



2013
Annual Report & Accounts



CAPITAL HOTELS PLC
(Owners of Sheraton Abuja Hotel)





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& Accounts

Year Ended 31 December, 2013

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Our Vision, Mission And Values

Vision Statement

“To be the hospitality Company of first choice”

Mission Statement

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

Our Values



Service excellence

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



Upholding high ethical standards

Build trust across Board
Ethical buying
Ethical business practices



Team work

Appreciate one another in the value chain
Appreciate synergistic cooperation
Complement one another



Value for stakeholders

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



Associate development

Encourage associates development
Grow the leaders
Capture excellence



Future oriented

Anticipating future trend
Staying ahead of competition



Environmental responsibility

Responsive to the environment
Socially responsible

Brief Corporate Profile

Registered Office

1, Ladi Kwali Street,
Wuse Zone 4,
Abuja

Company Secretary

Ifebunandu & Co
Barristers & Solicitors
11, Martins Street, P. O. Box 5918, Lagos

Hotel Operator

Starwood Hotels and Resorts Worldwide, Inc.
One StarPoint, Stamford, Connecticut 06902
United States of America

Bankers

Mainstreet Bank Ltd
Guaranty Trust Bank Plc
Zenith Bank Plc
Union Bank Plc

Board of Directors

G. M. Ibru, OON
J. O. Makinde
Y. A. Disu
V. C. N. Oyolu
Olorogun (Sen.) F. O. Ibru, CON
E. A. Chukwura
N. Olejeme (Mrs)
J. C. Anosike
N. Dortie

Registrars

City Securities Limited
358 Herbert Macaulay Road,
Yaba, Lagos

Auditors

PKF Professional Services
Chartered Accountants
205A, Ikorodu Road
Obanikoro, Lagos
G.P.O. Box 2047, Marina
Lagos – Nigeria

Solicitors

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



Results in Brief

	2013 N'000	2012 N'000	% Increase/ Decrease
Major balance sheet items:			
Property, Plant and Equipment (Fixed Assets)	1,627,437	1,420,729	14.5
Other Non-current assets	1,377,951	1,472,193	(6.4)
Current Assets	3,387,929	3,543,406	(4.4)
Non-Current Liabilities	1,749,960	2,285,009	(23.4)
Current Liabilities	1,415,226	1,435,750	(1.4)
Retained Earnings	2,453,741	1,941,178	26.4
Share Capital	774,390	774,390	-
Shareholders' Fund	3,228,131	2,715,568	18.9
Major Profit and Loss Account Items:			
Turnover	4,659,930	4,318,842	7.9
Profit Before Taxation	327,195	477,606	(31.5)
Profit After Taxation	167,324	357,512	(53.2)
Per 50k Share Data:			
Earnings Per Share - Basic	10.80	23.08	-
Earnings Per Share - Diluted	10.80	23.08	-
Dividend Per Share - Kobo	-	-	-
Dividend Cover (Times)	-	-	-
Net Assets Per Share - Kobo	208	175	18.9
Ordinary Shares and Employees:			
	No. of Shares:	No. of Shares:	
Authorised	1,600,000,000	1,600,000,000	-
Issued	1,548,780,000	1,548,780,000	-
Employees	415	451	(8.0)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting of Capital Hotels Plc will be held at 12.00 noon on Tuesday 24 June, 2014 at Sheraton Abuja Hotel, Abuja for the following purposes:

ORDINARY BUSINESS:

1. To receive and consider the audited financial statements for the year ended 31st December, 2013 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:

6. 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 members at the Annual General Meeting, payment will be made on 8th of July, 2014 to the members, whose names appear in the Register of Members at the close of business on Friday 6th June, 2014.

3. Audit Committee:

In accordance with Section 359(5) of the Companies and Allied Matters Act, 1990, 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 Monday 9th June to Friday 13th June, 2014, both days inclusive.

BY ORDER OF THE BOARD

Ifebunandu & Co
Company Secretary

28 April, 2014



Chairman's Statement

I am pleased to welcome distinguished Shareholders, officials of the regulatory agencies, members of the fourth estate of the realm, ladies and gentlemen to the 33rd Annual General Meeting of Capital Hotels Plc.

I present the Annual Report and Financial Statements of the Company for the Year Ended 31st December, 2013 here below.

Operating Environment

The year 2013 witnessed continued security challenges in the Northern part of the country with the attendant negative impact on the hospitality industry. The price of foodstuffs also went up for reason of the security challenges in the North where the bulk of the food items used in the Hotel is procured.

International travel arrivals slowed and many government functions were either cancelled or moved to areas perceived to be relatively more secure. Expectedly, projected demand for accommodation, food and beverages was not achieved.

On the brighter side was the relative stability in the Niger Delta that allowed for steady production of crude oil. The international market price of crude oil was higher than the benchmark price used for the 2013 budget. There was, therefore, more revenue for the three tiers of government and increased spending power for consumers.

The economic targets for the year 2013 by the Federal Government were GDP growth rate of 7.98% (6.1% in 2012); official headline inflation rate of 8.5% (11.2% in 2012); Crude Oil production of 2.3 million barrels per day (2.088mbpd in 2012) and benchmark price for Crude Oil of \$65 per barrel.

The Central Bank of Nigeria (CBN) policy of re-directing cash-based transactions to e-payment system was invigorated during the year. The CBN Monetary Policy Rate of 12% and the consequent mop up of cash from the commercial banking system through its directives for all MDAs to move their accounts to the CBN stressed the quantum of liquidity in the economy and drove lending rates higher during the year.

The exchange rate of the Naira to the US Dollar revolved around N150 – N158 during the year under review.

Hotel Renovation

The first phase of the renovation of the Hotel has begun. Accordingly, the 3rd Tower containing about 200 rooms has been closed for that purpose. Hopefully, the exercise should be completed about 2015. The design of the public area has also kicked off. The essence of the renovation is to give a memorable experience to guests and other stakeholders and also enhance guest loyalty. The renovation is being funded mainly from internally generated revenue.

Power Supply

Electricity supply from the national grid was relatively low during the year. The impact of the privatized electricity sector is expected to be felt in later years when the new owners and the government perfect their strategies and secure gas supply to power the turbines. The quantity of diesel consumed for the running of the power generating plants was higher than the figure for 2012; however, the price for diesel was stable.

Operating Results

In spite of the foregoing, the management of Capital Hotels Plc has delivered the results highlighted below.

The Company recorded a turnover of N4.66bn as against N4.32bn earned in 2012, an increase of 7.9%. Gross profit declined by 12.8% to N1.21bn in 2013 compared with N1.39 billion in 2012. Profit after tax dropped by 53.2% to N167.3 million compared to N357.5 million achieved in 2012. On the other hand, the total net assets grew by 18.9% to N3.23 billion from N2.72 billion in 2012.

Dividend

Having completed and approved the model room which is the new face of the Hotel, the Company plans to carry out a full renovation of the rooms and the public areas of the Hotel. The renovation will be financed mainly from internally generated revenue.

I am pleased to announce the recommendation of the Directors for the payment of a dividend of 5 kobo per share in spite of the performance during the year. The dividend will be subject to withholding tax at the appropriate rate at the time of payment.

If approved, the dividend will be paid on 8th July, 2014 to shareholders on the register of members at the close of business on 13th June, 2014.

Directors

The directors listed below who served on the board in the course of 2013 will, in accordance with the Company's Articles of Association retire by rotation at this Annual General Meeting and being eligible, offer themselves for re-election. These are Mr. Y. A. Disu, Chief V. C. N. Oyolu and Mr. G. M. Ibru.

Staff Welfare

The members of staff are the most important asset of the Hotel which it deploys for the attainment of its goals. To

perform at their best, the Hotel exposes the staff to rigorous local and international training. In order to discharge their duties efficiently, the Hotel encourages the workforce to undertake self-development and participate in sporting activities to gain mental and physical fitness.

Appreciation and conclusion

Esteemed shareholders, it is a fact that Nigeria is a country of huge potentials. Her recent classification as the largest economy in Africa attests to this fact. In spite of our challenges, Nigeria is the toast of investors at the moment and our Hotel is poised to offer excellent services to them.

The Hotel's state of readiness for excellent service delivery will be enhanced by the on-going renovation exercise consequent upon which the Tower III has been closed.

Distinguished shareholders, gentlemen of the press, other stakeholders, ladies and gentlemen, I am confident that with your unwavering and continued support for which I am thankful, our Hotel will continue to build on sustainable success in the years ahead.

I thank you most sincerely for your attention.

G.M. IBRU, OON
CHAIRMAN



Certification of Financial Statements

In compliance with Section 7(2) of the Financial Reporting Council of Nigeria Act, 2011, we have reviewed the Annual Reports of Capital Hotels Plc for the year ended 31 December 2013.

The Financial Statement, based on our knowledge, does 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 interests 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 period presented in the financial statements.

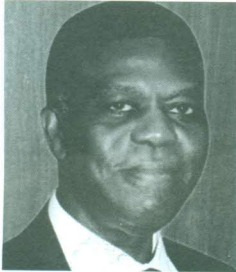
We are responsible for designing the internal controls and procedures surrounding the financial reporting process and assessing these controls in accordance with Section 7(2)(f) of the Financial Reporting Council of Nigeria Act, 2011 and have designed such internal controls and procedures, or caused 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 2013 appear to be true, correct and up to date.

Olawale Makinde
Chief Operating Officer

Robert Itawa
Chief Financial Officer

Profile of Board of Directors



Mr. Goodie M. Ibru, OON
Chairman

He is the principal partner of GM Ibru & Co (law firm); President of Lagos Chamber of Commerce and Industries; Chairman of the Ikeja Hotel Group; Honorary Consul of the Consulate of Lithuania to Nigeria; Executive Vice President (West African Chapter), African Business Round Table (ABR); Co-Chairman of NEPAD Business Group West Africa; past President of the Nigerian Stock Exchange (1997 – 2000); Past Chairman, Board of Trustees, Federation of Tourism Associations of Nigeria; President of Nigeria – Ethiopia Business Association; President of Nigeria – Russia Business Council; member of the Governing Council of the Ajayi Crowther University. Mr. Ibru is a recipient of several awards.



Engr. Yakubu Akanbi Disu
Non-Executive Director

A graduate of Bradford Technical College and Bradford University. He is an industrial engineer and a retired General Manager of Nigerian Industrial Development Bank. He also served as Chairman of Kwara Investment Company Ltd and he is on the board of several companies.

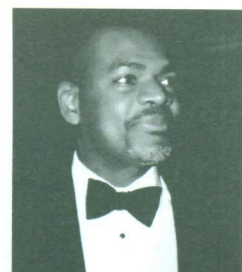
He is a member of the Audit Committee of the Company and also serves as the Chairman of the Purchase Committee of the Board of Capital Hotels Plc.



Victor C N Oyolu
Non-Executive Director

A graduate of University of Ghana, Legon – Ghana and Tottenham College of Technology, London, Chief Oyolu is an economist and Fellow of the Institute of Chartered Accountants of Nigeria. He is the Chairman of the Business, Finance and Governance Committee of the Board.

He also serves on the board of several companies including NEPAD Business Group; ICON Stock Brokers, among others.



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. He 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 a member of Purchase Committee and Business, Finance and Governance Committee of the Board.



Dr. Ngozi Olejeme
Non-Executive Director

Dr. Olejeme is an expert in Labour related issues. She is also the Chair-person Tustfund and Nigeria Social Insurance Trust Fund.

