



**ANNUAL REPORT
&
ACCOUNTS
2010**



CAPITAL HOTELS PLC



**Sheraton Abuja
HOTEL**



CAPITAL HOTELS PLC

(Owners of Sheraton Abuja Hotel)

ANNUAL REPORT

&

ACCOUNTS

Year Ended 31 December, 2010

1



Contents

	Page
Notice of Annual General Meeting	3
Results in brief	4
Corporate Profile	5
Report of Directors	6
Chairman's Statement	13
Report of the Audit Committee	17
Auditor's Report	18
Statement of Accounting Policies	19
Balance Sheet	25
Profit & Loss Account	26
Statement of Cash Flows	27
Notes to the Financial Statements	28
Statement of Value Added	38
Five Year Financial Summary	39
Share Capital History	40
E Dividend Form	41
Proxy/Admission Form	43



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 30th Annual General Meeting of Capital Hotels Plc will be held at 12.00 noon on Thursday 23 June, 2011 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, 2010 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 appoint Auditors and 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 7 July, 2011 to the members, whose names appear in the Register of Members at the close of business on Friday 11 June, 2011.

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 6 June, 2011 to Friday 10 June, 2011, both days inclusive.

BY ORDER OF THE BOARD

Ifebunandu & Co
Company Secretary

29 March, 2011



Results in Brief

	2010 N'000	2009 N'000
TURNOVER	5,031,505	4,703,677
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,068,606	1,225,607
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	598,590	668,449
RETAINED PROFIT FOR THE YEAR	598,590	668,449
ISSUED AND FULLY PAID UP CAPITAL	774,390	774,390
RESERVES	333	333
GENERAL RESERVE	2,199,702	1,717,271
SHAREHOLDERS' FUNDS	2,974,425	2,491,994
	KOBO	KOBO
NET ASSETS PER 50 KOBO SHARE	192	161
EARNINGS PER 50 KOBO SHARE	39	43
DIVIDEND PER 50 KOBO SHARE	-	7½
	NUMBER OF TIMES	NUMBER OF TIMES
DIVIDEND COVER	-	5.7
	NUMBER OF SHARES	NUMBER OF SHARES
ISSUED	<u>1,548,780,000</u>	<u>1,548,780,000</u>
EMPLOYEES	<u>761</u>	<u>691</u>



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

BOARD OF DIRECTORS:

- ✕ G. M. Ibru, OON Chairman
- J. O. Makinde
- ✕ Y. A. Disu
- ✕ V. C. N. Oyolu ✕
- A. A. Thomopoulos (Dr.)
- E. A. Chukwura ✕
- N. Olejeme (Mrs.)
- ✕ A. U. Ibru (Dr)
- J. C. Anosike

(Handwritten notes: "One time" with an arrow pointing to A. U. Ibru, and "NLE" with an arrow pointing to N. Olejeme)

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

REGISTRARS: City Securities Limited,
Primrose Towers,
17a Tinubu Street, Lagos

HOTEL OPERATOR: Starwood Hotels and Resorts Inc.
(Sheraton Overseas Management Corporation)

AUDITORS: PKF Professional Services
Chartered Accountants,
Toloye House
362, Ikorodu Road/1A Okupe Estate
Maryland, Lagos
G.P.O. Box 2047, Marina
Lagos - Nigeria

BANKERS: Afribank Nigeria Plc
Union Bank of Nigeria Plc
Spring Bank Plc
HSBC

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



The Directors of Capital Hotels Plc have the pleasure to present to the members of the Company, their Annual Report and Audited Financial Statements as at 31st December, 2010 together with the notes thereon.

1. THE COMPANY'S LEGAL FORM

The Company was incorporated on 16th January, 1981, under the Companies Act, 1968 as a private limited liability company. It was converted to a quoted company in 1986 but was removed from the dealing list by the Stock Exchange in 1990. The Company 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.

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"

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. RESULTS OF OPERATIONS

	N'000
Profit on ordinary activities after taxation	598,590
Retained profit for the year	598,590
General Reserve brought forward	1,601,112
General Reserve carried forward	2,199,702

4. DIVIDEND

The directors are pleased to recommend to members the payment of a dividend of 7½ kobo per share amounting to N116,158,500, subject to withholding tax at the applicable rate. If approved, the dividend will be paid on 7 July, 2011 to members, whose names appear on the register of members at the close of business on Friday 10 June, 2011.



Report of Directors (Cont'd)

5. DIRECTORS

The names of the directors at the date on which the accounts were approved are stated on page 4.

