Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:
- Direct materials: purchase cost on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

m) Impairment of non-financial assets
Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

• Disclosures for significant assumptions	Note 3
• Property, plant and equipment	Note 14
• Intangible assets	Note 15

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companys of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.2 Summary of significant accounting policies - continued

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

n) Cash and short-term deposits balances

Cash and bank balances in the statement of financial position comprise cash at banks and on hand and short term deposit, which are highly liquid and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances, as defined above.

o) Pension and other post-employment benefits

I) Defined contribution scheme - pension

The Company operates a defined contribution plan for its staff in accordance with the provisions of the Pension Reform Act 2014 as amended. This plan is in proportion to the services rendered to the Company by the employees with no further obligation on the part of the Company.

Each employees contributes 8% of annual earnings (basic pay, transport and housing), while the employer contributes 10% to the scheme. Staff contributions to the plan are funded through payroll deductions while the Company's contribution is recorded as employee benefit expense in profit or loss.

The Company does not have any legal or constructive obligation to pay further amounts if the plan asset is not sufficient to fund the obligation.

2.3 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.3 Changes in accounting policies and disclosures - continued

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related Interpretations.

There is no material quantitative changes based on the adoption of IFRS 15 to the Company's revenue but the qualitative disclosures have been updated in line with the application of IFRS 15.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company adopted IFRS 9 using modified retrospective approach, with an initial application date of 1 January 2018. The Company is not required to restate the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

	Adjustments	1 January 2018 N'000
Assets		
Trade receivables	(a)	(78,150)
Receivables from related parties	(b)	(11,447)
Total assets		(89,598)
Liabilities		
Deferred tax liabilities	(c)	(26,879)
Total liabilities		(26,879)
Total adjustment on equity:		
Retained earnings		(62,718)
		(62,718)

The nature of these adjustments are described below:

(a) Classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.3 Changes in accounting policies and disclosures - continued

Trade receivables and other current financial assets (i.e., due from related parties) classified as part of trade and other receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at 1 January 2018.

IAS 39 measurement category	IFRS 9 measurement category	N'000
Trade receivables*	Amortised cost	376,722
Due from related companies*	Amortised cost	984,277

* The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(b) Impairment
The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Upon adoption of IFRS 9 the Company recognised additional impairment on the Company's trade receivables and due from related party of N89.5 million which resulted in a decrease in Retained earnings of N89.5million as at 1 January 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 as at 31 December 2017	Re-measurement	ECL under IFRS 9 as at 1 January 2018
	N'000	N'000	N'000
Loans and receivables under IAS 39/Financial assets at amortised cost under IFRS 9 and contract assets	104,522	89,598	194,120

c) Other adjustments

In addition to the adjustments described above, other items such as deferred taxes were adjusted to retained earnings as necessary upon adoption of IFRS 9 as at 1 January 2018.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.3 Changes in accounting policies and disclosures - continued

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Company has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Company's financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Company.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Company's financial statements.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

2.3 Changes in accounting policies and disclosures - continued

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, then it may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Company's financial statements.

3. Significant accounting judgements, estimates and assumptions
The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

• Capital management	Note 6
• Financial instruments risk management and policies	Note 27
• Sensitivity analyses disclosures	Note 27

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers
The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction
The Company concluded that revenue from rooms and other services will be recognised over time because, as the Company performs, the customer simultaneously receives and consumes the benefits provided by the Hotel's performance.

The Company has determined that the output method is the best method in measuring progress rendering the services to the customer. The Output method recognises revenue based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

The Company has assessed that there is a direct relationship between the Company's measurement of the value of goods or services transferred to date, relative to the remaining goods or services promised under the contract.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Significant accounting judgements, estimates and assumptions- continued

The Company concluded that revenue from selling food and beverages is to be recognised at a point in time because sales of food and beverage do not meet the requirements of being satisfied over time. The Company has assessed that a customer obtains control of the food and beverage when:

- The Company has a present right to payment for the food and beverage;
- The Company has transferred physical possession of the food and beverage to the Customer;
- The customer has the significant risks and rewards of the food and beverage; and
- The customer has accepted the asset.

The Company has assessed that revenue earned from service charge will be recognised at a point in time when good or service has been satisfied.

For food and beverage: revenue earned from service charge levied on food and beverage will be recognised at a point in time, in line with the how revenue from food and beverage is being recognised.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The fair value of the assets of is based on the market value. This is the price which an asset may be reasonably expected to be realised in a sale in a private contract.

Provision for expected credit losses of trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables while general approach is used for related party receivables.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the hospitality sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 27.4.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Significant accounting judgements, estimates and assumptions- continued

Taxes
Given uncertainties exist with respect to the interpretations of complex tax regulations coupled with the amount and timing of future taxable income as well as the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The company establishes provisions, based on reasonable estimates, for possible tax implications that may result in tax liabilities.

4. Revenue from contracts with customers

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2018	2017
	₦'000	₦'000
Rooms	3,234,429	3,103,592
Food and beverages	2,265,034	2,052,259
Other services	477,973	466,162
Total revenue from contracts with customers	**5,977,436**	**5,622,013**
Timing of revenue recognition		
Goods transferred at a point in time	2,265,034	2,052,259
Services transferred over time	3,712,402	3,569,754
Total revenue from contracts with customers	**5,977,436**	**5,622,013**

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 5):

	2018	2017
Revenue	₦'000	₦'000
External customer	5,977,436	5,622,013
Total revenue from contracts with customers	**5,977,436**	**5,622,013**

4.1 Contract balances

	2018	2017
	₦'000	₦'000
Trade receivables (Note 17)	527,837	559,394

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. As disclosed in note 17, in 2018, N193.5million (2017: N104.5) was recognised as provision for expected credit losses on trade and related party receivables.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

5. Segment information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relates to transactions with any of the Company's other components.