She serves on the Subsidy Re-investment and Empowerment Programme (SURE-P) Committee.

She serves as a member of Purchase Committee of the Board.

Nicholas E. Dortie
Non-Executive Director

Chief Nicholas Eghre Dortie, is a fellow of the Chartered Institute of Bankers, London, 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.

Eddie A. Chukwura
Non-Executive Director

A law graduate of the University of Nigeria Nsukka, Barr. Chukwura is the Managing Partner of the Law Firm of G M Ibru & Company.

He serves as a member of the Audit Committee of the Company.

Olorogun (Sen) Felix O. Ibru
Dip. Arch., Msc. (Arch.) LLD (Hon) M.A.E.A.I., F.N.I.A., F.N.I.P.R., CON
Non-Executive Director

A senator of the Federal Republic of Nigeria 2003, a member of the Constituent Assembly in 1988 and first Executive Governor of Delta State in 1991 Sen. Ibru is a graduate of Nottingham School of Architecture, UK. He is the Principal Partner of Ibru Vaughan Richards and Associates.

He serves on the Board of several Profit and Non-Profit Organizations.

Olawale Makinde
Chief Operating Officer

Mr. Olawale Makinde is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN).

Before joining Capital Hotels Plc, he was the Financial Controller/ Chief Accountant of Nigeria Hotels Ltd.

He serves on the Board of several companies.

Statement of Directors' Responsibility

By the provisions of S.334 and S.335 of the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria 2004 (CAMA) the Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Hotel and of its profit or loss at the end of each financial year. The Directors are required by the provisions of the Code of Corporate Governance issued by the Securities and Exchange Commission (SEC) in April 2011 to issue this statement in connection with the preparation of the financial statements for the year ended 31st December, 2013. The responsibilities include ensuring that the Hotel:

- i. Keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Hotel and comply with the requirements of the Companies and Allied Matters Act, 1990.
- ii. Establish adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- iii. Prepare its financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the IASB and in conformity with Circulars issued by the Securities and Exchange Commission and the Nigerian Stock Exchange.

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 Hotel and of the profit for the year. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal controls.

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

Chairman
28 April, 2014

Chief Operating Officer
28 April, 2014

Report of the Directors

The Directors are pleased to present to the members of Capital Hotels Plc (the "Hotel") at the 33rd Annual General Meeting their report on the business of the Hotel for the year ended 31 December 2013. The report comprises the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year ended on that date together with the notes thereon.

1. Legal Form and Principal Activity

The Hotel was incorporated as a private limited liability Company on 16th January, 1981, under the Companies Act, 1968, now the Companies and Allied Matters Act Cap C20, Laws of the Federation of Nigeria 2004 (CAMA). It was converted to a quoted Company in 1986 but was removed from the dealing list by the Stock Exchange in 1990. The Hotel regained its listing status on Thursday August 14, 2008 and has since remained a quoted public Company listed on the floors of the Nigerian Stock Exchange.

2. Principal Activities

Capital Hotels Plc is engaged in hotel business which includes furnishing of hotels and the sale of accommodation, food and beverage in the ordinary course of business. Its premier and only hotel, the Sheraton Abuja Hotel commenced business in January, 1990. The hotel operates and maintains restaurants, apartments for letting, recreational facilities, night club and a business Centre.

3. Operating Results

The highlights of the Hotel's operational results for the year ended 31st December 2013 are as follows:

	2013 N'000	2012 N'000	Change %
Turnover	4,659,930	4,318,842	7.9
Profit Before Taxation	327,195	477,606	(31.5)
Profit After Taxation	167,324	357,512	(53.2)

Dividend

The Directors are pleased to recommend to members the payment of a dividend of 5 kobo per share amounting to N77.44m, subject to withholding tax at the applicable rate. If approved, the dividend will be paid on 8th July, 2014 to members, whose names appear on the register of members at the close of business on Friday 13th June, 2014.

Directors

The names of the Directors at the date on which the accounts were approved are stated on pages 12 -13

Directors' Interest

The interests of the Directors in the issued share capital of the Hotel as recorded in the register of members as at the close of business on Friday 13th June, 2014 are as follows:

Name	Number of shares 31 December, 2013	Numbers of shares 31 December, 2012
Olorogun (Sen.) Felix Ibru, CON	4,436,500	4,436,500
J. O. Makinde	1,000,000	1,000,000
Y. A. Disu	510,000	510,000
V C N Oyolu	50,000	50,000
E A Chukwura	100,000	100,000
N. Dortie	1,500	1,500

Contracts involving Directors

None of the Directors has notified the Company for the purpose of Section 277 of the Companies and Allied Matters Act, 1990 of any desirable interest in contracts in which the Company was involved during the year.

Major Shareholdings

As at the end of December 2013, the following members hold the ascribed percentage shares of the issued share capital of the Company as we considered substantial. Apart from these, no other persons or bodies hold more than 5% of the issued share capital of the company.

	31 Dec., 2013	%
Hans Gremlin Nig. Ltd	789,877,800	51.00
Continental Energy Resources Ltd	228,564,655	14.76
Oma Investment Ltd	228,537,534	14.75
Abuja Investment And Property Development	100,775,620	6.51
Associated Ventures Int'l Ltd	43,155,009	2.79
Ministry of Finance Incorporated	32,869,744	2.12
Nigeria Re-Insurance Corporation	31,059,600	2.01
Bank of Industry (Nigerian Industrial Development Bank)	28,464,040	1.84
Bank of Industry (Nigeria Bank For Commerce & Industry)	13,200,000	0.85
Nigeria Airways Pension Board	7,374,400	0.48

Analysis of shareholdings

Share Ranges	No. of Shareholders	No. of Shares held At 31st Dec., 2013	%
1 - 550	3,465	970,651	0.06
551 - 1,100	812	842,921	0.05
1,101 - 5,500	712	2,011,545	0.13
5,501 - 11,000	158	1,421,740	0.10
11,001 - 100,000	311	198,318,926	12.80
100,001 - Above	4	1,345,214,217	86.86
	5,462	1,548,780,000	100.00



Report of the Directors

Employment and personnel matters

The Associates (employees/staff) of the Hotel are its greatest asset.

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, house-keeping, 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 Disabled Persons

Capital Hotels Plc, as a matter of policy, 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 and at reporting time, has two disabled persons in its employment as at 31st December, 2013.

c. Employee's Involvement & Training

The Company avails itself of the standing agreement with Starwood Hotels & Resorts Inc, for on- the-job training in all Starwood 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 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, Sheraton would operate the hotel in the same manner as is customary and usual in the operation of similar Sheraton 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 28 October, 2013 in accordance with Section 359(3) of CAMA were:

- Mr. B A Adegbesan (Chairman) +
- Barr. (Chief) C. F. Nwokocha (Member) +
- HRH J. O. Agwu (Member) +
- Mr. J. O. Makinde (Member) ++
- Mr. Y. A. Disu (Member) ++
- Barr. E. A. Disu (Member) ++

+ 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.

9.12 Auditors

The Auditors, Messrs PKF Chartered Accountants & Business Advisers, have indicated their willingness to continue in office. A resolution will be proposed authorizing the Directors to determine their remuneration.

9.13 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 2011 and 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.

BY ORDER OF THE BOARD

Ifebunandu & Co

Company Secretaries

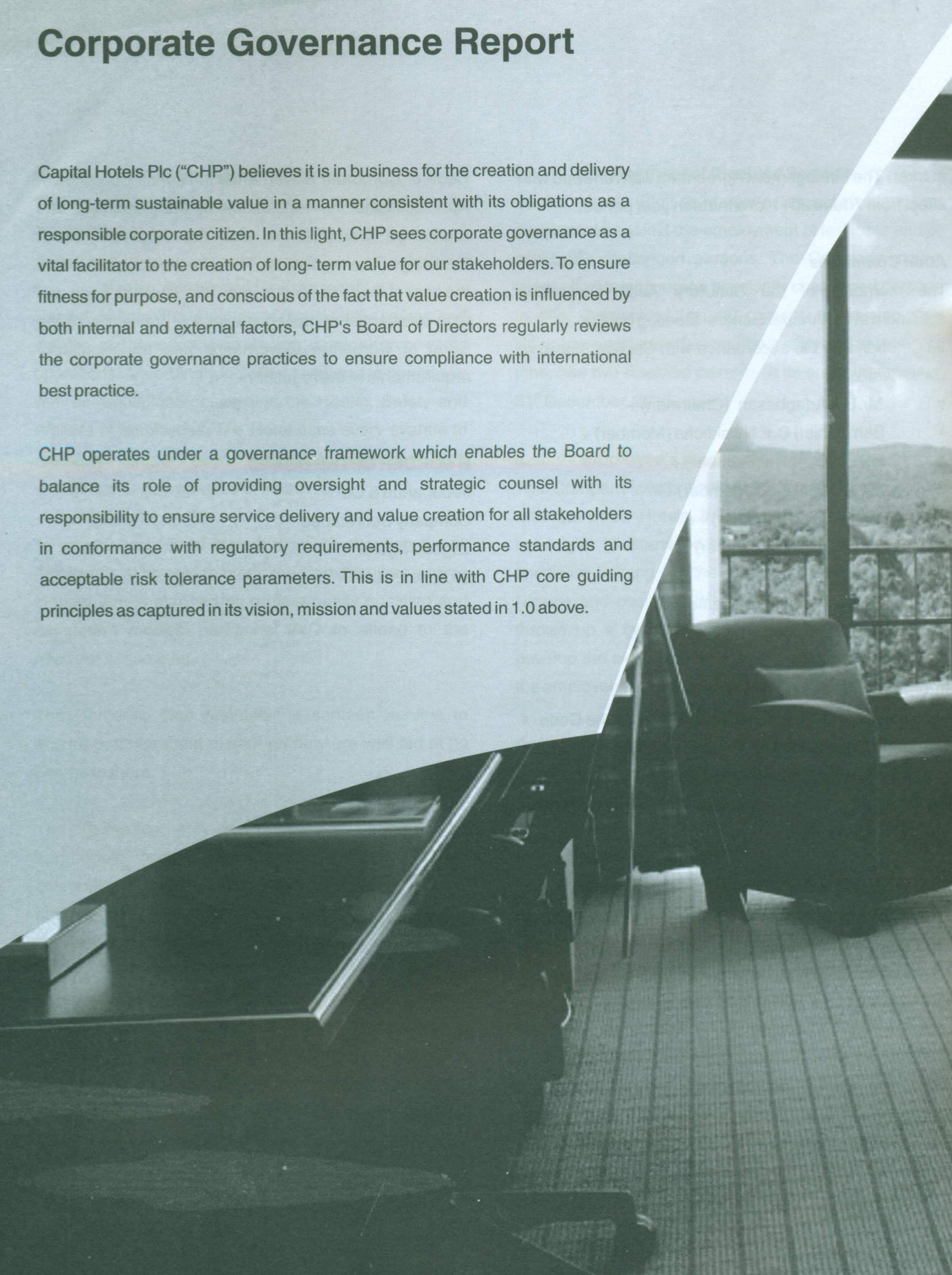
Lagos, Nigeria

28 April, 2014

Corporate Governance Report

Capital Hotels Plc (“CHP”) believes it 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. In this light, CHP sees corporate governance as a vital facilitator to the creation of long-term value for our stakeholders. To ensure fitness for purpose, and conscious of the fact that value creation is influenced by both internal and external factors, CHP’s Board of Directors regularly reviews the corporate governance practices to ensure compliance with international best practice.