6. DIRECTORS INTEREST

The interests of the Directors in the issued share capital of the Company as recorded in the register of members as at the close of business on Friday 10 June, 2011 are as follows:

	Number of shares 31 December, 2010	Numbers of shares 31 December, 2009
Y.A. Disu	505,500	505,500
O. Makinde	600,668	600,668
V. C.N. Oyolu	50,000	50,000

7. 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.

8. RECORD OF DIRECTORS ATTENDANCE

In accordance with Section 258(2) of the Companies and Allied Matters Act, 1990 the record of Directors attendance at Board meetings during the year will be available for inspection at the Annual General Meeting.

9. MAJOR SHAREHOLDINGS

As at the time of this AGM the following members hold the ascribed percentage shares of the issued share capital of the Company as we considered substantial:

	31 Dec., 2009	%
Hans Gremlin Nig. Ltd	789,877,800	51.00
Continental Energy Resources Ltd	279,000,000	18.01
Oma Investment Ltd	200,000,000	12.91
Abuja Investment And Property Development	100,775,620	6.51
Ministry of Finance Incorporated	32,579,395	2.10
Nigeria Re-Insurance Corporated	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
Leoandoe Investment Ltd	10,000,000	0.65
Nigeria Airways Pension Board	7,374,400	0.48
Sterling Communications Services Ltd	5,460,043	0.35

10. ANALYSIS OF SHAREHOLDINGS

Share Ranges	No. Of Share holders	No. of Shares held At 31 st Dec., 2010	%
1 - 550	3,379	959,107	0.06
551 - 1,100	701	834,359	0.05
1,101 - 5,500	162	1,982,665	0.13
5,501 - 11,000	158	1,471,961	0.10
11,001 - 55,000	255	6,820,655	0.44
55,001 - Above	132	1,536,711,253	99.22
	<u>5,385</u>	<u>1,548,780,000</u>	<u>100.00</u>

11. EMPLOYMENT AND PERSONNEL MATTERS**a. Health, Safety and Welfare of Employees**

The Company puts high premium on its staff and treats them as its single most valuable asset. Accordingly, it makes every effort to protect the health of its employees, and ensures their safety at all times. We conduct regular updates on the regulations concerning the Health, Safety and Welfare of Employees and also bring such regulations to the knowledge and awareness of the employees.

The Company provides, for the use of the staff at no cost to them, a clinic manned by qualified and competent medical personnel to attend to the needs of the staff 24 hours a day.

In addition to the above, the Company provides a canteen to ensure that members of staff on duty are well fed at no charge to them.

The Company also provides protective clothing for the engineering, house-keeping, security staff as well as those providing concierge and other essential services.

We also implement incentive schemes for the various categories of staff, including bonuses and a contributory pension scheme. The Company is committed to keeping the employees fully informed of its progress and also welcomes their views and suggestions for the efficient management of the hotel.

b. Employment of Disabled Persons

At Capital Hotels Plc, we do not discriminate in considering applications for employment of able and physically challenged persons. As a matter of policy, special efforts are made to encourage physically challenged persons to offer themselves for employment to develop their skills, knowledge and leadership quality. At 31st December, 2010 we had two disabled persons in the employment of the Company.

c. Employee's Involvement & Training

Capital Hotels Plc is committed to training and developing the skills, knowledge and leadership quality of the employees in all departments of the hotel business. To this end, the Hotel takes advantage of the standing agreement with Starwood Hotels & Resorts Inc, for on the job training in all Starwood branded Hotels and other institutions in Nigeria and overseas.

12. ACQUISITION OF THE COMPANY'S OWN SHARES

During the year under review, the Company did not acquire any of its own shares.

13. MANAGEMENT AGREEMENT

An agreement was 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 which became due for renewal on July 1, 2010 was extended to 31 March, 2011 to afford a wholly beneficial agreement to be consummated. In the meantime, negotiations are on to reach a mutually beneficial agreement.

14. DONATION - CORPORATE SOCIAL RESPONSIBILITY

In the course of the year under review, the hotel visited some named organizations within the FCT with a view to adding pep to their joy. First on the list was Government Secondary School, Gwagwa where we distributed some footballs, T-Shirts, exercise books and motivational books.

Fatherless and Motherless Children Aid Organization (FACADO) was the next point of call. The Hotel presented bed linen, motivational books and items of stationery to this body.

The Hotel also paid a courtesy call on SOS Children's Village and presented bed-linen materials to enhance the living condition of the inhabitants.

The Hotel also undertook "The Sheraton Abuja 'Check Out for Children' UNICEF Road to Awareness Walk 2010. The FRSC facilitated the smoothness of the exercise while the UNICEF Country Representative, Dr. Suomi Sakai; Barr. Simon Egede (Exec Sec' NAP TIP) and a popular comedian added verve to the walk.