All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer to make decision about resources to be allocated to the segment and assess its performance, and for which discrete information available.
Segment results that are reported to the Chief Executive Officer include revenue and cost of sales directly attributable to a segment as well as those that can be alocated on a reasonable basis.

The Company has three operating segments, summarised as follows:
Rooms
Food and Beverages
Other services

	2018				2017			
	Revenue ₦'000	Cost of sales ₦'000	Gross profit ₦'000	Gross profit margin	Revenue ₦'000	Cost of sales ₦'000	Gross profit ₦'000	Gross profit margin
Rooms	3,234,429	569,391	2,665,038	82%	3,103,592	635,670	2,467,922	80%
Food and Beverages	2,265,034	1,227,023	1,038,011	46%	2,052,259	1,300,569	751,690	37%
Other services	477,973	54,327	423,646	89%	466,162	53,097	413,065	89%
Unallocated		3,018,991				2,417,704		
	5,977,436	4,869,732	4,126,695	217%	5,622,013	4,407,040	3,632,677	205%

There is no disclosure of the profit/ loss for the period, depreciation and amortisation, assets and liabilities for each operating segment because management based its performance assessment on the gross margin from each operating segment and assets and liabilities of the Company are not directly related to a particular segment.

6. Capital management

For the purpose of the Company's capital management, capital includes issued capital and retained earnings attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximizes returns to shareholders . The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, trade and other payables, less cash and short term deposit .

	2018 ₦'000	2017 ₦'000
Trade and other payables	2,378,096	1,935,123
Cash and short term deposit (Note 19)	(3,742,774)	(3,409,910)
Net debt	**(1,364,678)**	**(1,474,787)**
Total capital: Equity	6,416,983	6,177,195
Capital and net debt	**5,052,305**	**4,702,408**
Gearing ratio	**0%**	**0%**

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	₦'000	₦'000
7. Cost of sales		
Rooms	261,576	635,670
Food and beverages	576,012	1,300,569
Other operating costs	2,297,540	606,299
Staff costs (Note 7.1)	1,734,604	1,864,502
Total cost of sales	4,869,732	4,407,040

Included in cost of sales is the sum of N503.6million representing judgement debt executed through a garnishee order while the stay of execution. The fund is currently quarantined in an account maintained with Access Bank Plc in the name of " The Registrar of Court of Appeal " The matter is currently on appeal.

	2018	2017
	₦'000	₦'000
Included in cost of sales:		
Wages and salaries	1,644,402	1,577,594
Pension costs	90,202	76,312
Defined benefit expense	-	210,596
	1,734,604	1,864,502
Included in cost of administrative expenses:		
Wages and salaries	47,348	63,141
Pension costs	2,026	1,851
Defined benefit expense	-	18,521
	49,374	83,513
Total employee benefits expense	1,783,978	1,948,015

8. Other operating income			
Net foreign exchange gains		42,904	250,883
Write back of expected credit loss/Impairment allowance		573	5,529
Scrap sales		7,306	2,473
Total other operating income		50,783	258,885
9. Administrative expenses			
Staff cost (Note 7.1)		49,374	83,513
Depreciation of property plant and equipment	14	381,498	367,756
Amortisation of intangible assets	15	11,994	4,902
Auditors remuneration		7,500	7,500
Audit expenses		2,695	1,778
Directors' remuneration		1,870	1,870
Directors' expenses		25,886	42,310
Donations		335	694
Bank charges		610	13,530
Office expenses		27,990	45,821
Fines and penalties		1,040	-
Transport and Travelling		6,510	2,623
Insurance		-	36,189
Licences fees		149,436	140,550
Management incentive fees		16,552	19,410
Professional fees		20,154	1,752
Secretarial and meetings		18,033	11,334
Total administrative expenses		721,477	781,532

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	₦'000	₦'000
10. Finance income		
Interest on bank deposits	34,619	42,282
Interest on intercompany loans	32,421	42,684
Interest on unclaimed dividend	3,731	3,218
	70,771	88,184

11. Profit before taxation

Profit before taxation is stated after charging:

	2018	2017
	₦'000	₦'000
Amortisation of intangible assets (Note 9)	11,994	4,902
Depreciation (Note 9)	381,498	367,756
Auditors remuneration (Note 9)	7,500	7,500
Exchange gain (Note 8)	(42,904)	(250,883)

12. Income tax

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

Statement of profit or loss	2018	2017
	₦'000	₦'000
Current income tax:		
Income tax charge	106,242	86,876
Education tax charged	14,282	13,241
Capital gains tax	106	-
	120,630	100,117
Deferred tax:		
Relating to origination and reversal of temporary differences	7,205	(255,513)
Income tax expense reported in the statement of profit or loss	127,835	(155,396)

Reconciliation of tax expense and the accounting profit multiplied by Nigeria's domestic tax rate of 30% for 2017 and 2018:

	2018	2017
	₦'000	₦'000
Accounting profit before income tax	507,781	780,510
At Nigeria's statutory income tax rate of 30% (2017: 30%)	152,334	234,153
Education tax	14,282	13,241
Impact of non-taxable income	(56,459)	(35,543)
Other non-deductible expenses	118,360	111,797
Capital allowance utilised	(100,788)	(479,044)
Capital gains tax	106	-
Income tax expense reported in the statement of profit or loss	127,835	(155,396)
Effective income tax rate	25%	-20%

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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12. Income tax - continued

Deferred tax	Statement of financial position	
Deferred tax relates to the following:	2018	2017
	₦'000	₦'000
Accelerated depreciation for tax purposes	462,250	443,530
Expected credit losses of debt financial assets	(52,246)	(76,245)
Unrealised exchange gain	12,871	75,264
Net deferred tax liability	422,875	442,549
Deferred tax reflected in the statement of financial position as follows:		
Deferred tax assets	(52,246)	(76,245)
Deferred tax liabilities	475,121	518,794
Deferred tax asset, net	422,875	442,549