CHP operates under a 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 conformance 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 stated in 1.0 above.



Corporate Governance Report

As a company quoted on the Nigerian Stock Exchange, CHP ensures compliance with the Code of Corporate Governance for Public Companies issued by the Securities and Exchange Commission with effect from April, 2011 (“the SEC Code”). CHP Board established a number of Committees that assists in fulfilling its stated objectives. The Committees' roles and responsibilities are set out in their mandates, which are reviewed periodically to ensure they remain relevant. The mandates set out their roles, responsibilities, scope of authority, composition and procedures for reporting to the Board.

The essential characteristics of CHP culture are service excellence, upholding high ethical standards, future oriented and environmental responsibility. The Board executes this culture by the application of transparent and accountable practices. It monitors compliance with applicable legislation, regulations, standards and codes by means of management reports, which include information on the outcome of any significant interaction with key stakeholders such as the SEC and NSE.

Shareholders' responsibilities

The Shareholders' role is to approve the appointments of the Board of Directors and the External Auditors as well as to grant approval for certain corporate actions that are by legislation or the Company's Articles of Association specifically reserved for Shareholders. Their role is extended to holding the Board accountable and responsible for efficient and effective corporate governance.

Developments during 2013

During 2013, CHP corporate governance practices ensured:

- That independent Director is on its Board as required by the SEC Code of Corporate Governance.
- That the function of a Nominations Committee to assist in the process of selecting individuals for appointment to the Board is carried out and is being handled by the Business, Finance & Governance Committee.
- There was a continued focus on Directors training via attendance at various courses.
- There was a continued focus on the training of members of the Audit Committee to enhance their effectiveness based on relevant knowledge.
- The provision of an enhanced level of information in the financials provided to Shareholders and investors on an annual and quarterly basis continued.

Focus areas for 2014

The CHP intends, during 2014, to:

- Continue the focus on Directors' training on issues that are relevant to the hospitality industry;
- Ensure that it fully complies with the requirement of the SEC Code of Corporate Governance, and
- Continue to enhance the level of information provided to, and interaction with Shareholders, investors and other stakeholders generally.

Board and Directors

Board structure and composition

Ultimate responsibility for governance rests with the Board of Directors of CHP. It ensures that appropriate controls, systems and practices are in place. CHP has a unitary Board structure. The number and stature of non-executive Directors ensure that sufficient consideration and debate are brought to bear on decision making thereby contributing to the efficient running of the Board.

The Board discharges its responsibilities mainly through

Board Committees it appoints with specific mandates. These mandates are reviewed regularly for appropriateness. Details of these Committees and their operations are provided elsewhere in this report.

Strategy

The Board considers and approves the Company's strategy for attaining CHP set financial and governance objectives for the year and the Board monitors performance against financial objectives and detailed budgets on an on-going basis, through periodic reporting and regular interaction with operations management:

- Directors are provided with unrestricted access to the Hotel's management and Company information, as well as the resources required to carry out their responsibilities, including external legal advice, at the Hotel's expense.
- It is the Board's responsibility to ensure that effective management is in place to implement the agreed strategy, and to consider issues relating to succession planning. The Board is satisfied that the current pool of talent available within the Hotel, and the ongoing work to deepen the talent pool, provides adequate succession depth in both the short and long term.

Skills, knowledge, experience and attributes of Directors

The Board ensures that Directors possess the skills, knowledge and experience necessary to fulfill their obligations. The Directors bring a balanced mix of attributes to the Board, including:

- International and domestic experience;
- Operational experience;
- Knowledge and understanding of both the macroeconomic and the microeconomic factors affecting the Hotel;

- Local knowledge and networks; and
- Financial, legal, entrepreneurial and hospitality skills.

Board responsibilities

The Board determines the strategic objectives and policies and assumes appropriate risks to promote long-term value creation for stakeholders.

The powers of the Board include the approval of quarterly, half-yearly and full year financial statements (whether audited or unaudited) and any significant change in accounting policies and/or practices; appointment or removal of Company Secretary; approval of major change to corporate structure and changes relating to the capital structure or its status as a public limited company; the determination and approval of the strategic objectives and policies of the Company to deliver long-term value; approval of the CHP's marketing strategy and its annual operating and capital expenditure budget; recommendation to shareholders of the appointment or removal of auditors and the remuneration of Auditors; approval of resolutions and corresponding documentation for shareholders in general meeting(s), shareholders circulars, prospectus and principal regulatory filings with the regulators.

The Board also has the power to determine the structure, size and composition, including appointment and removal of Directors, succession planning for the Board and senior management and Board Committee membership; approval of remuneration policy for Board members; approval of the Board performance evaluation process, corporate governance framework and review of the performance of the Directors; approval of policy documents on significant issues including Enterprise-wide Risk Management, Human Resources, Credit policy,

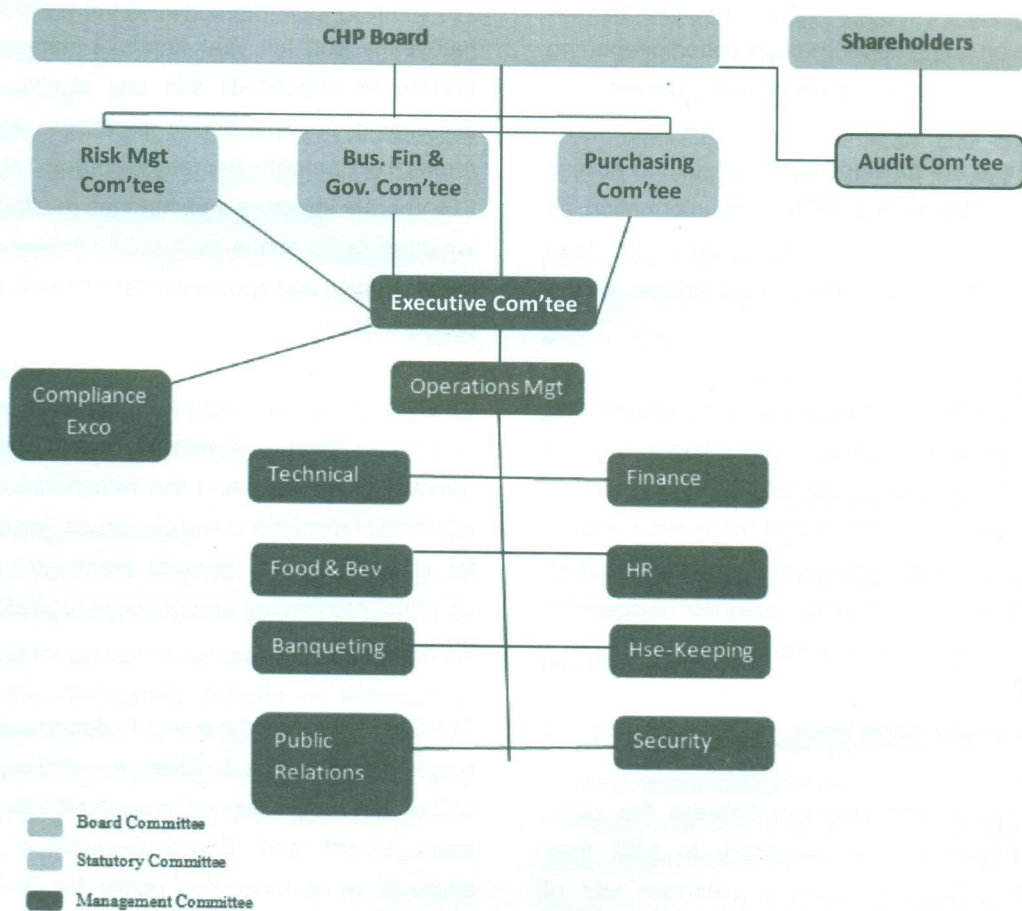
Corporate Governance Report

Corporate governance and Anti – Money laundering, and approval of all matters of importance to the Hotel as a whole because of their strategic, financial, risk or reputational implications or consequences.

The ultimate responsibility for the Hotel's operations rests with the Board. The Board retains effective control through a well-developed governance structure of Company and

Board Committees. These Committees provide in-depth focus on specific areas of Board responsibility.

In addition, a governance framework for executive management assists the chief executive in his task. Board-delegated authorities are regularly monitored by the Company Secretary's office. The corporate governance framework is set out below:



Board effectiveness and performance evaluation

The Board is continuously focuses 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 non-executive director's performance is appraised personally

by the Chairman and, in a meeting chaired by the independent Non-Executive Director; the Non- Executive Directors assess the Chairman's performance.

For 2013, the Board and Board Committee evaluation process was overseen by Goodie M. Ibru, OON, 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 Committees, the amount of follow-through assurances done through liaison with management. It also included assessment of Board capability, Board process, Board structure, corporate governance, strategic clarity and alignment, and 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 2013 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.

Induction and training

The Hotel has an induction programme to bring new

Name	Mar 5th	Aug 17th	Oct 28th	Dec 10th
G. M. Ibru, OON (Chairman)	Yes	Yes	Yes	Yes
Y A Disu	Yes	Yes	Yes	Yes
O. Makinde	No	No	No	No
V C N Oyolu (Chief)	Yes	No	Yes	Yes
E A Chukwura	Yes	Yes	Yes	Yes
N. E. Dortie (Chief)	Yes	Yes	Yes	Yes
Ngozi Oleje-me (Mrs)	Yes	No	Yes	No
J. C. Anosike	Yes	Yes	Yes	Yes
Olorogun (Senator) F. O. Ibru, CON	Yes	No	No	No

Corporate Governance Report

Board Committees

Some of the functions of the Board have been delegated to Board Committees, consisting of members appointed by it. The composition and mandates of the Committees were reviewed during the course of 2013:

1.0 Purchasing Committee

The Purchasing Committee during the period under review was vested with the following responsibilities:

- oversee the procurement of items such that the Hotel gets value for money spent,
- obtain quality assurance, price advantage and capacity to supply over contractual agreement from our suppliers,
- ensure due process is followed in procurement of regular items as well as capital expenditure items,
- reviews delivery, and where applicable, the installation and proper functioning of items bought, and
- Perform other functions ancillary thereto.

Members' attendance at Purchase Committee meetings during the financial year ended 31 December 2013 are stated in the table of attendance for Committees below.

2.0 Business, Finance and Governance Committee

The Business, Finance and Governance Committee of the Board handled the following responsibilities during the year ended 31 December, 2013:

- Provides input to annual report of the hotel in respect of directors' compensation, Yes
- Reviews and recommends the hotel's annual budget proposals for Board approval, Yes
- Ensures orderly conduct of operations of the hotel, Yes
- Reviews state of functionality of hotel facilities, Yes

- Establishes criteria for Board and Board Committee memberships and make recommendation to the Board,
- Ensures that the Board conducts a Board evaluation on an annual basis,
- Looks at alternative investment window for the hotel, and
- Ensures the Hotel complies with directives of regulatory authorities/agencies

Members' attendance at BF&G Committee meetings during the financial year ended 31 December 2013 are contained in the table of attendance for Committees below.

3.0 Risk Management Committee

The Board is ultimately responsible for risk management. The Board established the Risk Management Committee to assist in the oversight of risk profile and risk management framework within the Hotel.