In the course of the year, the Hotel also organized an educative World Environment Day event with some selected primary and secondary school children. The event brought home lessons on bio-diversity, sustainability of the eco-system and the Going-Green campaign. Tagged "Grow Eco-friendly Children, the event drew important dignitaries from the Federal Ministry of the Environment; Conservator-General of National Parks Service; Abuja Environmental Protection Board and the Nigerian Environmental Society. Other than the above, no cash donations were made.

15. COMMITTEES OF THE BOARD/COMPANY

The Company and the Board, in furtherance of its good governance principle, established

four functional committees that exercise oversight functions in specific areas of the Company's operations. These committees are:

i. The Purchasing Committee

The objective of this committee is to oversee the procurement of major items for the use of the Hotel such that it gets value for money spent. In selecting suppliers and major service providers, the committee is guided by three basic principles, namely, quality assurance, price advantage and ability to supply consistently over time and/or meet contractual agreements. There are two variants of this committee. These are (i) the Regular Purchase Committee which meets every month or at such frequency as operation may demand and (ii) Capital Purchase Committee whose meeting is called only when there is a need to consider the purchase of major Capital Expenditure Items.

ii. The Business & Finance Committee

The Business & Finance Committee of the Board is saddled with the responsibility of ensuring the orderly conduct of the operations of the hotel. In exercising this function, it looks at the functionality of the facilities of the hotel. It also looks at alternative investment window for the hotel to ensure that superior value is created for shareholders. In addition to the functions highlighted above, the Business & Finance Committee ensures that requirements of regulatory agencies are complied with. In a nutshell, it serves as a general purpose committee of the board.

iii. Risk Committee.

The principal functions of the Risk Committee are to articulate the probable risks to which the Company is exposed; propose likely measures to mitigate them and review all underlying activities with a view to enhancing value and complying with the requirements of regulatory activities. By nature of the Committee, its membership covers both members of the Board and the management team.

iv. The Audit Committee

The Audit Committee of the Company 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:

- 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 auditor and departmental responses thereon;
- d. Keep under review the effectiveness of the company's system of accounting and internal control;
- e. Make recommendation to the Board in regard to the appointment, removal and remuneration of the external auditors of the company, and
- f. Authorize the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee.



Report of Directors (Cont'd)

Meetings of the Committees of the Company/Board of Capital Hotels Plc and Attendance of Members, 2010

Committee	Meeting Times During the Year	Members	Members' Attendance
Purchasing Committee	10 times	Mr. Y. A. Disu	10 times
		Chief V. C. N. Oyolu	9 times
		Chief J. E. Okoli	7 times
Business & Finance Committee	11 times	Chief V. C. N. Oyolu	11 times
		Mr. O. Makinde	10 times
		Mr. Y. A. Disu	10 times
		Chief J. E. Okoli	7 times
		Mr. D. Morakinyo/A. Ibeh	10 times
Audit Committee	3 times	Mr. B. A. Adegbesan	3 times
		Barr. (Chief) C. F. Nwokocha	3 times
		HRH J. O. Agwu	2 times
		Mr. J. O. Makinde	2 times
		Mr. Y. A. Disu	3 times
		Barr. E. A. Chukwura	1 time
Risk Committee	1 time	Mr. O. Makinde	1 time
		Barr. Akpofure Ibru	1 time
		Mr. R. Itawa	1 time
		Gen. Mgr. Sheraton	1 time
		Executive Asst. Mgt.	1 time
		Dir. Of Engineering	1 time
		Director of Security	1 time

16. THE AUDIT COMMITTEE 2009

In compliance with Section 359(3) of the Companies and Allied Matters Act, 1990, the following persons served as members of the Audit Committee during the year.

Names

Mr. B. A. Adegbesan

Barr. (Chief) C. F. Nwokocha

HRH J. O. Agwu

} Shareholders

Mr. J. O. Makinde

Mr. Y. A. Disu

Barr. E. A. Chukwura

} Directors

17. AUDITORS

Messrs PKF Professional Services, Chartered Accountants, have indicated their willingness to continue in office as the Company's auditors in accordance with the Companies and Allied Matters Act, 1990. A resolution will be proposed authorizing the Directors to fix their remuneration.

BY ORDER OF THE BOARD

Ifebunandu & Co

Company Secretaries

Lagos, Nigeria

29 March, 2011

Distinguished Shareholders, Officials of the Regulatory Agencies, Gentlemen of the Press, Ladies and Gentlemen. It is my pleasure to welcome you to the 30th Annual General Meeting of Capital Hotels Plc.

In the pages that follow, I present the Annual Report and Financial Statements of the Company for the Year Ended 31st December, 2010.