	Statement of profit or loss	
	2018	2017
	₦'000	₦'000
Accelerated depreciation for tax purposes	18,720	(29,606)
Expected credit losses of debt financial assets	50,878	(198,027)
Unrealised exchange gain	(62,393)	(27,880)
Deferred tax benefit	7,205	(255,513)
Reconciliation of deferred tax liability, net		
As of 1 January	442,549	698,062
Imoact of IFRS 9 adoption	(26,879)	
Tax (income)/expense for the year	7,205	(255,513)
As at 31 December	422,875	442,549
Reconciliation of income tax payable		
As of 1 January	335,661	289,792
Income tax expense for the year	120,630	100,117
Payment during the year	(235,550)	(54,248)
As at 31 December	220,741	335,661

13. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2018	2017
	₦'000	₦'000
Profit attributable to ordinary equity holders for basic earnings	379,946	935,906
	Thousands	Thousands
Average number of ordinary shares for basic EPS	1,548,780	1,548,780
Basic Earnings per share (Kobo)	0.25	0.60
Diluted Earnings per share (Kobo)	0.25	0.60

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

14. Property, plant and equipment

	Freehold Land	Building	Plant & Machinery	Furniture, Fittings and equipment	Motor Vehicle	Capital work in progress	Total
	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000	₦'000
Cost							
1 January 2017	356,392	845,016	2,183,360	3,314,890	227,284	617,147	7,544,089
Additions	-	76,911	45,676	115,273	-	1,684,752	1,922,612
31 December 2017	356,392	921,927	2,229,036	3,430,163	227,284	2,301,899	9,466,701
Additions	-	8,396	76,457	103,861	-	83,094	271,808
31 December 2018	356,392	930,323	2,305,493	3,534,024	227,284	2,384,993	9,738,509
Accumulated depreciation and impairment losses							
1 January 2017	-	274,079	1,565,645	2,494,360	209,404	93,344	4,636,832
Depreciation for the year	-	21,992	126,571	212,504	6,689	-	367,756
Impairment	-	-	-	-	-	-	-
31 December 2017	-	296,071	1,692,216	2,706,864	216,093	93,344	5,004,588
Depreciation for the year	-	7,443	136,151	231,317	6,587	-	381,498
31 December 2018	-	303,514	1,828,367	2,938,181	222,680	93,344	5,386,086
Net book value							
At 31 December 2018	356,392	626,809	477,126	595,843	4,604	2,291,649	4,352,423
At 31 December 2017	356,392	625,856	536,820	723,299	11,191	2,208,555	4,462,113

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15. Intangible assets

Computer software with definite useful life	2018 ₦'000	2017 ₦'000
Cost:		
At 1 January	49,017	25,844
Additions	-	23,173
At 31 December	49,017	49,017
Amortisation and impairment:		
At 1 January	10,922	6,020
Amortisation	11,994	4,902
At 31 December	22,916	10,922
Carrying value	26,101	38,095

Computer software consists of acquisitions costs of software used in the day-to-day operations of the Company. There was no objective evidence of impairment of the intangible assets as at 31 December 2018 (2017: Nil).

16. Inventories

	2018 ₦'000	2017 ₦'000
Food and beverages	65,514	65,443
Engineering spares	40,686	170,325
Guest supplies	35,790	15,461
	141,990	251,229

During 2018, N439,239,300 (2017: N453,555,091) was recognised as an expense for inventories carried at net realisable value. This is recognised in the cost of sales.

There was no write-down of inventories to net realisable value during the year.

17. Trade and other receivables

	2018 ₦'000	2017 ₦'000
Receivables from third-party customers	527,837	559,394
Receivables from other related parties (Note 25)	763,713	995,724
Allowance for expected credit losses	(193,547)	(104,522)
	1,098,003	1,450,596
Other receivables (Note 17.1)	522,074	165,261
	1,620,077	1,615,857

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. For terms and conditions relating to related party receivables, refer to Note 25.

17.1 Other receivables

	2018 ₦'000	2017 ₦'000
Advances to suppliers	-	61,903
WHT receivables	338,341	114,001
Insurance claim receivable	33	33
CHP/ SAH Current account	196,241	-
Advances to staff	36,693	36,937
Deposits	3,387	5,008
WHT impairment allowance	(52,621)	(52,621)
	522,074	165,261

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

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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Trade receivables

As at 31 December 2018, the company has trade receivables of N341,794,000 (2017: N454,872,000) which is net of an allowance for credit losses of N186,043,000 (2017: N104,522,000)

Set out below is the movement in the allowance for expected credit losses of trade and related party receivables:

	2018 ₦'000	2017 ₦'000
As at 1 January	104,522	110,051
Impact of IFRS 9 adoption	89,598	-
As at 1 January (restated)	194,120	110,051
Write back of expected credit loss/Impairment allowance	(573)	(5,529)
	193,547	104,522

The significant changes in the balances of trade and other receivables are disclosed in Note 2 while the information about the credit exposures are disclosed in Note 27.4.

18. Prepayments

	2018 ₦'000	2017 ₦'000
Maintenance contracts	14,035	68
Insurance	-	21,438
Staff benefits prepaid	30,752	-
Prepaid supplies	144,662	-
Others	4,005	42,421
	193,454	63,927

19. Cash and short term deposit

	2018 ₦'000	2017 ₦'000
Cash on hand	583	1,051
Cash at banks	423,085	681,083
Short term deposit	3,319,106	2,727,776
	3,742,774	3,409,910

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short term deposits earns interest at floating rates based on daily bank deposit rates.