The Risk Management Committee during the period under review was vested, among others, with the following responsibilities:

- Reviews and assesses the integrity of risk control systems and ensures that risk policies and strategies are effectively managed,
- Reviews the adequacy and effectiveness of risk management controls,
- Oversight of management's process for the identification of significant risks across the Company and the adequacy of prevention, detection and reporting mechanisms,
- Review of the Hotel's compliance level with applicable laws and regulatory requirements which may impact the Hotel's risk profile, and
- Perform other functions that ameliorate the risk exposure of the Hotel.

Members' attendance at Risk Management Committee meetings during the financial year ended 31 December 2013 are stated in the table of attendance for Committees below.

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.

The Audit Committee

The Audit Committee of the Hotel is a creation of Law under Section 359(3) of the Companies and Allied Matters Act (CAMA) 1990. Its specific functions are outlined in Section 359(4) and (6) of the Act. The overall objective of the Committee is to examine the Auditor's report and make recommendations thereon to the members of the Company at the Annual General Meeting as it may deem fit. The Audit Committee is specifically required to:

As at 1 January 2013 the Committee consisted of the following persons:

Mr. B A Adegbesan*	Chairman
Barr. (Chief) C. F. Nwokocha*	Member
HRH J. O. Agwu*	Member
Mr. J. O. Makinde**	Member
Mr. Y. A. Disu**	Member
Barr. E. A. Chukwura**	Member

- a. Ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- b. Review the scope and planning of audit requirements;
- c. Review the findings on management matters in conjunction with the external auditors and departmental responses thereon;
- d. Keep under review the effectiveness of the Company's system of accounting and internal controls;
- e. Make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the Company, and
- f. Authorise the internal auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee.

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

The Shareholders re-elected the entire shareholder representatives on the Audit Committee at the AGM held on 28 October 2013.

Members' attendance at Audit Committee meetings during the financial year ended 31 December 2013 is contained in the table of attendance for Committees below:



Corporate Governance Report

Table of Attendance at Committee Meetings 2013

Meetings of the Committees of the Company/Board of Capital Hotels Plc and attendance of members thereof for 2013 are stated in the table below:

Committee	Meeting Times During the year	Members	Member's Attendance
Purchase Committee	8	Mr. Y. A. Disu (Chairman)	8
		Chief V. C. N. Oyolu	7
		Barr. J. C. Anosike	7
		Dr. (Mrs.) Ngozi Olejeme	0
Business, Finance & Governance Committee	15	Chief V. C. N. Oyolu (Chairman)	14
		Mr. O. Makinde	0
		Mr. Y. A. Disu	15
		Chief Nick Dortie (attended all meetings after becoming a member)	5
		Barr. J. C. Anosike	13
Risk Committee	4	Mr. O. Makinde (Chairman)	0
		Barr. J. C. Anosike	2
		Barr. Akpofure Ibru	2
		Mr. R. Itawa (Vice Chairman)	4
		Gen. Mgr. Sheraton	4
		Executive Asst. Mgt	3
		Dir. Of Engineering	4
		Director of Security	4
Audit Committee	3	Mr. B. A. Adegbesan	3
		Barr. (Chief) C. F. Nwokocha	3
		HRH J. O. Agwu	3
		Mr. J. O. Makinde	0
		Mr. Y. A. Disu	3
		Barr. A. A. Chukwura	3

Company Secretary

It is the role of the Company Secretary to ensure 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.

Going concern

On the recommendation of the Audit Committee, the Board annually considers and assesses the going

concern basis for the preparation of the financial statements at the year end.

The Directors, at the end of 2013, 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.

Relationship with Shareholders

As an indication of its fundamental responsibility to create Shareholder value, effective and ongoing communication with Shareholders is seen as 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.

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.

It is concentrating 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 in. These focus areas are subject to



Capital Hotels Plc

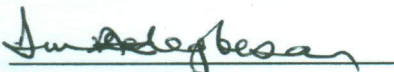
REPORT OF THE AUDIT COMMITTEE

In compliance with section 359 (6) of the Companies and Allied Matters Act (CAMA), Cap C20, Laws of the Federation of Nigeria 2004, we the members of the Audit Committee with names stated hereunder, have:

1. Reviewed the scope and planning of the Audit requirements;
2. Reviewed the findings on management matters in conjunction with External Auditors, as well as the departmental responses thereon;
3. Reviewed the effectiveness of the Company's system of Accounting and Internal Controls;
4. Ascertained that the reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
5. 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 2013 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.



Mr. B. A. Adegbesan
Chairman

Members of the Committee

Mr. B.A. Adegbesan	Chairman
Barr. (Chief) C.F. Nwokocho	Member
HRH J.O. Agwu	Member
Mr. Y.A. Disu	Member
Mr. J.O. Makinde	Member
Barr. E. A. Chukwura	Member

April 25, 2014

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF CAPITAL HOTELS PLC**

We have audited the accompanying financial statements of **Capital Hotels Plc**, set out on pages 32 to 69 which comprise the statement of financial position at 31 December 2013, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, a summary of significant accounting policies, and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of **Capital Hotels Plc** at 31 December 2013, and of its financial performance and cash flows for the year then ended, in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004 and in accordance with the International Financial Reporting Standards (IFRS) in compliance with the Financial Reporting Council of Nigeria Act No. 6, 2011.

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

Olatunji Ogundeyin, FCA, FRC/2013/CAN/0000002224
For: **PKF Professional Services**
Chartered Accountants
Lagos, Nigeria

Date: 28 April 2014



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Partners: Isa Yusufu, Geoffrey C. Orah, Omede P.S. Adeji, Tajudeen A. Akande, Samuel I. Ochimana, Najeeb A. Abdus-salaam, Olatunji O. Ogundeyin, Benson O. Adejayan.
Offices in: Abuja, Bauchi, Jos, Kaduna, Kano.
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CAPITAL HOTELS PLC

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

	Notes	2013 N'000	2012 N'000
Assets:			
Non current assets			
Property, plant and equipment	8.	1,627,437	1,420,729
Capital work in progress	9.	370,771	464,115
Intangible assets	10.	7,180	8,078
Loans and receivables	11.	1,000,000	1,000,000
		<u>3,005,388</u>	<u>2,892,922</u>
Current assets:			
Inventories	12.	193,051	218,386
Trade and other receivables	13.	509,526	911,570
Loans and receivables	11.	230,917	210,057
Other current assets	14.	177,081	265,784
Cash and cash equivalents	15.	2,277,354	1,937,608
		<u>3,387,929</u>	<u>3,543,405</u>
Total assets		<u>6,393,317</u>	<u>6,436,327</u>
Liabilities			
Current liabilities			
Accounts payable and accrual	16.	544,651	546,254
Due to CHP Hospitality and Tourism Limited		625,254	625,254
Deferred income		48,622	27,254
Current taxation payable	18.	196,699	236,988
		<u>1,415,226</u>	<u>1,435,750</u>
Non-current liabilities			
Post employee benefits	20.	1,531,008	2,089,033
Deferred taxation	19.	218,952	195,976
		<u>1,749,960</u>	<u>2,285,009</u>
Total liabilities		<u>3,165,186</u>	<u>3,720,759</u>
Net assets		<u>3,228,131</u>	<u>2,715,568</u>
Equity and reserves			
Ordinary share capital	21.2	774,390	774,390
Retained earnings		2,453,741	1,941,178
Total equity		<u>3,228,131</u>	<u>2,715,568</u>

These financial statements were approved by the Board of Directors on 28 April 2014 and signed on its behalf by:


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


 Mr. C. Anosike
 Director
 FRC/2013/NBA/00000004027


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

The accompanying notes on pages 37 to 67 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Notes	2013 N'000	2012 N'000
Turnover	5.11	4,659,930	4,318,842
Cost of sales	5.11	<u>(3,450,277)</u>	<u>(2,931,647)</u>
Gross operating profit		1,209,653	1,387,195
Other income	23.	27,589	3,729
Sales and marketing expenses		<u>(77,054)</u>	<u>(91,763)</u>
Administration and general expenses	25.	<u>(874,271)</u>	<u>(873,254)</u>
Result from operating activities		285,917	425,907
Finance income	24.	<u>41,278</u>	<u>51,699</u>
Profit before tax		327,195	477,606
Tax expense	18.1	<u>(159,871)</u>	<u>(120,094)</u>
Profit for the year		<u>167,324</u>	<u>357,512</u>
Other comprehensive income:			
Actuarial gain/(loss)	20.	<u>345,239</u>	<u>(326,302)</u>
Other comprehensive income/(loss) for the year		<u>345,239</u>	<u>(326,302)</u>
Total comprehensive income for the year		<u>512,563</u>	<u>31,210</u>
Earning per share:			
- Basic (Kobo)	5.15	<u>10.80</u>	<u>23.08</u>
- Diluted		<u>10.80</u>	<u>23.08</u>

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013**

	Issued share capital N'000	Retained earnings N'000	Total equity N'000
Changes in equity for 2013			
At 1 January 2013	<u>774,390</u>	<u>1,941,178</u>	<u>2,715,568</u>
Profit for the year	-	167,324	167,324
Actuarial Gain for the year	-	<u>345,239</u>	<u>345,239</u>
Total comprehensive income for the year	<u>-</u>	<u>512,563</u>	<u>512,563</u>
Issue of share capital	-	-	-
Bonus issue	-	-	-
Transaction costs for equity issue	-	-	-
Dividends paid during the period	-	-	-
Contributions by and to owners of the business	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2013	<u>774,390</u>	<u>2,453,741</u>	<u>3,228,131</u>
	Issued share capital N'000	Retained earnings N'000	Total equity N'000
Changes in equity for 2012			
At 1 January 2012	<u>774,390</u>	<u>2,018,383</u>	<u>2,792,773</u>
Profit for the year	-	357,512	357,512
Actuarial loss for the year	-	<u>(326,302)</u>	<u>(326,302)</u>
Total comprehensive income for the year	<u>-</u>	<u>31,210</u>	<u>31,210</u>
Issue of share capital	-	-	-
Bonus issue	-	-	-
Transaction costs for equity issue	-	-	-
Dividends paid during the period	<u>-</u>	<u>(108,415)</u>	<u>(108,415)</u>
Contributions by and to owners of the business	<u>-</u>	<u>(108,415)</u>	<u>(108,415)</u>
At 31 December 2012	<u>774,390</u>	<u>1,941,178</u>	<u>2,715,568</u>

Statement Of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 N'000	2012 N'000
Profit after tax	167,324	357,512
Adjustment for:		
Depreciation of property, plant and equipment	255,332	232,053
Amortization of intangible asset	898	898
Post-employment benefits	(558,025)	42,149
Impairment loss on capital work in progress	93,344	-
Actuarial gains	345,239	(326,302)
Finance income	(41,278)	(51,699)
Income tax expense	159,871	120,094
	422,705	374,705
Changes in:		
Inventory	25,335	(18,658)
Loans and receivables	(20,860)	(207,670)
Trade and other receivables	402,044	219,391
Other current assets	88,703	171,754
Trade and other payables	(1,603)	(346,258)
Due to CHP-Hospitality and Tourism Limited	-	128,401
Deferred income	21,368	(22,765)
Cash generated from operating activities	937,692	298,900
Income tax paid	(177,184)	(225,740)
Net cash from operating activities	760,508	73,160
Cash flows from investing activities		
Purchase of property, plant and equipment	(462,040)	(179,981)
Purchase of intangible asset	-	(8,976)
Interest income	41,278	51,699
Net cash used in investing activities	(420,762)	(137,258)
Cash flows from financing activities		
Dividend paid	-	(108,415)
Net cash used in financing activities	-	(108,415)
Net increase/ (decrease) in cash and cash equivalents	339,746	(172,513)
Cash and cash equivalents at the beginning of the year	1,937,608	2,110,121
Cash and cash equivalents at the end of the year	2,277,354	1,937,508

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1. Legal status

1.1 The Company

Capital Hotels Plc. was incorporated in Nigeria on 16 January 1981 as a private limited liability company. It became a public liability company (Plc.) on 31 May 1986. Its Hotel, Sheraton Abuja Hotel commenced business in January 1990. The Hotel which is located at 1 Ladi Kwali Way, Zone 4, Wuse, Abuja is managed and operated by Starwood Eame License and Services Company, BVBA under a System License Agreement dated 7 June 2011. The Company is a member of the Ikeja Hotel Group.