Operating Environment

The year 2010 was a challenging period for the hospitality industry. In addition to the slow rebound from the global economic crisis, security concerns around the country were rife. Consequently, marginal drop in international travel arrivals into the country was experienced and thus demand for accommodation, food and beverages could not meet projection.



There were some positive lights though. The Federal Government of Nigeria Amnesty Programme provided the enabling environment for steady crude oil production in the Niger Delta. In addition, the price of crude oil in the international market rose steadily and surpassed the budgeted estimate. The end result was more revenue for the government and increased spending power for consumers.

The economic targets set for the year 2010 by the Federal Government were GDP growth rate of 6.1% (6.9% in 2009); official headline inflation rate of 11.2% (8.2% in 2009); Crude Oil production of 2.088 million barrels per day (2.29 mbpd in 2009) and benchmark price for Crude Oil of \$57 per barrel.

The Central Bank of Nigeria continued the implementation of the banking reforms together with the efforts to control money supply as the elections drew near. The effect of the factors highlighted above put pressure on the money market during the year and thus pushed up lending rates.

The exchange rate of the Naira to the US Dollar was reasonably stable during the year. The exchange rate remained at about N150 to the US Dollar throughout the year under review.

Power supply

The year witnessed marginal improvement in electricity supply from the national grid. Consequently, the hotel consumed relatively less diesel to run its power generating sets. However, the hike in the price of diesel reversed the expected gains.



Chairman's Statement (Cont'd)



Operating Results

The management of Capital Hotels, in spite of the challenges that characterized the year under review, continued to demonstrate capacity to withstand the pressures, deliver appreciable results and position the Company for better performance in the future.

The Company recorded a turnover of N5.03bn compared to N4.7bn earned in 2009, a growth of 6.97%. In the same vein, its gross profit improved slightly by 5.3% to N1.7bn in 2010 as against N1.6billion in 2009. However, Profit after tax dropped by 10% to N598.6 million compared to N668 million achieved in 2009. Total Net Asset as well as Shareholders' Funds grew by 19% to N2.97billion compared to N2.49billion in 2009.

Dividend

The Company recorded a slight improvement in performance during 2010. With the power generating problem solved, the stage is now set to renovate the hotel, a process that has begun. It is hoped that with this focus of management, the Company would be able to step up its service delivery and increase its market share by offering customers better rooms and facilities.

Management plans to carry out the renovation project from internally generated revenue, without recourse to raising fresh funds from shareholders or bank loans.

14

In the light of the foregoing, I am pleased to announce the recommendation of the Directors for the payment of a dividend of 7.50 kobo per share. 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 July 7, 2011 to shareholders on the register of members at the close of business on June 10, 2011.

Directors

During the year, Messrs. I. H. Dankwambo; A. Mukhtar; C. Anyanwu; A. Ibeh and Ken Emechebe left the Board while Dr. Alex Ibru and Barr. Chuma Anosike were appointed to the Board. The new Directors, in accordance with the Company's Articles of Association, retire at this Annual General Meeting and being eligible, offer themselves for re-election. Similarly, Barr. E. A. Chukwura and Dr. Alex Thomopulos retire by rotation and being eligible, offer themselves for re-election.

Staff Welfare

The extensive training and re-training of the staff of the Hotel in both local and international institutions for improved service delivery is the cardinal objective of Capital Hotels Plc. This objective was, as usual, pursued in 2010. This exercise aims to equip members of staff for efficiency and self confidence in the discharge of their duties. The Company also encourages the Associates to engage in sporting activities to gain mental and physical fitness in the course of providing service to our valued customers.





Future Prospects

The company has commenced the process for the hotel renovation. A model (Mock-up) room has been installed. Once approved, the bidding process will start, at the end of which the renovation project will begin. Management is optimistic that once the entire exercise is completed, the Hotel's brand loyalty will be enhanced and its public perception will similarly improve.

The Company is, similarly, not resting on its oars in the drive to deepen the tourism market in the light of the **Tourism Master Plan** launched by the Federal Government of Nigeria.

Appreciation

Permit me to use this medium to appreciate all the stakeholders including the Shareholders, the Directors, Management and Staff, the regulatory agencies and the mass media for the belief in the team to deliver on the expectations of the stakeholders. I and the management team, hold this mandate with all sense of responsibility. We shall continue to put in our best to justify your trust.

Distinguished shareholders, gentlemen of the press, ladies and gentlemen, I thank you most sincerely for your attention.