For the purpose of the statement of cash flows, cash and short-term deposit as at 31 December is as shown above

	2018 ₦'000	2017 ₦'000
Cash and short-term deposit	3,742,774	3,409,910

20. Issued capital and reserves

Authorised shares		
1,600,000 ordinary shares of 50k each	800,000	800,000
Ordinary shares issued and fully paid		
1,548,780,000 ordinary shares of 50k each	774,390	774,390

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20.1 Dividend

The directors declared a dividend of 5 kobo per share amounting to N77.439 million out of 2017 profit. The dividend was approved by members at the Annual General Meeting dated 27 June 2018. The dividend has been paid to shareholders subject deduction of withhoding tax.

	2018 ₦'000	2017 ₦'000
21. Employee benefit obligation		
At 1 January	896,197	1,009,757
Provision for the year	-	229,117
Payments in the year	(289,714)	(342,677)
At 31 December	606,483	896,197

Sequel to the agreement made by both the management of the Company and the Staff Union/ Personal Services workers Association to end the staff gratuity and staff retirement as at 31 December 2017, all retirement benefit participants, including those who have completed five (5) years and above in service as at 31 December 2017 signed off their balance as at date Payment will be made to staff that qualifies for the benefit in three installments as follows;

1st batch; October 2019
2nd batch: October 2020
3rd batch: October 2021

22. Trade and other payables	2018 ₦'000	2017 ₦'000
Trade payables	443,038	222,244
Related parties (Note 25)	625,254	625,254
Other payables (Note 22.1)	632,946	559,275
Accrued liabilities	676,858	528,350
	2,378,096	1,935,123

Accrued liabilities represents accruals for Directors fee, sitting allowances due to retired Directors, secretarial fees accruals, bonus accrual and general accruals

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other payables are non-interest bearing and have an average term of six months
- For terms and conditions with related parties, refer to Note 25

For explanations on the Company's liquidity risk management processes, refer to Note 27.4.

22.1 Other payables	2018 ₦'000	2017 ₦'000
Deposit from guests	388,015	245,175
Entertainment tax	104,825	104,825
Service charge payable	30,967	29,370
Pension	915	-
Miscellaneous	12,415	11,801
CHP/ SAH Current account	-	77,356
Dividend payable	66,408	66,408
PAYE	8,972	8,580
VAT payable	19,249	15,760
WHT Payable	1,180	-
	632,946	559,275

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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23. Deferred income

At 1 January	54,406	45,941
Received in the year	145,254	219,816
Charged in the year	(168,019)	(211,351)
At 31 December	31,641	54,406

Deferred income relates to rent received in advance but not yet earned.

24. Cash generated from operations

		2018 ₦'000	2017 ₦'000
Profit before tax		507,781	780,510
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	9	381,498	367,756
Amortisation of intangible assets	9	11,994	4,902
Impairment allowance written back	8	(573)	(5,529)
Net foreign exchange differences	8	(42,904)	(250,883)
Employee benefit expense	21	-	229,117
Finance income	10	(70,771)	(88,184)
Working capital adjustments:			
Decrease in inventories		109,239	24,649
(Increase)/decrease in trade and other receivables		(93,245)	143,985
(Increase)/ decrease in prepayments		(129,527)	25,465
Increase in trade and other payables		442,973	188,869
(Decrease)/ Increase in deferred income		(22,765)	8,465
		1,093,700	1,429,122
Employee benefit paid		(289,714)	(342,677)
Income tax paid		(235,550)	(54,248)
		568,436	1,032,197

25. Related party disclosures

The immediate parent Company is Hans-Gremlin Nig. Ltd while the ultimate parent Company is Ikeja Hotels Plc. There are other Companies that are related to Capital Hotels Plc through common shareholdings and directorship and such relationships are listed below;

Related Company	Relationship	Industry
Ikeja Hotels Plc	Parent	Hospitality
CHP Hospitality and Tourism Limited	Fellow subsidiary	Hospitality

The following table provides the total amount of transactions that have been entered into with related parties during the year

31 December 2018	Loan to related parties ₦'000	Purchases from related parties ₦'000	Amounts owed by related parties (Loan) ₦'000	Amounts owed to related parties ₦'000
Entity with significant influence over the Company:				
Ikeja Hotels Plc	-	-	763,713	-
CHP Hospitality and Tourism Limited			-	625,254
	-	-	763,713	625,254

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

25. Related party disclosures - continued

	Loan to related parties	Purchases from related parties	Amounts owed by related parties (Loan)	Amounts owed to related parties
31 December 2017				
Entity with significant influence over the Company:				
Ikeja Hotels Plc	-	-	995,724	-
CHP Hospitality and Tourism Limited	-	-	-	625,254
	-	-	995,724	625,254

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Company recognised provision for expected credit losses of N2,002,000 relating to amounts owed by related parties (2017: N11,447,000).

Compensation of key management personnel

	2018 ₦'000	2017 ₦'000
Emoluments of directors		
Salaries and other short-term employee benefits	11,191	11,191
Defined contributions	574	574
Fees and allowances	22,470	22,470
Total compensation paid to key management personnel	34,235	34,235
Amount paid to the highest paid director (excluding pension contributions)	11,191	11,191
Chairman's emoluments		
Fees	270	270

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown above:

The number of directors of the Company (including the highest paid director) whose remuneration, excluding pension contributions, in respect of services to the Company is within the following range:

	2018 Number	2017 Number
Above N10,000,000	1	1

26. Commitments and contingencies

Commitments

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

Contingent liabilities

There were no contingent liabilities as at as at 31 December 2018 (2017: Nil)

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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27. Financial assets and financial liabilities

27.1 Financial assets

Debt instruments at amortised cost	2018 ₦'000	2017 ₦'000
Bank and short term deposits	3,742,191	3,408,859
Trade and other receivables (Note 17)	1,229,082	1,449,202

Debt instruments at amortised cost include trade receivables and receivables from related parties.