1.2 Principal activities

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

2. Basis of preparation

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

2.2 Functional/presentation currency

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

2.3 Basis of measurement

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

2.4 Use of estimates

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. In particular, the Company has identified the following areas where significant judgments, estimates and assumptions are required. Changes in these assumptions may materially affect the financial position or financial results reported in future periods. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

a. Recovery of deferred tax assets

Judgment is required to determine which types of arrangements are considered to be tax on income in contrast to an operating cost. Judgment is also required in determining whether deferred tax assets are recognised in the statement of



Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

financial position. Deferred tax assets, including those arising from un-utilised tax losses require management assessment of the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilise recognised deferred tax assets.

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

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

b. Contingencies

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

c. Allowances on trade receivables

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

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

d. Defined benefit obligation

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

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

Determination of impairment of property and equipment, and intangible assets

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exist.

e. Depreciation and carrying value of property and equipment

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

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

a. IAS 24 Related Parties

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

b. IAS 1 Presentation of financial statements

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

c. IFRS 7 Financial instruments

The amended standard clarified that additional disclosure of maximum exposure to credit risk is only required where the exposure is not reflected in the carrying amount. It requires disclosure of the financial effect of collateral held as security for financial assets and removed the requirement to specifically disclose financial assets, where the terms have been renegotiated. It also clarifies that disclosure of financial instruments obtained by calling on security or collateral is only required where those assets are still held at the reporting date.

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements. A summary of those relevant to Capital Hotels Plc have been disclosed in these financial statements

a. IFRS 9 Financial instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets. At the IASB's July 2011 meeting, the IASB decided to postpone the mandatory application of IFRS 9 to annual periods beginning on or after 1 January 2015 with early application still permitted.

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

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

c. Amendments to IAS 39: Novation of Derivatives and continuation of hedge accounting

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

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

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

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

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

f. IFRIC 21 Levies

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

5.0 Summary of significant accounting policies

5.1 Foreign currencies

5.1.1 Foreign currency transactions

Transactions in foreign currencies are recorded in Nigerian Naira at the rates of exchange prevailing at the date of the transaction. Monetary items denominated in foreign currencies are retranslated at the exchange rates applying at the reporting date. Non monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings which are regarded as adjustments to interest costs, where those interest costs qualify for capitalization to assets under construction.
- Exchange differences on transactions entered into to hedge foreign currency risks
- Exchange differences on loans to or from a foreign operation for which settlement is neither planned nor likely to occur and therefore forms part of the net investment in the foreign operation, which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

5.2 Financial instruments

Financial instruments carried at the statement of financial position date include the loans and receivables, cash and cash equivalents and borrowings. Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

5.3 Financial assets

5.3.1 Non-derivative financial assets

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

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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The Company has loans and receivables as its non-derivative financial assets.

5.3.2 Loans and receivables

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

5.3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

5.3.4 Non-derivative financial liabilities

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

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

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

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

5.4 Equity instruments

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

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

5.5 Property, plant and equipment

5.5.1 Recognition and measurement

All property, plant and equipment are stated at cost less accumulated depreciation less accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 January, 2011.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss.

5.5.2 Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Notes To The Financial Statements

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

Land	-	Nil
Building	-	2½%
Motor vehicles	-	25%
Plant and machinery	-	15%
Furniture, fittings and equipment	-	15%
Land is not depreciated		

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

5.5.3 De-recognition of property, plant and equipment

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

5.6 Inventories

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

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

5.7 Intangible assets

5.7.1 Other intangible assets

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

5.7.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

5.7.3 Amortisation

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

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

The estimated useful lives for the current and comparative periods:

Computer software	-	10%
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Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted as appropriate.

5.8 Impairment

5.8.1 Financial assets (these include receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise favourable, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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

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

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

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5.8.2 Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit, or CGU.)

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

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

5.8.3 Reversals

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

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

5.9 Employee benefits

5.9.1 Defined benefits plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit post-retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the

calculation results in a benefit to the Company, the recognised asset (excess of plan assets over defined benefit obligation) is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in income statement.

5.9.2 Pension fund scheme

In accordance with the provisions of the Pension Reform Act, 2004, the Company has instituted a Contributory Pension Scheme for its employees, where both the employees and the Company contribute 7.5% of the employee emoluments (basic salary, housing and transport allowances). The Company's contribution under the scheme is charged to the income statement while employee contributions are funded through payroll deductions.

5.9.3 Terminal benefit

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

5.10 Provisions

Provisions are recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

5.10.1 Restructuring

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

5.11 Segment reporting

- An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's COO to make decisions about resources to be allocated to the segment and assess its performance,

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and for which discrete financial information is available.

- Segment results that are reported to the COO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.
- The Company has three operating segments, summarized as follows:

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

	2013 N'000	2012 N'000
Revenue		
Room	2,375,336	2,289,401
Food and beverage	1,955,662	1,740,998
Other services	328,932	288,443
	4,659,930	4,318,842
Cost of sales		
Room	514,499	466,352
Food and beverage	1,525,658	1,164,923
Other services	1,410,120	1,300,372
	3,450,277	2,931,647
Gross profit	1,209,653	1,387,195
Gross profit margin (%)	26	32

There is no disclosure of depreciation and assets per operating segment because the assets of the Company are not directly related to a particular segment.

5.12 Revenue recognition

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

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

5.12.1 Sale of Services

Revenue from services is recognised in the period when the service is completed and collectability of the related receivables is reasonably assured.

Hotel and restaurant revenues are recognized when the rooms are occupied and the services are rendered. Deferred revenue consisting of deposits paid in advance is recognized as revenue when the services are rendered. Revenues under management contracts are recognized based upon the attainment of certain financial results, primarily revenue and operating earnings, in each contract as defined.

Full revenue is recognised on customers deposit made on room reservation in which reservation was not cancelled within the allotted cancellation period/policy; while 40% of customers' deposit is recognised as revenue on banquette booking in which the reservation was not cancelled two weeks to the date of the event.

5.12.2 Interest on investment

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

5.12.3 Dividend

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

5.12.4 Rental income

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

5.13 Taxation

5.13.1 Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax, education tax and deferred income/capital gains tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

5.13.2 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax laws and rates that have been enacted at the statement of financial position date. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly to equity, via the Consolidated Statement of Comprehensive Income in which case the deferred tax is also dealt with in equity.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

5.13.3 Value added tax

Non-recoverable VAT paid in respect of an expense is expensed. Non-recoverable VAT paid in respect of an item of fixed assets is capitalized as part of the cost of the fixed asset.

The net amount owing to or due from the tax authority is included in creditors or debtors.

5.13.4 Withholding tax

The withholding tax credit is used as set-off against income tax payable.

Withholding tax credit which is considered irrecoverable is written-off as part of the tax charge for the year.

5.14 Finance income and finance costs

5.14.1 Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

5.14.2 Finance costs

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

5.15 Earnings per share

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

	2013 N'000	2012 N'000
Profit after taxation	167,324	357,512
Number of shares	1,548,780	1,548,780
Earnings per share (Kobo)		
- Basic	10.80	23.08
- Diluted	10.80	23.08

6. Information on financial risks

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

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

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

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The Company has exposure to the following risks:

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

6.1 Strategic risk

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

Capital Management Policies, Objectives And Approach

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

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

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

Approach to capital management

The Company seeks to optimize the structure and sources of capital to ensure that it consistently maximizes returns to the shareholders and customers.

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

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

6.2 Credit risk

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

Exposure to credit risk is monitored on an ongoing basis, with credit checks performed on all clients requiring credit over

certain amounts. Credit is authorized beyond the credit limits established where appropriate. Credit granted is subject to regular review, to ensure it remains consistent with the client's creditworthiness and appropriate to the anticipated volume of business.

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

	2013 N'000	2012 N'000
Cash and cash equivalent	2,277,354	1,937,608
Trade and other receivables	509,526	911,570
Other Current Assets	177,081	265,784
	<u>2,963,961</u>	<u>3,114,962</u>

6.3 Operational risk

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

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

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

- Requirements for appropriate segregation of duties, including independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Training and professional development
- Ethical and business standards

6.4 Financial Risk

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

Liquidity risks

Market risks

Liquidity risk

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

The Company's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to

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meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

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

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

6.5 Market risk

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

6.6 Foreign currency risk

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

Included in the Statement of Financial Position are the following amounts denominated in currencies other than the functional currency of the Company

	2013 N'000	2012 N'000
Financial assets		
US Dollars	7,455	7,923
Euro	19	
British Pound Sterling	42	20

Foreign currency sensitivity

A 10% strengthening in the Naira against the above foreign currency assets at 31 December 2013 would increase profit before tax by the amounts shown below. This analysis assumes that all other variables such as interest rate remain constant.

	2013 N'000	2012 N'000
Increase in profit before tax	117,171	123,526

A 10% weakening in the Naira against the above foreign currencies asset at 31 December 2013 would have an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

6.7 Price risk

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

7.0 Fair value determination

Fair value is the amount at which an asset or liability is exchanged between knowledgeable willing parties in an arm's length transaction

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

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

7.1 Financial instruments and fair values

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

	Note	Fair Value N'000	Amortised cost N'000	Carrying amount N'000
At 31 December 2013				
Assets				
Cash and cash equivalents		-	2,277,354	2,277,354
Trade and other receivables			509,526	509,526
Other current assets			177,081	177,081
			<u>2,963,961</u>	<u>2,963,961</u>
Liabilities				
Accounts payable and accrual		-	544,651	544,651
Post employee benefits		1,531,008	-	1,531,008
		<u>1,531,008</u>	<u>544,651</u>	<u>2,075,659</u>
At 31 December 2012				
Assets				
Cash and cash equivalents			1,937,608	1,937,608
Trade and other receivables			911,570	911,570
Other current assets			265,784	265,784
			<u>3,114,962</u>	<u>3,114,962</u>
Liabilities				
Accounts payable and accrual		-	546,254	546,254
Post employee benefits		2,089,033	-	2,089,033
		<u>2,089,033</u>	<u>546,254</u>	<u>2,635,287</u>



Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

7.2 Fair value methods and assumptions

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

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

Fair value measurements recognized in the statement of financial position

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

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

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

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

8. Property, plant and equipment

	Land	Building	Plant and machinery	Furniture, fittings and equipment	Motor vehicle	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cost						
At 1 January	321,910	585,668	1,459,696	2,176,151	180,921	4,724,346
Additions during the year	34,482	47,912	184,842	166,554	28,250	462,040
At 31 December	<u>356,392</u>	<u>633,580</u>	<u>1,644,538</u>	<u>2,342,705</u>	<u>209,171</u>	<u>5,186,386</u>
Depreciation						
At 1 January	-	202,003	1,031,240	1,899,942	170,432	3,303,617
Charged during the year	-	15,045	142,843	85,180	12,264	255,332
At 31 December	-	<u>217,048</u>	<u>1,174,083</u>	<u>1,985,122</u>	<u>182,696</u>	<u>3,558,949</u>
Carrying amount:						
At 31 December 2013	<u>356,392</u>	<u>416,532</u>	<u>470,455</u>	<u>357,583</u>	<u>26,475</u>	<u>1,627,437</u>
At 31 December 2012	321,910	383,665	428,456	276,209	10,489	1,420,729

9. Capital work in progress

	Building	Furniture, fittings and equipment	Total
	N'000	N'000	N'000
At 1 January	90,738	373,377	464,115
Impairment loss	-	(93,344)	(93,344)
At 31 December 2013	<u>90,738</u>	<u>280,033</u>	<u>370,771</u>

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

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

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

10. Intangible assets

Computer software

Cost	2013 N'000	2012 N'000
At 1 January	8,976	-
Additions in the year	-	8,976
At 31 December	<u>8,976</u>	<u>8,976</u>

Amortisation

At 1 January	898	-
Charge for the year	898	898
At 31 December	<u>1,796</u>	<u>898</u>

Carrying amount

<u>7,180</u>	<u>8,078</u>
--------------	--------------

11. Loans and other receivables

	2013 N'000	2012 N'000
At 1 January	1,210,057	1,002,385
Additions in the year	-	180,000
Interest received	(19,140)	(12,328)
Interest receivable	40,000	40,000
At 31 December	<u>1,230,917</u>	<u>1,210,057</u>
Current portion	<u>230,917</u>	<u>210,057</u>
Non-current portion	<u>1,000,000</u>	<u>1,000,000</u>

Loans and other receivables represent loans and advances to Ikeja Hotel Plc.



Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

The Non-current portion of loans and other receivables is at an interest rate of 2% p.a. above the deposit rate currently enjoyed by the Hotel and is secured by a negative pledge on the Borrowers property situate at 30 Mobolaji Bank Anthony Way, Ikeja Lagos which negative pledge shall rank pari-passu with other lenders.

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

12. Inventories

	2013 N'000	2012 N'000
Food and beverage	46,166	65,837
Maintenance supplies	70,525	82,573
Office supplies	10,342	12,239
Operating equipment	41,425	34,183
General stores	24,593	23,554
	<u>193,051</u>	<u>218,386</u>

13. Trade and other receivables

Trade receivables (Note 13.1)	374,632	769,717
Impairment allowance (Note 13.2)	<u>(138,123)</u>	<u>(119,644)</u>
	236,509	650,073
Other receivables (Note 13.3)	<u>273,017</u>	<u>261,497</u>
	<u>509,526</u>	<u>911,570</u>

Other receivables are expected to be recoverable.

13.1 Analysis of trade receivables

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

Trade receivables that are fully performing are made up of 37% of debtors' balances (2012: 23%). The largest individual debtor corresponds to 12% of the total balance (2012 : 6%%). Historically these debtors have always paid balances when due, unless the balance or the quality of services delivered is disputed. The average age of these debtors is 29 days (2012 : 65 days). No debtors' balances have been renegotiated during the year or in the prior year.

The ageing of trade receivables at the reporting date was:

	2013		2012	
	Gross N'000	Impairment allowance N'000	Gross N'000	Impairment allowance N'000
Fully performing	137,071	-	179,980	-
Past due by 1 - 30 days	52,105	-	96,975	-
Past due by 31 - 60 days	22,451	732	92,408	-
Past due by 61 - 90 days	18,453	1,439	43,202	-
Past due by 91 - 120 days	14,708	11,439	54,269	-
Past due by more than 90 days	129,844	124,513	302,883	119,644
	374,632	138,123	769,717	119,644

At 31 December 2013, the Company has recognised an impairment allowance of N133 million (2012: N69 million) and an impairment loss of N115 million (2012: N24 million) for the impairment of its trade receivables. The creation and usage of the provision for impaired receivables has been included in administration and general expenses in the income statement.

13.2 Impairment allowance on trade receivables

	2013 N'000	2012 N'000
At 1 January	119,644	73,866
Charged in the year	133,487	69,803
Impaired	(115,008)	(24,025)
At 31 December	138,123	119,644

13.3 Other receivables

Advances to suppliers	224,096	183,666
Advances to staff	42,123	76,117
Insurance claim receivable	3,037	-
Others	3,761	1,714
	273,017	261,497

14. Other current assets

Prepayments	53,868	57,793
Withholding tax receivable	123,213	92,753
SAH/CHP current account	-	115,238
	177,081	265,784

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

15. Cash and cash equivalents

Cash in hand
Cash at bank

Time deposits

2013 N'000	2012 N'000
3,300	4,846
<u>239,094</u>	<u>228,863</u>
242,395	233,709
<u>2,034,959</u>	<u>1,703,899</u>
<u>2,277,354</u>	<u>1,937,608</u>

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

16. Accounts payable and accrual

Financial instruments

Accounts payable
Dividend payable (Note 16.1)
Accrued expenses
Other payables (Note 16.2)

106,895	122,434
830	830
126,087	109,875
<u>119,055</u>	<u>56,893</u>
352,867	290,032

Non-financial instruments

Deposit from guests
VAT payable

182,340	247,241
9,444	8,982
<u>544,651</u>	<u>546,254</u>

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

16.1 Dividend payable

At 1 January
Declared during the year
Payment during the year
At 31 December

830	332
-	108,415
-	(107,917)
<u>830</u>	<u>830</u>

16.2 Other payables

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

75,411	-
25,957	25,821
17,687	31,071
<u>119,055</u>	<u>56,893</u>

16.2.1 SAH/CHP current account represents the current account balance between the Company and the operators of the Hotel.

2013 N'000	2012 N'000
625,254	625,254

17. Due to CHP Hospitality and Tourism limited

18. Current taxation payable

	2013 N'000	2012 N'000
At 1 January	236,988	286,737
Payment during the year	(177,184)	(225,740)
Charge for the year (Note 18.1)	136,895	175,991
At 31 December	<u>196,699</u>	<u>236,988</u>

18.1 Current tax expense

Income tax	121,654	160,291
Education tax	15,241	15701
	<u>136,895</u>	<u>175,992</u>
Deferred taxation	22,976	(55,898)
Income statement	<u>159,871</u>	<u>120,094</u>

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

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

19 Deferred taxation

At 1 January	195,976	251,874
Charge/(write back) in the year (Note 19.1)	22,976	(55,898)
At 31 December	<u>218,952</u>	<u>195,976</u>

19.1 Deferred tax assets and liabilities

Reconciliation of deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000	2013 N'000	2012 N'000
Property, plant and equipment	243,462	219,341	-	-	243,462	219,341
Provisions	-	-	(27,905)	(20,941)	(27,905)	(20,941)
Exchange loss/gain	3,395	-	-	(2,424)	3,395	(2,424)
Tax liability carry forwards	246,857	219,341	(27,905)	(23,365)	218,952	195,976
Tax liability brought forwards	-	-	-	-	(195,976)	(251,874)
Deferred tax liability/(asset)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,976</u>	<u>(55,898)</u>

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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 N'000	2012 N'000
19.2 Reconciliation of effective tax rate		
The tax expense for the year is reconciled to the profit for the year as follows:		
Profit before tax	327,195	477,606
Tax @ 30%	98,159	143,282
Add deductible items	130,451	92,197
Capital allowance	(106,955)	(75,222)
Education tax	15,241	15,735
Deferred tax effect	22,976	(55,898)
Tax expense for the year	159,871	120,094
Profit after tax	167,324	357,512
	2013 N'000	2012 N'000
19.3 The tax rate is reconciled to the effective tax rate as follows:		
Tax rate	30	30
Deductible items	40	20
Balancing charge	-	-
Capital allowance	(33)	(16)
Education tax	5	3
Deferred tax effect	7	1
Total effective tax rate	49	38
20. Employee benefits		
At 1 January	2,089,033	2,046,884
Current service cost	135,434	132,910
Past service cost	-	(324,374)
Interest cost	-	279,143
Net interest on net defined benefit liability/ Interest cost	232,116	-
Payments in the year	(580,336)	(371,832)
Actuarial (gain)/ loss	(345,239)	326,302
	1,531,008	2,089,033

With effect from 31 December 2011, the Company capped the post-employment benefits as follows:

- members with less than 15 years of service will only receive a maximum benefit of 300 weeks of their annual gross earnings on retirement or exit from the Scheme
- members who have more than 15 years of service will only receive a maximum benefit of 357 weeks of their annual gross earnings on retirement or exit from the Scheme

Sensitivity analysis

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

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

Discount rate

	Main Result N'000	+ 1% N'000	- 1% N'000
Defined benefit obligation	1,531,008	1,405,602	1,672,792
Change		(8.20%)	9.30%

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

Salary increase rate

	Main Result N'000	+ 1% N'000	- 1% N'000
Defined benefit obligation	1,531,008	1,673,609	1,4021,811
Change		9.30%	(8.20%)

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

Mortality improvement

	Main Result N'000	+ 1% N'000	- 1% N'000
Defined benefit obligation	1,531,008	1,531,447	1,530,605
Change		0.03%	(0.03%)

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

	2013 N'000	2012 N'000
21. Share capital		
21.1 Authorized		
1,600,000,000 ordinary share of 50k each	<u>800,000</u>	<u>800,000</u>
21.2 Issued and fully paid		
1,548,780,000 ordinary share of 50k each	<u>774,390</u>	<u>774,390</u>
22. Retained earnings		
At 1 January	1,941,178	2,018,383
Dividend declared during the year	-	(108,415)
Transferred from profit or loss	512,563	31,210
At 31 December	<u>2,453,741</u>	<u>1,941,178</u>

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 N'000	2012 N'000
23. Other income		
Gain on currency translation	11,316	-
Sundry receipts	16,273	3,729
	<u>27,589</u>	<u>3,729</u>
24. Finance income		
Interest on loan	41,278	51,699
	<u>41,278</u>	<u>51,699</u>
Interest on loan relates to income earned on loan to Ikeja Hotel Plc.		
25. Administration and general expenses		
Directors' fees	1,305	2,300
Management incentive fee (Note 29.2)	31,672	27,448
Management service charge	-	220,233
Depreciation of property, plant and equipment	255,332	232,056
Employee costs	52,517	48,638
License fee (Note 29.1)	118,922	110,117
Impairment allowance for doubtful receivables	133,487	69,803
Impairment loss on capital work in progress	93,344	-
Legal and professional fees	16,371	16,169
Insurance	33,299	33,106
Transport and travelling	14,228	8,840
Directors' expenses	31,439	27,567
Security expenses	40,657	23,635
Bank charges	11,130	9,914
Audit fee	6,000	6,000
Other office running expenses	34,567	37,428
	<u>874,271</u>	<u>873,254</u>
26. Transactions with key management personnel		
26.1 Directors emoluments		
Each director is entitled to the following:		
<i>Fees</i>		
- Chairman	250	300
- Directors	1,055	2,000
<i>Allowances</i>		
- Chairman	1,817	1,817
- Directors	11,583	11,583

26.2 Personnel compensation

The Company had 415 employees in 2013 (2012: 451).