G. M. IBRU, OON
CHAIRMAN

Report of the Audit Committee



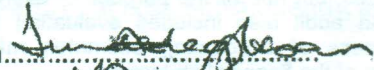


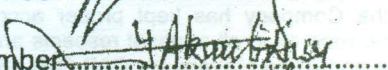
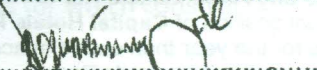

In compliance with section 359(6) of the Companies and Allied Matters Act 1990, we have:

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.

In our opinion, the scope and planning of the audit for the year ended 31 December 2010 were adequate and the management responses to the Auditor's findings were satisfactory.

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

Members of the Committee

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

Dated this 22 March, 2011



REPORT OF THE AUDITORS TO THE MEMBERS OF

**CAPITAL HOTELS PLC
(Owners of Sheraton Abuja Hotel)**

Report on the Financial Statements

We have audited the accompanying financial statements of **Capital Hotels Plc** as at 31 December 2010, set out on pages 19 to 39 which have been prepared on the basis of the significant accounting policies on pages 19 to 24 and other explanatory notes on pages 28 to 37.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with Statement of Accounting Standards applicable in Nigeria and in the manner required by the Companies and Allied Matters Act CAP C20 LFN 2004. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

Basis of Opinion

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 controls 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 management, 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 Company has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Companies and Allied Matters Act CAP C20 LFN 2004. The financial statements give a true and fair view of the financial position of **Capital Hotels Plc** as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the Statement of Accounting Standards issued by the Nigerian Accounting Standards Board.

PKF

Chartered Accountants
Lagos, Nigeria

Date: *29 March 2011*



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Partners: Isa Yusufu, Geoffrey C. Orah, Omede P. S. Adaji, Tajudeen A. Akande, Samuel I. Ochimana, Najeeb A. Abdus-salaam
Offices in: Abuja, Bauchi, Jos, Kaduna, Kano, Minna and Zaria
PKF Professional Services is a member of PKF International Limited, a network of legally independent firms





The following is the summary of significant accounting policies adopted by the Company in the preparation of its financial statements:

1. Basis of Accounting

The financial statements are prepared in compliance with Nigerian Statements of Accounting Standards (SAS). The financial statements are presented in the functional currency, Nigeria Naira rounded to the nearest thousand, and prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

2. Recognition and Measurement

Revenue is recognized to the extent that it is probable that, and in the year in which, the economic benefits will flow to the company and the revenue can be reliably measured. Losses are accounted for in the period in which they are foreseeable.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of such assets can be measured reliably.

Liabilities are recognized in the balance sheet when they are reasonably likely to occur and can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item.

3. Property, Plant & Equipment

Property, plant and equipment are stated at cost, less depreciation on a straight line basis over the estimated useful life of the assets, taking into consideration any residual value, excluding the cost of day-to-day servicing.

Property, plant and equipment also include assets for which construction works have not been completed.

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

4. Depreciation on Property, Plant & Equipment

Depreciation is provided on straight-line basis to write off the assets over their estimated useful lives. Annual depreciation is calculated at fixed percentages of cost. Land and assets under construction are not depreciated. Depreciation is charged only when the asset is put into use.



Statement of Significant Accounting Policies (Cont'd)

Year Ended 31 December 2010



The annual rates used are as follows:

Building	-	2.5%
Motor Vehicles	-	25%
Plant and Machinery	-	15%
Furniture, Fittings & Equipment	-	15%

Assets in progress are not depreciated. Upon completion, the attributable cost of asset is transferred to the relevant asset category and depreciated accordingly.

5. Inventory

Inventory is stated at the lower of cost and net realizable value. Cost comprises suppliers' invoice price, and where appropriate, freight and other charges incurred to bring the materials to their location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

6. Receivables

Trade and other receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. Specific provision is made where there is objective evidence that the collection of any debts will be considered to be doubtful of collection. Debts considered irrecoverable are written off.

7. Cash and Bank Balances

Cash and bank balances comprise cash at banks and in hand and short-term deposits.

8. Revenue

This relates to the amount invoiced to external customers for goods and services supplied, exclusive of value added tax, less any discount.

9. Cost of Sales

These represent the full operating cost of services provided, which comprises of cost of direct service costs, labour and the proportion of administrative overhead based on normal operating capacity.

10. Foreign Currency Translation

The financial statements are presented in Naira, which is the Company's functional and presentation currency. Income and expenses denominated in foreign currencies are translated to the Naira at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to the Naira at the applicable rates of exchange ruling at the balance sheet date. Any profit or loss arising on the conversion of foreign currencies is included in the profit and loss account.