27.2 Financial liabilities

Financial liabilities at amortised cost	2018 ₦'000	2017 ₦'000
Trade and other payables (Note 22)	1,596,413	1,301,948

27.3 Fair values
The management assessed that the fair values of cash and bank balances, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

27.4 Financial instruments risk management objectives and policies
The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, and cash and bank balances that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's management is supported by the audit and governance committee of the board that advises on risks and the appropriate risk governance framework for the Company. The audit and risk management committee of the board provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions, Recognised financial assets and liabilities not denominated in Naira units	Cash flow forecasting Sensitivity analysis	Contractual agreements on exchange rates
Credit risk	Cash and cash equivalents and trade receivables	Aging analysis Credit ratings	Diversification of bank deposits and credit limits
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
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27.4 Financial instruments risk management objectives and policies - Continued

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include deposits and loans and borrowings.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not expose to this risk as the Company has no long-term debt obligations.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the Company's liquidity reserve and cash and bank balances (Note 19) on the basis of expected cash flows.

This is generally carried out based on the limits set by the Company. These limits vary to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). The Company's exposure to foreign currency risk at the end of the reporting period expressed in the individual foreign currency unit was as follows:

	2018 '000	2017 '000
Cash and short term deposits		
United State Dollar (USD)	10,021	8,683

Foreign Currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities.The Company's exposure to foreign currency changes for all other currencies is not material.

31 December 2018		31 December 2017	
Change in USD rate	Effect on profit before tax ₦'000	Change in USD rate	Effect on profit before tax ₦'000
+5%	50,105	+5%	1,800
-5%	(50,105)	-5%	(1,800)

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27.4 Financial instruments risk management objectives and policies - Continued

Credit risk
Credit risk arises from cash and short term deposits with banks and other financial institutions, as well as credit exposures to related parties and to customers.

(I) Risk management
Credit risk is managed by performing credit checks on all clients requiring credit over certain amounts. Credit is authorised beyond the credit limits established where appropriate.

There is no independent rating for customers. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by management.

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

The credit ratings of the investments are monitored for credit deterioration.

(ii) Security
No security is obtained for trade receivables either in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement. However, some guests are required to provide security deposits for credit transactions while others are granted credit on the strength of their credibility and past performances.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. There are no credit ratings for Capital Hotels Plc's trade and other receivables. Credit ratings from Global Credit Rating Co. (GCR) are highlighted below:

	2018	2017
	₦'000	₦'000
Cash at bank and short-term bank deposits A+(nga)	3,742,191	3,408,859
Unrated cash and cash equivalents	583	1,051
Unrated trade and other receivables	1,620,077	1,615,857
Maximum credit exposure	5,362,851	5,025,767

(iii) Impairment of trade and related party receivables
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

27.4 Financial instruments risk management objectives and policies - continued

Set out below is the information about the credit risk exposure on the Company's trade and related party receivables using a provision matrix:

		Days past due				
31-Dec-18	Current ₦'000	<30 days N'000	30–60 days N'000	61–90 days N'000	>91 days N'000	Total N'000
Expected credit loss rate	0.00%	2.06%	2.26%	2.84%	17.32%	
Estimated total gross carrying amount at default	-	148,820	120,742	47,117	974,871	1,291,550
Expected credit loss	-	20,548	2,734	1,338	168,927	193,547

1-Jan-18	Current ₦'000	<30 days ₦'000	30–60 days ₦'000	61–90 days ₦'000	>91 days ₦'000	Total ₦'000
Expected credit loss rate	0.00%	2.51%	2.81%	3.53%	100.00%	
Estimated total gross carrying amount at default	-	284,111	99,569	40,123	1,131,315	1,555,118
Expected credit loss	-	1,416	30,000	27,113	135,591	194,120

Set out below is the movement in the allowance for expected credit losses of trade and related party receivables:

In thousands of Naira	₦'000
Balance as at 1 January 2018 under IAS 39	104,522
Adjustment upon application of IFRS 9	89,598
Balance as at 1 January 2018 /1 January 2017– As restated	194,120
Provision for expected credit losses	(573)
Changes in credit risk parameters	-
Balance at 31 December	193,547

CAPITAL HOTELS PLC
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27.4 Financial instruments risk management objectives and policies - Continued

Expected credit loss measurement - other financial assets
The Company applied the general approach in computing expected credit losses (ECL) for intercompany receivables. The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Analysis of inputs to the ECL model under multiple economic scenarios
An overview of the approach to estimating ECLs is set out in Note 2.3 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (Central Bank of Nigeria, Standards and Poor's etc.) and a team of expert within its credit risk department verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the multiple scenarios. The following tables set out the key drivers of expected loss and the assumptions used for the Company’s base case estimate, ECLs based on the base case, plus the effect of the use of multiple economic scenarios as at 31 December 2017 and 31 December 2018.

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27.4 Financial instruments risk management objectives and policies - continued

The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario.

31 December, 2018

Key drivers	Assigned Probabilities	ECL Scenario	2019	2020	2021	2022	2023	Subsequent years
GDP growth	10%	Upturn	0.26	0.29	0.32	0.35	0.38	0.41
	80%	Base	0.20	19.00	0.15	0.16	0.14	0.15
	10%	Downturn	0.14	0.11	0.08	0.05	0.02	(0.01)
Oil Price %	10%	Upturn	56.00	59.00	62.00	65.00	68.00	71.00
	80%	Base	55.00	57.00	62.00	54.00	56.00	57.00
	10%	Downturn	44.00	41.00	38.00	35.00	32.00	29.00
Exchange rate %	10%	Upturn	180.00	175.00	170.00	165.00	160.00	155.00
	80%	Base	199.50	209.48	219.95	230.95	242.49	254.62
	10%	Downturn	204.75	214.99	225.74	237.02	248.87	261.32
Inflation rate %	10%	Upturn	26.00	24.00	22.00	20.00	18.00	16.00
	80%	Base	31.00	32.00	33.00	34.00	35.00	36.00
	10%	Downturn	34.00	36.00	38.00	40.00	42.00	44.00