Personnel compensation

Personnel compensation comprised:

Short-term employee benefits

Contribution to compulsory pension fund scheme

Long service award

Defined benefit gratuity scheme

	2013 N'000	2012 N'000
Short-term employee benefits	384,292	1,381,076
Contribution to compulsory pension fund scheme	26,541	26,429
Long service award	212,735	-
Defined benefit gratuity scheme	367,550	87,679
	<u>991,118</u>	<u>1,495,184</u>

	Number	Number
The number of employees whose emolument fell within the following ranges:		
N0	-	-
N200,001	-	-
N400,001	76	101
N600,001	110	150
N800,001	137	115
N1,000,001	92	85
	<u>415</u>	<u>451</u>

	N'000	N'000
Dividend	-	108,415
Number of share	<u>1,548,780</u>	<u>1,548,780</u>
Dividend per share (DPS (Kobo))	<u>-</u>	<u>7.00</u>

Dividend per share

Dividend per share has been computed for each year on the dividend attributable to ordinary shareholders of the issued and paid up 50 kobo ordinary shares during the year.

Dividend

Number of share

Dividend per share (DPS (Kobo))

Notes To The Financial Statements

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27 Related party transactions

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

	Value of goods and services supplied (to)/ by the Company		Amount due (to)/from the Company	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000
27.1 Ikeja Hotel Plc				
Capital Hotels plc is a member of the Ikeja Hotel Group.				
Transactions in the year relate to:				
- Interest receivable on loan	40,000	51,015	-	1,002,385
- Additional amount advanced	-	180,000	-	180,000
27.2 Minet Nigeria Limited				
A director in the Company is also a director in Capital Hotels Plc.				
The Company provides insurance brokerage services to Capital Hotels Plc	18,343	15,372	-	-
27.3 AVI Services Limited				
A director in the Company is also a director in Capital Hotels Plc.				
The Company provides transport services to the staff of the Hotel for which they are provided a space in the lobby of the Hotel.	96,907	85,212	-	-
27.4 G. M. Ibru & Co				
A partner in the Firm is a director of Ikeja Hotel Plc.				
The Firm provides legal services to Capital Hotels Plc	-	802	-	-
28. Financial commitments				
The directors are of the opinion that all known liabilities and commitments have been taken into consideration in the preparation of these financial statements. These liabilities are relevant in assessing the Company's state of affairs.				

certain amounts. Credit is authorized beyond the credit limits established where appropriate. Credit granted is subject to regular review, to ensure it remains consistent with the client's creditworthiness and appropriate to the anticipated volume of business.

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

	2013 N'000	2012 N'000
Cash and cash equivalent	2,277,354	1,937,608
Trade and other receivables	509,526	911,570
Other Current Assets	177,081	265,784
	<u>2,963,961</u>	<u>3,114,962</u>

6.3 Operational risk

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

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

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

- Requirements for appropriate segregation of duties, including independent authorization of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Training and professional development
- Ethical and business standards

6.4 Financial Risk

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

Liquidity risks

Market risks

Liquidity risk

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

The Company's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

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

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

6.5 Market risk

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

6.6 Foreign currency risk

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

Included in the Statement of Financial Position are the following amounts denominated in currencies other than the functional currency of the Company

	2013 N'000	2012 N'000
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US Dollars	7,455	7,923
Euro	19	
British Pound Sterling	42	20

Foreign currency sensitivity

A 10% strengthening in the Naira against the above foreign currency assets at 31 December 2013 would increase profit before tax by the amounts shown below. This analysis assumes that all other variables such as interest rate remain constant.

	2013 N'000	2012 N'000
Increase in profit before tax	117,171	123,526

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

7.0 Fair value determination

Fair value is the amount at which an asset or liability is exchanged between knowledgeable willing parties in an arm's length transaction

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

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

7.1 Financial instruments and fair values

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	Note	Fair Value N'000	Amortised cost N'000	Carrying amount N'000
At 31 December 2013				
Assets				
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Trade and other receivables			509,526	509,526
Other current assets			177,081	177,081
			<u>2,963,961</u>	<u>2,963,961</u>
Liabilities				
Accounts payable and accrual		-	544,651	544,651
Post employee benefits		1,531,008	-	1,531,008
		<u>1,531,008</u>	<u>544,651</u>	<u>2,075,659</u>
At 31 December 2012				
Assets				
Cash and cash equivalents		-	1,937,608	1,937,608
Trade and other receivables		-	911,570	911,570
Other current assets		-	265,784	265,784
			<u>3,114,962</u>	<u>3,114,962</u>
Liabilities				
Accounts payable and accrual		-	546,254	546,254
Post employee benefits		2,089,033	-	2,089,033
		<u>2,089,033</u>	<u>546,254</u>	<u>2,635,287</u>

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

7.2 Fair value methods and assumptions

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

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

Fair value measurements recognized in the statement of financial position

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

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

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

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

8. Property, plant and equipment

	Land	Building	Plant and machinery	Furniture, fittings and equipment	Motor vehicle	Total
	N'000	N'000	N'000	N'000	N'000	N'000
Cost						
At 1 January	321,910	585,668	1,459,696	2,176,151	180,921	4,724,346
Additions during the year	34,482	47,912	184,842	166,554	28,250	462,040
At 31 December	356,392	633,580	1,644,538	2,342,705	209,171	5,186,386
Depreciation						
At 1 January	-	202,003	1,031,240	1,899,942	170,432	3,303,617
Charged during the year	-	15,045	142,843	85,180	12,264	255,332
At 31 December	-	217,048	1,174,083	1,985,122	182,696	3,558,949
Carrying amount:						
At 31 December 2013	356,392	416,532	470,455	357,583	26,475	1,627,437
At 31 December 2012	321,910	383,665	428,456	276,209	10,489	1,420,729

9. Capital work in progress

	Building	Furniture, fittings and equipment	Total
	N'000	N'000	N'000
At 1 January	90,738	373,377	464,115
Impairment loss	-	(93,344)	(93,344)
At 31 December 2013	<u>90,738</u>	<u>280,033</u>	<u>370,771</u>

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

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

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

10. Intangible assets

Computer software

Cost

	2013 N'000	2012 N'000
At 1 January	8,976	-
Additions in the year	-	8,976
At 31 December	<u>8,976</u>	<u>8,976</u>

Amortisation

At 1 January	898	-
Charge for the year	898	898
At 31 December	<u>1,796</u>	<u>898</u>

Carrying amount

	<u>7,180</u>	<u>8,078</u>
--	--------------	--------------

11. Loans and other receivables

	2013 N'000	2012 N'000
At 1 January	1,210,057	1,002,385
Additions in the year	-	180,000
Interest received	(19,140)	(12,328)
Interest receivable	40,000	40,000
At 31 December	<u>1,230,917</u>	<u>1,210,057</u>
Current portion	<u>230,917</u>	<u>210,057</u>
Non-current portion	<u>1,000,000</u>	<u>1,000,000</u>

Loans and other receivables represent loans and advances to Ikeja Hotel Plc.



Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

The Non-current portion of loans and other receivables is at an interest rate of 2% p.a. above the deposit rate currently enjoyed by the Hotel and is secured by a negative pledge on the Borrowers property situate at 30 Mobolaji Bank Anthony Way, Ikeja Lagos which negative pledge shall rank pari-passu with other lenders.

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

12. Inventories

	2013 N'000	2012 N'000
Food and beverage	46,166	65,837
Maintenance supplies	70,525	82,573
Office supplies	10,342	12,239
Operating equipment	41,425	34,183
General stores	24,593	23,554
	193,051	218,386

13. Trade and other receivables

Trade receivables (Note 13.1)	374,632	769,717
Impairment allowance (Note 13.2)	(138,123)	(119,644)
	236,509	650,073
Other receivables (Note 13.3)	273,017	261,497
	509,526	911,570

Other receivables are expected to be recoverable.

13.1 Analysis of trade receivables

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

Trade receivables that are fully performing are made up of 37% of debtors' balances (2012: 23%). The largest individual debtor corresponds to 12% of the total balance (2012 : 6%%). Historically these debtors have always paid balances when due, unless the balance or the quality of services delivered is disputed. The average age of these debtors is 29 days (2012 : 65 days). No debtors' balances have been renegotiated during the year or in the prior year.

The ageing of trade receivables at the reporting date was:

	2013		2012	
	Gross N'000	Impairment allowance N'000	Gross N'000	Impairment allowance N'000
Fully performing	137,071	-	179,980	-
Past due by 1 - 30 days	52,105	-	96,975	-
Past due by 31 - 60 days	22,451	732	92,408	-
Past due by 61 - 90 days	18,453	1,439	43,202	-
Past due by 91 - 120 days	14,708	11,439	54,269	-
Past due by more than 90 days	129,844	124,513	302,883	119,644
	374,632	138,123	769,717	119,644

At 31 December 2013, the Company has recognised an impairment allowance of N133 million (2012: N69 million) and an impairment loss of N115 million (2012: N24 million) for the impairment of its trade receivables. The creation and usage of the provision for impaired receivables has been included in administration and general expenses in the income statement.

13.2 Impairment allowance on trade receivables

	2013 N'000	2012 N'000
At 1 January	119,644	73,866
Charged in the year	133,487	69,803
Impaired	(115,008)	(24,025)
At 31 December	138,123	119,644

13.3 Other receivables

Advances to suppliers	224,096	183,666
Advances to staff	42,123	76,117
Insurance claim receivable	3,037	-
Others	3,761	1,714
	273,017	261,497

14. Other current assets

Prepayments	53,868	57,793
Withholding tax receivable	123,213	92,753
SAH/CHP current account	-	115,238
	177,081	265,784

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

15. Cash and cash equivalents

Cash in hand
Cash at bank

Time deposits

2013 N'000	2012 N'000
3,300	4,846
<u>239,094</u>	<u>228,863</u>
242,395	233,709
<u>2,034,959</u>	<u>1,703,899</u>
<u>2,277,354</u>	<u>1,937,608</u>

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

16. Accounts payable and accrual

Financial instruments

Accounts payable
Dividend payable (Note 16.1)
Accrued expenses
Other payables (Note 16.2)

Non-financial instruments

Deposit from guests
VAT payable

106,895	122,434
830	830
126,087	109,875
119,055	56,893
<u>352,867</u>	<u>290,032</u>
182,340	247,241
9,444	8,982
<u>544,651</u>	<u>546,254</u>

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

16.1 Dividend payable

At 1 January
Declared during the year
Payment during the year
At 31 December

830	332
-	108,415
-	(107,917)
<u>830</u>	<u>830</u>

16.2 Other payables

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

75,411	-
25,957	25,821
17,687	31,071
<u>119,055</u>	<u>56,893</u>

16.2.1 SAH/CHP current account represents the current account balance between the Company and the operators of the Hotel.