11. Taxation

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.

i) Income Tax

Income tax payable is provided by applying the currently enacted tax rates on the profit of the company as adjusted for taxation purposes.

ii) Deferred Taxation

Deferred taxation, which arises from timing differences in the recognition of items for accounting and tax purposes, is calculated using the liability method. Deferred income tax assets and liabilities are measured at the rates that are expected to apply to the year when the asset is realized or the liability settled, based on tax rates and tax laws that have been enacted at the balance sheet date.

iii) Capital Gains Tax

Capital gains tax is included in the tax expense for the year to which it relates. Capital gains tax relating to the disposal of an extraordinary item is deducted from such item

iv) 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.

v) 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.

12. Employees' Retirement Benefits

i) The Company operates a contributory retirement benefit scheme in line with the Pension Reform Act 2004. The Company and the employees contribute 7½% each of employees' current salaries and designated allowances. The Company's contribution of 7½% of employees' emolument is charged to Profit and Loss Account.

ii) In addition, the Company operates a gratuity scheme for its employees which is calculated on employees' final month's gross salaries for every completed year for employees that have completed three (3) years of unbroken service to the Company. The costs are charged to profit and loss accounts.

13. Cash and Cash Equivalents

For the purpose of reporting cash flows, cash and cash equivalents include cash in hand, cash balances with banks and time deposits.





14. Provision

Provision is recognized when the Company has a present obligation, whether legal or constructive as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

15. Dividend Payable

Proposed dividend for the year is recognised as a liability only when declared and approved by shareholders at the Annual General Meeting.

16. Unclaimed Dividend

Unclaimed Dividends are amounts payable to shareholders in respect of dividend previously declared by the Company which have remained unclaimed by the shareholder. In compliance with section 385 of the Companies and Allied Matter Act (Cap C20) Laws of the Federation of Nigeria 2004, unclaimed dividend after twelve years are transferred to general reserves.

17. Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segment operating in other economic environments.


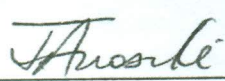
Segment information is presented in respect of the Company's business and geographical segments. The Company's primary format for segment reporting is based on business segments. The business segments are determined by management based on the Company's internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Balance Sheet

Year Ended 31 December 2010

	Note	2010 N'000	2009 N'000
Property, Plant and Equipment	2	<u>1,845,224</u>	<u>1,730,877</u>
Current Assets			
Inventories	3	231,203	229,289
Trade Debtors	4	658,986	554,521
Due from Related Party	5	1,008,404	31,688
Other Debtors and Prepayments	6	529,951	718,274
Bank and Cash Balances	7	<u>1,366,503</u>	<u>1,648,802</u>
		<u>3,795,047</u>	<u>3,182,574</u>
Current Liabilities			
Trade Creditors		297,742	184,085
Due to Related Party	8	7,972	7,858
Other Creditors and Accruals	9	507,486	354,809
Taxation Payable	11.1	<u>327,644</u>	<u>323,553</u>
		<u>1,140,844</u>	<u>870,305</u>
Net Current Assets		<u>2,654,202</u>	<u>2,312,269</u>
Total Assets Less Current Liabilities		<u>4,499,427</u>	<u>4,043,146</u>
Provision for Liabilities and Charges			
Staff Retirement Benefits	12	(1,102,065)	(1,126,306)
Deferred Taxation	11.2	<u>(422,937)</u>	<u>(424,846)</u>
Net Assets		<u>2,974,425</u>	<u>2,491,994</u>
Capital and Reserves			
Share capital	13	774,390	774,390
Reserves		333	333
General Reserve	14	<u>2,199,702</u>	<u>1,717,271</u>
Shareholders' Funds		<u>2,974,425</u>	<u>2,491,994</u>

Signed on behalf of the Board by:

The statement of significant accounting policies on pages 19 to 24 and the notes on pages 28 to 37 form an integral part of these Financial Statements.



Profit and Loss Accounts

Year Ended 31 December 2010

	Note	2010 N'000	2009 N'000
Turnover	15	5,031,505	4,703,677
Cost of Sales	16	(3,315,595)	(3,075,076)
Gross Profit		1,715,910	1,628,601
Other Income	17	19,056	4,194
Administrative Expenses	18	(666,360)	(444,938)
Profit Before Taxation		1,068,606	1,225,607
Income Tax	11.3	(471,925)	(391,717)
Deferred Taxation	11.3	1,909	(165,442)
Profit After Taxation Transferred To General Reserve	14	598,590	668,448
Earnings Per Share (EPS) (Kobo)	26	39	43

The statement of significant accounting policies on pages 19 to 24 and the notes on pages 28 to 37 form an integral part of these Financial Statements.