1 January, 2018

Key drivers	Assigned Probabilities	ECL Scenario	2018	2019	EDTF 3 2020	2021	2022	Subsequent years
GDP growth	11%	Upturn	0.23	0.03	0.03	0.03	0.03	0.06
	79%	Base	0.20	0.20	19.00	0.15	0.16	0.14
	10%	Downturn	0.17	(0.03)	(0.03)	(0.03)	(0.03)	(0.06)
Oil Price %	11%	Upturn	53.00	3.00	3.00	3.00	3.00	6.00
	79%	Base	50.00	55.00	57.00	62.00	54.00	56.00
	10%	Downturn	47.00	(3.00)	(3.00)	(3.00)	(3.00)	(6.00)
Exchange rate %	11%	Upturn	185.00	(5.00)	(5.00)	(5.00)	(5.00)	(10.00)
	79%	Base	190.00	-	-	-	-	-
	10%	Downturn	195.00	-	-	-	-	-
Inflation rate %	11%	Upturn	28.00	(2.00)	(2.00)	(2.00)	(2.00)	(4.00)
	79%	Base	30.00	31.00	32.00	33.00	34.00	35.00
	10%	Downturn	32.00	2.00	2.00	2.00	2.00	4.00

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

27.4 Financial instruments risk management objectives and policies - Continued

	31-Dec-18	1-Jan-18
	Intercompany receivables	
	Company	Company
	N'000	N'000
Upturn	1,344.90	1,259
Base	10,759.20	9,043
Downturn	1,344.90	1,145
	13,449	11,447

Due from related company

An analysis of changes in the gross carrying amount and the corresponding ECL allowances are as follows:

Company	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	Total N'000
Gross carrying amount as at 1 January 2018	995,724	-	-	995,724
Additions	-	-	-	-
Asset derecognised or repaid (excluding write offs)	(232,011)	-	-	(232,011)
At 31 December 2018	763,713	-	-	763,713

	Stage 1 N'000	Stage 2 N'000	Stage 3 N'000	Total N'000
ECL allowance as at 1 January 2018	11,447	-	-	11,447
Charged for the year	2,002	-	-	2,002
At 31 December 2018	13,449	-	-	13,449

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted

Year ended 31 December 2018	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	> 5 years ₦'000	Total days ₦'000
Trade and other payables	-	-	2,378,096	-	-	2,378,096
	-	-	2,378,096	-	-	2,378,096

Year ended 31 December 2017	On demand ₦'000	Less than 3 months ₦'000	3 to 12 months ₦'000	1 to 5 years ₦'000	> 5 years ₦'000	Total days '00₦
Trade and other payables	-	-	1,935,123	-	-	1,935,123
	-	-	1,935,123	-	-	1,935,123

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

28. Staff numbers and costs

The table below shows the number of employees (excluding directors), who earned over N240,000 as emoluments in the year and were within the bands stated.

Staff Numbers per grade	2018 Number	2017 Number
Managerial	9	11
Senior staff	239	229
Others	360	372
	608	612
N0- N200,000	-	-
N200,001-N400,000	274	242
N400,001-N600,000	62	36
N600,001-N800,000	74	33
N800,001- N1,000,000	78	53
Above N1,000,000	120	248
	608	612

Staff costs for the above persons (excluding Directors):

	2018 ₦'000	2017 ₦'000
Salaries and wages	1,691,750	1,640,735
Pension cost	92,228	78,163
Defined benefit expense	-	229,117
	1,783,978	1,948,015

29. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A specific adaptation for contracts with direct participation features (the variable fee approach)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

29. Standards issued but not yet effective - continued

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019,but certain transition reliefs are available. The Company will apply the interpretation from its effective date. Since the Company operates in a complex multinational tax environment, applying the Interpretation may affect its consolidated financial statements. In addition ,the Company may need to establish processes and procedures to obtain information that necessary to apply the Interpretation on a timely basis.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely its of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Company.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets hat constitute a business, as defined in IFRS 3,between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Company will apply these amendments when they become effective.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

29. Standards issued but not yet effective - continued

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

- IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

- IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments will apply on future business combinations of the Company.

CAPITAL HOTELS PLC
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2018

29. Standards issued but not yet effective - continued

- IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

- IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

- IAS 23 Borrowing costs

The amendments clarify that an entity treat as part of general borrowing any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

Other standards issued but not yet effective as at 31 December 2018 but are not expect to have significant impact on the Company are listed below"

New Standards/ Amendments	Effective year
IFRS 16 - Leases	1/1/2019
Amendment to IAS 28	1/1/2019
Definition of a business - Amendments to IFRS 3	1/1/2020
Definition of a Material - Amendments to IAS 1 and IAS 18	1/1/2020
The conceptual framework for Financial Reporting	1/1/2020

30. Events after the reporting period

There were no known events after the reporting date which could have a relevant impact on the financial statements of the Company that had not been adequately provided for or disclosed in the financial statements.