2013 N'000	2012 N'000
625,254	625,254

17. Due to CHP Hospitality and Tourism limited

18. Current taxation payable

At 1 January	236,988	286,737
Payment during the year	(177,184)	(225,740)
Charge for the year (Note 18.1)	136,895	175,991
At 31 December	196,699	236,988

18.1 Current tax expense

Income tax	121,654	160,291
Education tax	15,241	15701
Current tax	136,895	175,992
Deferred taxation	22,976	(55,898)
Income statement	159,871	120,094

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

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

19 Deferred taxation

At 1 January	195,976	251,874
Charge/(write back) in the year (Note 19.1)	22,976	(55,898)
At 31 December	218,952	195,976

19.1 Deferred tax assets and liabilities

Reconciliation of deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000	2013 N'000	2012 N'000
Property, plant and equipment	243,462	219,341	-	-	243,462	219,341
Provisions	-	-	(27,905)	(20,941)	(27,905)	(20,941)
Exchange loss/gain	3,395	-	-	(2,424)	3,395	(2,424)
Tax liability carry forwards	246,857	219,341	(27,905)	(23,365)	218,952	195,976
Tax liability brought forwards	-	-	-	-	(195,976)	(251,874)
Deferred tax liability/(asset)	-	-	-	-	22,976	(55,898)

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

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 N'000	2012 N'000
19.2 Reconciliation of effective tax rate		
The tax expense for the year is reconciled to the profit for the year as follows:		
Profit before tax	327,195	477,606
Tax @ 30%	98,159	143,282
Add deductible items	130,451	92,197
Capital allowance	(106,955)	(75,222)
Education tax	15,241	15,735
Deferred tax effect	22,976	(55,898)
Tax expense for the year	159,871	120,094
Profit after tax	167,324	357,512
	2013 N'000	2012 N'000
19.3 The tax rate is reconciled to the effective tax rate as follows:		
Tax rate	30	30
Deductible items	40	20
Balancing charge	-	-
Capital allowance	(33)	(16)
Education tax	5	3
Deferred tax effect	7	1
Total effective tax rate	49	38
20. Employee benefits		
At 1 January	2,089,033	2,046,884
Current service cost	135,434	132,910
Past service cost	-	(324,374)
Interest cost	-	279,143
Net interest on net defined benefit liability/ Interest cost	232,116	-
Payments in the year	(580,336)	(371,832)
Actuarial (gain)/ loss	(345,239)	326,302
	1,531,008	2,089,033

With effect from 31 December 2011, the Company capped the post-employment benefits as follows:

- members with less than 15 years of service will only receive a maximum benefit of 300 weeks of their annual gross earnings on retirement or exit from the Scheme
- members who have more than 15 years of service will only receive a maximum benefit of 357 weeks of their annual gross earnings on retirement or exit from the Scheme

Sensitivity analysis

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

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

Discount rate

	Main	+ 1%	- 1%
	Result		
	N'000	N'000	N'000
Defined benefit obligation	1,531,008	1,405,602	1,672,792
Change		(8.20%)	9.30%

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

Salary increase rate

	Main	+ 1%	- 1%
	Result	N'000	N'000
	N'000		
Defined benefit obligation	1,531,008	1,673,609	1,4021,811
Change		9.30%	(8.20%)

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

Mortality improvement

	Main	+ 1%	- 1%
	Result	N'000	N'000
	N'000		
Defined benefit obligation	1,531,008	1,531,447	1,530,605
Change		0.03%	(0.03%)

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

	2013 N'000	2012 N'000
21. Share capital		
21.1 Authorized		
1,600,000,000 ordinary share of 50k each	<u>800,000</u>	<u>800,000</u>
21.2 Issued and fully paid		
1,548,780,000 ordinary share of 50k each	<u>774,390</u>	<u>774,390</u>
22. Retained earnings		
At 1 January	1,941,178	2,018,383
Dividend declared during the year	-	(108,415)
Transferred from profit or loss	512,563	31,210
At 31 December	<u>2,453,741</u>	<u>1,941,178</u>

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 N'000	2012 N'000
23. Other income		
Gain on currency translation	11,316	-
Sundry receipts	16,273	3,729
	<u>27,589</u>	<u>3,729</u>
24. Finance income		
Interest on loan	41,278	51,699
Interest on loan relates to income earned on loan to Ikeja Hotel Plc.		
25. Administration and general expenses		
Directors' fees	1,305	2,300
Management incentive fee (Note 29.2)	31,672	27,448
Management service charge	-	220,233
Depreciation of property, plant and equipment	255,332	232,056
Employee costs	52,517	48,638
License fee (Note 29.1)	118,922	110,117
Impairment allowance for doubtful receivables	133,487	69,803
Impairment loss on capital work in progress	93,344	-
Legal and professional fees	16,371	16,169
Insurance	33,299	33,106
Transport and travelling	14,228	8,840
Directors' expenses	31,439	27,567
Security expenses	40,657	23,635
Bank charges	11,130	9,914
Audit fee	6,000	6,000
Other office running expenses	34,567	37,428
	<u>874,271</u>	<u>873,254</u>
26. Transactions with key management personnel		
26.1 Directors emoluments		
Each director is entitled to the following:		
<i>Fees</i>		
- Chairman	250	300
- Directors	1,055	2,000
<i>Allowances</i>		
- Chairman	1,817	1,817
- Directors	11,583	11,583

26.2 Personnel compensation

The Company had 415 employees in 2013 (2012: 451).

Personnel compensation

Personnel compensation comprised:

Short-term employee benefits

Contribution to compulsory pension fund scheme

Long service award

Defined benefit gratuity scheme

2013
N'000

2012
N'000

384,292	1,381,076
26,541	26,429
212,735	-
367,550	87,679
991,118	1,495,184

Number

Number

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

N0	-	N200,000	-	-
N200,001	-	N400,000	-	-
N400,001	-	N600,000	76	101
N600,001	-	N800,000	110	150
N800,001	-	N1,000,000	137	115
N1,000,001	-	above	92	85
			415	451

N'000

N'000

Dividend per share

Dividend per share has been computed for each year on the dividend attributable to ordinary shareholders of the issued and paid up 50 kobo ordinary shares during the year.

Dividend	-	108,415
Number of share	1,548,780	1,548,780
Dividend per share (DPS (Kobo))	-	7.00

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

27 Related party transactions

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

	Value of goods and services supplied (to)/ by the Company		Amount due (to)/from the Company	
	2013 N'000	2012 N'000	2013 N'000	2012 N'000
27.1 Ikeja Hotel Plc				
Capital Hotels plc is a member of the Ikeja Hotel Group.				
Transactions in the year relate to:				
- Interest receivable on loan	40,000	51,015	-	1,002,385
- Additional amount advanced	-	180,000	-	180,000
27.2 Minet Nigeria Limited				
A director in the Company is also a director in Capital Hotels Plc.				
The Company provides insurance brokerage services to Capital Hotels Plc	18,343	15,372	-	-
27.3 AVI Services Limited				
A director in the Company is also a director in Capital Hotels Plc.				
The Company provides transport services to the staff of the Hotel for which they are provided a space in the lobby of the Hotel.	96,907	85,212	-	-
27.4 G. M. Ibru & Co				
A partner in the Firm is a director of Ikeja Hotel Plc.				
The Firm provides legal services to Capital Hotels Plc	-	802	-	-

28. Financial commitments

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

29. Operating service agreement

Capital Hotels Plc (the Owner) entered into an agreement with Starwood Eame License and Services Company, BVBA (the Operator) to pay the following during each fiscal year of the operating term (and proportionately for a fraction of a fiscal year):

29.1 Base Fee

The amount equal to two and half percent (2.5)% of gross operating revenues for each month of the operating term (the 'maximum base fee') less the license fee paid under the License Agreement. The base fee and the License fee in any operating year in the aggregate shall not be greater than the maximum base fee in such operating year and less than US \$250,000.00 in such operating year.

29.2 Incentive Fee

The amount equal two and half percent (2.5%) of Adjusted Gross Operating Profit (AGOP) for each operating year during the operating term.

30. Contingent liabilities

The Company is subject to various claims and other liabilities arising in the normal course of business. The contingent liabilities in respect of pending litigation and other liabilities amounted to Nil as at 31 December 2013 (2012: N70 million).

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

31. Events after the reporting date

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

32. Prior period corresponding balances

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

Statement of Value Added

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 N'000	%	2012 N'000	%
Turnover	4,659,930		4,318,842	
Finance income	41,278		51,699	
Other income	27,589		3,729	
	<u>4,728,797</u>		<u>4,374,270</u>	
Cost of goods and services – foreign	(150,593)		(137,564)	
Cost of goods and services – local	<u>(2,659,320)</u>		<u>(2,358,163)</u>	
Value added	<u>1,919,884</u>	<u>100</u>	<u>1,878,543</u>	<u>100</u>
Applied as follows:				
To pay employees:				
Salaries, wages and other staff costs	991,118	52	1,495,184	80
To providers of capital:				
Finance charges	-	-	-	-
To pay Government:				
Company income tax	136,895	7	175,991	9
To provide for assets replacement:				
Depreciation of property, plant and equipment	255,332	13	232,056	12
Retained for future expansion:				
- Deferred taxation	22,976	1	(55,898)	(3)
- Retained profit on ordinary activities	<u>512,563</u>	<u>27</u>	<u>31,210</u>	<u>2</u>
	<u>1,918,884</u>	<u>100</u>	<u>1,878,543</u>	<u>100</u>

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

Financial Summary

31 DECEMBER

	IFRS				NGAAP
	2013 N'000	2012 N'000	2011 N'000	2010 N'000	2009 N'000
Assets:					
Non-current assets					
Property, plant and equipment	1,627,437	1,420,729	1,472,804	1,490,746	1,730,877
Capital work in progress	370,771	464,115	464,115	464,115	-
Intangible assets	7,180	8,078	-	-	-
Loans and receivables	1,000,000	1,000,000	1,000,000	1,000,000	-
Net current assets	1,972,703	2,107,656	2,154,612	1,654,206	2,312,269
Non-current liabilities	(1,749,960)	(2,285,009)	(2,298,758)	(3,902,034)	(1,551,152)
Net assets	3,228,131	2,715,569	2,792,773	707,033	2,491,994
Equity and reserves					
Ordinary share capital	774,390	774,390	774,390	774,390	774,390
Reserve	-	-	-	-	333
Retained earnings	2,453,741	1,941,179	2,018,383	(67,357)	1,717,271
Total equity	3,228,131	2,715,569	2,792,773	707,033	2,491,994
Turnover	4,659,930	4,318,842	4,823,712	4,944,026	4,706,677
Profit before tax	327,195	477,606	549,757	1,068,606	1,225,607
Taxation	(159,871)	(120,094)	(122,031)	(470,016)	(557,159)
Profit for the year	167,324	357,512	427,726	598,590	668,448
Other comprehensive income for the year	345,239	(326,302)	1,774,173	-	-
Total comprehensive income for the year	512,563	31,210	2,201,899	598,590	668,448
Per share data:					
Earnings per share (kobo):					
- Basic	10.80	23.08	27.62	45.65	43.00
- Diluted	10.80	23.08	27.62	45.65	43.00
Net assets per ordinary share (kobo)	208.43	175.34	180.32	45.65	161.00

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

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



Share Capital History

FOR THE YEAR ENDED 31 DECEMBER 2013

Date	Authorised Capital (N)	Issued and Fully Paid (N)	Consideration
1981	1,000,000	1,000,000	Cash
1982	25,000,000	19,475,000	Cash
1985	50,000,000	30,700,000	Cash
1995	100,000,000	45,700,000	Cash
1998	200,000,000	91,400,000	Cash (Rights)
2000	200,000,000	100,540,000	Bonus
2002	800,000,000	774,390,000	Debt conversion & privatization

Shareholder Administration

FOR THE YEAR ENDED 31 DECEMBER 2013

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 City Securities Limited

358 Herbert Macaulay Road, Yaba, Lagos or with the Company Secretary – Ifebunandu and Co, Barristers & Solicitors, 11, Martins Street, P. O. Box 5918, 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