Statement of Cash Flows

Year Ended 31 December 2010

	Note	2010 N'000	2009 N'000
Cash Flows from Operating Activities			
Cash Receipts from Customers		4,946,095	4,618,907
Payment to Suppliers & Employees		(4,270,479)	(3,073,253)
Income Tax Paid		(467,834)	(221,173)
Net Cash Provided by Operating Activities	24	207,784	1,324,481
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	2	(373,924)	(576,118)
Net Cash Used in Investing Activities		(373,924)	(576,118)
Cash Flows from Financing Activities			
Dividend paid		(116,159)	(77,439)
Net Cash used in Financing Activities		(116,159)	(77,439)
Net Increase in Cash and Cash Equivalent		(282,299)	670,924
Cash and Cash Equivalent at 1 January		1,648,802	977,878
Cash and Cash Equivalent at 31 December	23	1,366,503	1,648,802

The explanatory notes on page 28 to 37 form an integral part of these Statement of Cash Flows.



1. Corporate Information and Business

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 principal activity of the Company includes the operation of hotels and restaurants, apartments letting recreational facilities, night clubs and a business centre.

The Hotel is managed and operated by Sheraton Overseas Management Corporation under an International Management License Agreement and the Sheraton Reservation Services Agreement dated January 1990. This was renewed with effect from 1 July 2000 for a ten year period. The expiry date of the Management Agreement has been extended to 31 March 2011.

2. Property, Plant and Equipment

	Land & Building N'000	Motor Vehicle N'000	Plant & Machinery N'000	Furniture, Fittings & Equipment N'000	Capital Work in Progress N'000	Total N'000
Cost						
As 1 January	695,033	154,129	1,289,745	1,832,037	464,114	4,435,058
Additions	<u>140,223</u>	<u>18,150</u>	<u>78,425</u>	<u>137,127</u>	-	<u>373,925</u>
At 31 December	<u>835,256</u>	<u>172,279</u>	<u>1,368,170</u>	<u>1,969,164</u>	<u>464,114</u>	<u>4,808,983</u>
Depreciation						
At 1 January	264,401	140,349	663,431	1,636,000	-	2,704,181
Charge for the year	<u>20,077</u>	<u>9,800</u>	<u>120,976</u>	<u>108,725</u>	-	<u>259,578</u>
At 31 December	<u>284,478</u>	<u>150,149</u>	<u>784,407</u>	<u>1,744,725</u>	-	<u>2,963,759</u>
Net Book Value						
At 31 December 2010	<u>550,778</u>	<u>22,130</u>	<u>583,763</u>	<u>224,439</u>	<u>464,114</u>	<u>1,845,224</u>
At 31 December 2009	<u>430,632</u>	<u>13,780</u>	<u>626,314</u>	<u>196,037</u>	<u>464,114</u>	<u>1,730,877</u>

3 Inventories

	2010 N'000	2009 N'000
Food	60,193	55,750
Beverage	22,363	16,978
Engineering	84,093	66,038
Linen	14,106	16,377
Guest and Cleaning Supplies	19,134	36,394
Printing and Stationery	17,169	15,186
Diesel and Premium Motor Spirit	10,587	13,475
Others	8,147	13,680
Provision for Obsolete Stocks	<u>(4,589)</u>	<u>(4,589)</u>
	<u>231,203</u>	<u>229,289</u>



	2010 N'000	2009 N'000
4. Trade Debtors		
Trade Debtors	748,575	674,721
Provision for Doubtful Debts (Note 4.1)	<u>(89,589)</u>	<u>(120,200)</u>
	<u>658,986</u>	<u>554,521</u>
4.1 Provision for Doubtful Debts		
At 1 January	120,200	85,347
Charge in the year	-	34,853
Provision no longer required	<u>(30,611)</u>	-
At 31 December	<u>89,589</u>	<u>120,200</u>
5. Due from Related Party		
Ikeja Hotel Plc	1,002,385	19,766
Le Meridien, Ogeyi Port	<u>6,019</u>	<u>11,922</u>
	<u>1,008,404</u>	<u>31,688</u>
6. Other Debtors and Prepayments		
CHP/SAH Current Account	355,633	550,249
Staff Debtors	68,233	58,995
Advances to Suppliers	72,137	62,901
Prepaid Expenses	31,640	44,049
Other Debit Balances	<u>2,308</u>	<u>2,080</u>
	<u>529,951</u>	<u>718,274</u>
7. Bank and Cash Balances		
7.1 Time Deposit	<u>597,633</u>	<u>1,185,582</u>
7.2 Bank and Cash Balances		
Cash at Bank	764,267	458,657
Cash in Hand	<u>4,603</u>	<u>4,563</u>
	<u>768,870</u>	<u>463,220</u>
	<u>1,366,503</u>	<u>1,648,802</u>
7.3	Time deposit relates to placement with Afribank Plc and Union Bank of Nigeria Plc at 6% and 4.75% per annum respectively for a 30 - day tenor with the option of roll over.	
8. Due to Related Party		
Sheraton Lagos Hotel	7,947	7,858
Four Points by Sheraton Lagos	<u>25</u>	-
	<u>7,972</u>	<u>7,858</u>