CAPITAL HOTELS PLC
STATEMENT OF VALUE ADDED
AS AT 31 DECEMBER 2018

	2018 ₦'000	%	2017 ₦'000	%
Revenue	5,977,436		5,622,013	
Other operating income	50,783		258,885	
Finance income	70,771		88,184	
	6,098,990		5,969,082	
Bought in services				
- Foreign	(170,687)		(143,395)	
- Local	(2,730,991)		(2,294,319)	
Total Value added	2,685,251		3,101,183	
Applied as follows:				
Employees				
Salaries and other labour related benefits	1,783,978	66	1,948,015	63
Government				
Taxation	120,630	4	100,117	3
The Future				
Deferred tax	7,205	-	(255,513)	(8)
Depreciation and amortisation	393,492	15	372,658	12
Retained profit	379,946	14	935,906	30
	2,685,251	100	3,101,183	100

CAPITAL HOTELS PLC
FIVE YEAR FINANCIAL SUMMARY
AS AT 31 DECEMBER 2018

Assets	2018 ₦'000	2017 ₦'000	2016 ₦'000	2015 ₦'000	2014 ₦'000
Property, plant and equipment	4,352,423	4,462,113	2,907,257	2,728,842	2,524,180
Intangible assets	26,101	38,095	19,824	9,169	6,282
Net current assets	3,067,817	3,015,733	4,022,028	2,913,241	2,853,879
Non current liabilities	(1,029,358)	(1,338,746)	(1,707,820)	(1,684,413)	(1,909,762)
	6,416,983	6,177,195	5,241,289	3,966,839	3,474,579
Equity					
Issued capital	774,390	774,390	774,390	774,390	774,390
Retained earnings	5,642,593	5,402,805	4,466,899	3,192,449	2,700,189
Total equity	6,416,983	6,177,195	5,241,289	3,966,839	3,474,579

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2018 ₦'000	2017 ₦'000	2016 ₦'000	2015 ₦'000	2014 ₦'000
Revenue	5,977,436	5,622,013	5,372,395	4,692,985	4,552,725
Profit before taxation	507,781	780,510	1,762,874	670,119	669,251
Taxation	(127,835)	155,396	(488,424)	(177,859)	(422,803)
Profit after taxation	379,946	935,906	1,274,450	492,260	246,448

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 38th Annual General Meeting of Capital Hotels Plc. will be held at 12.00 noon on Thursday, 02 May, 2019 at Sheraton Abuja Hotel, Abuja for the following purposes:

ORDINARY BUSINESS:

1. To receive and consider the Audited Financial Statements for the year ended 31 December, 2018 and the report of the Directors, Auditors and Audit Committee thereon;
2. To declare a dividend
3. To re-elect Directors;
4. To elect members of the Audit Committee;
5. To authorize the Directors to fix the remuneration of the Auditors.

SPECIAL BUSINESS:

5. To fix the remuneration of the Directors.

NOTES

1	Proxies: A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company. The Proxy Form must be stamped by the Commissioner for Stamp Duties. Valid Proxy Forms must be lodged with the Registrars not later than 48 hours before the time fixed for the meeting.
2	Dividend Warrant: If the dividend recommended is approved by the members at the Annual General Meeting, payment will be made on 9th May 2019 to the members, whose name appears in the Register of members at the close of business on Tuesday 23rd April, 2019.
3	Audit Committee: In accordance with Section 359(5) of the Companies and Allied Matters Act (CAMA) Cap C20 LFN 2004, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the date of the Annual General Meeting.
4	Closure of Register: The Register of Members and Transfer Books of the Company will be closed to the public from Wednesday 24th April to Monday 29 April, 2019, both days inclusive.
5	Rights of Securities' Holders to ask Questions: Securities Holders have a right to ask questions not only at the meeting but also in writing prior to the meeting, and such questions must be submitted to the Company on or before 23rd day of April, 2019.

6	Website A copy of this Notice and other information relating to the meeting can be found on the Company's website at www.capitalhotelsng.org

BY ORDER OF THE BOARD

Alex Ugwuanyi, Esq.
FRC No.FRC/2017/NBA/00000016473
Ifebunandu& Co.
Company Secretary

26 March, 2019

SHAREHOLDER ADMINISTRATION
FOR THE YEAR ENDED 31 DECEMBER 2018

Our esteemed shareholders,

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

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

The duly filled forms should be deposited at the main office of Cardinal Stone Registrars Limited, 358 Herbert Macaulay Road, Yaba, Lagos or with the Company Secretary – Ifebunandu and Co, Barristers & Solicitors, Suite 2B South East Pavilion, TBS, Lagos.

Please take note of the following additional information:

Authority to mandate and change address
Several of you, our esteemed shareholders and indeed the regulators have expressed to the Board their concerns about unclaimed dividend balances and status of unclaimed certificates. We recognise the necessity to ensure that the balance on the unclaimed dividends account is optimized and the evidence of holding properly documented.
To this end, all shareholders of Capital Hotels Plc with unclaimed dividends and certificates are urged to claim their dividends and certificates.

Shareholders are also encouraged to:

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

Kindly complete the Authority to Mandate and Change Address Form.

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

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

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

Yours sincerely,
Ifebunandu and Co
Company Secretary

CAPITAL HOTELS PLC
(Owners of Sheraton Abuja Hotel)

AUTHORITY TO MANDATE AND CHANGE OF ADDRESS

Kindly direct my/ our dividend payment(s) and my/ our shares in respect of my/ our holdings in Capital Hotels Plc into my/ our account(s) stated below:

Bankers Details		CSCS Details
Name of bank and branch		Name of Broker
Sort code		CSCS Account Number
Account number		Stamp of Broker and Signature of Account Schedule Officer
Account type (Current or Savings)		
Stamp of Bank and Signature of Account Schedule Officer		
Further please note my/ our change of address and other information as follows:		
Old Address		New Address
Other information		
GSM Number		Email address:
Shareholder Name		Shareholder Signature
Date (dd/mm/yyyy)		
Corporate Shareholders should please execute and seal in accordance with provisions of their Articles of Association.		

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

The Registrars
Cardinalstone Registrars Ltd
358 Herbert Macaulay Road,
Yaba- Lagos

Please affix
postage stamp here

AUTHORITY TO ELECTRONICALLY RECEIVE CORPORATE INFORMATION

I/ We hereby agree to electronically receive corporate information from Capital Hotels Plc, including but not limited to Annual Reports and Financial Statements, Proxy Forms, prospectus, newsletter and other corporate documentations through (please tick one option)

☐ Electronic copy via a Compact disc (CD) sent to my postal address

☐ Receive notification by email or GSM to download from the Company website or the Registrar's website

☐ Kindly forward to my email address stated hereunder

Description of Service
This procedure is in line with the consolidated Securities and Exchange Commission Rule 193 (b) of September 2011 which states inter alia "A registrar of a public company may dispatch annual report and notices of general meeting to shareholders by electronic means".

By enrolling in electronic delivery service, you have agreed that announcements/ shareholder communication material can be made available electronically. The subscription and enrolment will be effective for all holdings in the specified accounts on an on-going basis unless you change or cancel your enrolment.

It is the shareholders responsibility to notify the Company through the Registrars or office of the Company Secretary of the changes of their names, addresses or other contact details. The election and relevant contact address details will stand until such time as the Company receives alternative instructions from the shareholders.

Shareholders should please note that with electronic communications the Company's obligation will be satisfied when it transmits any of the corporate information to the electronic address on record with the Registrars. The Company cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failures.

Before electing for electronic communication, shareholders should ensure that they have the appropriate equipment and computer capabilities sufficient for the purpose.

The Company takes all reasonable precautions to ensure no viruses are present in any communication it sends out. But the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachment from the Company and recommend that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgment of an electronic proxy form, that is found to contain any virus will not be accepted.

GSM Number	Email
Shareholder Name	
Date (dd/mm/yyyy)	Shareholder Signature

CAPITAL HOTELS PLC
(Owners of Sheraton Abuja Hotel)

PROXY FORM

38th ANNUAL GENERAL MEETING TO BE HELD AT THE SHERATON ABUJA HOTEL, ABUJA ON THURSDAY 2ND MAY, 2019 AT 12 NOON

I/WE .....
A member /members of the above company do hereby appoint* .....
Or failing him, the Chairman as my/our proxy to attend and to vote on my/our behalf at the 2019 Annual General Meeting of the Company to be held on the 2nd of May, 2019

Dated this.....Day of 2019

NUMBER OF SHARES

RESOLUTIONS		For	Against
1.	To receive and consider the 2018 Report and Accounts		
2.	To declare a dividend		
3.	To elect/re-elect Directors MR. CHUMA ANOSIKE CHIEF NICHOLAS DORTIE ALHAJI ABATCHA BULAMA		
4.	To elect members of the Audit Committee		
5.	To authorize the Directors to fix the remuneration of the Auditors		
6	To fix the remuneration of the Directors		

Please indicate with "X" in the appropriate square how you wish your vote(s) to be cast on the Resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his discretion.

	Notes
1.	Before posting the above proxy form, please tear off this part and retain it. A person attending the Annual General Meeting of the Company or his proxy should produce this slip to the meeting.
2.	A member of the Company WHO is entitled to attend and vote at the Annual General Meeting, is entitled to appoint a proxy to attend and to vote instead of him, and in this case, the above may be used to appoint a proxy.
3.	Following the current practice, the Chairman of the Company has been entered on the form to ensure that someone will be at the meeting to act as your proxy, but you may insert in the blank space on the form (marked *) the name of any person whether a member of the Company or not, who will attend the meeting and vote on your behalf instead of the Chairman.
4.	The above proxy form, when completed, must be deposited at the office of the Registrars, Cardinal Stone Registrars Limited, 358, Herbert Macaulay Road, Yaba, Lagos, not later than 1.00 pm, Tuesday30th April, 2019
5.	It is the requirement of the law under the Stamp Duty Act Cap 411 Laws of Federation of Nigeria, that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must bear a stamp duty of three (3) kobo (impressed and not adhesive postage stamps).
6	If the proxy form is executed by a Corporation, it should be sealed under its Common Seal or under the hand seal of its attorney.
Before posting the above form, please cut off this part and retain it for admission to the meeting.	

ADMISSION SLIP OF CAPITAL HOTELS PLC

PLEASE ADMIT THE SHAREHOLDER NAMED ON THIS SLIP, OR HIS DULY APPOINTED PROXY TO THE 38TH ANNUAL GENERAL MEETING TO BE HELD AT THE SHERATON ABUJA HOTEL, ABUJA ON THURSDAY 2ND MAY, 2019 AT 12 NOON

Name of Shareholder.....

Number of Shares Held.....Signature of Shareholder.....

Signature of person attending.....

Note:
You are required to sign this form at the entrance in the presence of the Registrar on the day of the Annual General Meeting.

F O L D H E R E

The Registrars,
Cardinal Stone Registrars;
358 Herbert Macaulay Road,
Yaba - Lagos

Affix Postage Stamp Here

CRS PHOTOS

FEDERAL CAPITAL TERRITORY ADMINISTRATION
UNIVERSAL BASIC EDUCATION BOARD

Moshood Abiola Way Area 2, Section 1, P. M. B. 163, Garki, Abuja.
Tel: 09 - 23426089

Our Ref. FCT/UBEB/DSS/2400/1 Your Ref: Date: 10/12/18

The Manager,
Capital Hotel,
Wuse IV - Abuja.

LETTER OF APPRECIATION

The FCT Universal Basic Education Board was informed that you visited Abuja School for the Deaf, Kuje and donated some food items, toiletries and mattresses to support the living standard of pupils/students.

2. On behalf of the Management and Staff of the Board, I am directed to use this medium to express our gratitude for this unquantifiable gesture. I wish to assure you that the donations will be judiciously utilized to improve the wellbeing of the Pupils/Students.

3. It is a fact universally accepted that no work of charity is left without proper reward. Therefore, I pray that God Almighty, the greatest rewarder will reward you accordingly.

4. Thank you and God bless.

Helen Uche Ibezim (Mrs)
HOD, PSS
For: Executive Chairman

ABUJA
The Heart of Nigeria

Sheraton