Notes on The Financial Statements (Cont'd)

Year Ended 31 December 2010

	2010 N'000	2009 N'000
9. Other Creditors		
Other Credit Balances	266,710	116,948
Accrued Expenses	82,338	146,616
Deposits	36,839	4,890
Deferred Income	46,876	2,148
Sheraton Overseas Management Corporation	59,147	9,868
VAT Liability	15,245	1,066
Unclaimed Dividend	<u>331</u>	<u>331</u>
	<u>507,486</u>	<u>354,809</u>
10. Dividend		
At 1 January	116,490	77,770
Payment during the year	<u>(116,159)</u>	<u>(77,439)</u>
	331	331
Declared in the year	-	<u>116,159</u>
At 31 December	<u>331</u>	<u>116,490</u>

The Directors proposed that for the year ended 31 December 2010, a dividend of 7.50 kobo per ordinary share amounting to N116,158,500.00 be paid to shareholders (2009: 7.50 kobo per share). The dividend is subject to approval by shareholders at the Annual General Meeting. Consequently, it has not been included as a liability in these financial statements.

	2010 N'000	2009 N'000
11. Taxation		
11.1 Taxation Payable		
At 1 January	323,553	153,009
Payment in the year	(467,834)	(221,173)
Charge for the year (Note 11.3)	<u>471,925</u>	<u>391,717</u>
At 31 December	<u>327,644</u>	<u>323,553</u>
11.2 Deferred Taxation		
At 1 January	424,846	259,404
Charge for the year - (Note 11.3)	(1,909)	165,442
At 31 December	<u>422,937</u>	<u>424,846</u>



	2010 N'000	2009 N'000
11.3 Taxation Charge		
Income Tax	301,678	294,189
Education Tax	26,177	2 9,364
Under Provision in previous years	<u>144,070</u>	<u>6 8,164</u>
	471,925	391,717
Deferred Taxation	<u>(1,909)</u>	<u>165,442</u>
Profit and Loss Account	<u>470,016</u>	<u>557,159</u>
11.4	The charge for income tax in these financial statements is based on 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. The Company has adopted the Statement of Accounting Standard (SAS) 19 on Deferred Taxation.	
12. Staff Retirement Benefits		
Staff Pension (12.1)	-	95
Staff Gratuity (12.2)	1,102,065	1,126,210
At 31 December	<u>1,102,065</u>	<u>1,126,305</u>
12.1 Staff Pension		
At 1 January	95	261
Charge for the year	51,925	47,264
Payments during the year	<u>(52,020)</u>	<u>(47,430)</u>
At 31 December	<u>-</u>	<u>95</u>
12.2 Staff Gratuity		
At 1 January	1,126,210	1,153,882
Charge for the year	102,000	(123,672)
Payments during the year	<u>(126,145)</u>	<u>96,000</u>
At 31 December	<u>1,102,065</u>	<u>1,126,210</u>
13. Share Capital		
Authorised		
1,600,000,000 Ordinary Shares of 50k each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid		
1,548,780,000 Ordinary Shares of 50k each	<u>774,390</u>	<u>774,390</u>

	2010 N'000	2009 N'000
14. General Reserve		
At 1 January	1,717,271	1,126,261
Dividend paid during the year	(116,159)	(77,439)
Transferred from Profit and Loss Account	<u>598,590</u>	<u>668,449</u>
At 31 December	<u>2,199,702</u>	<u>1,717,271</u>
15. Turnover		
Rooms	2,867,514	2,620,705
Food and Beverage	1,881,134	1,858,367
Other Services	<u>282,856</u>	<u>224,605</u>
	<u>5,031,504</u>	<u>4,703,677</u>
16. Cost of Sales		
Rooms	642,740	612,223
Food and Beverage	1,397,715	1,105,429
Other Services	<u>1,275,140</u>	<u>1,357,424</u>
	<u>3,315,595</u>	<u>3,075,076</u>
17. Other Income		
Sundry Income	18,030	3,893
Gain on Currency Translation - Unrealised	-	37,972
Interest Received	<u>1,026</u>	<u>79</u>
	<u>19,056</u>	<u>41,944</u>
18. Administrative Expenses		
Depreciation of Property, Plant and Equipment	259,578	280,538
Management Service Charge	251,575	-
Salaries and Wages	24,718	23,975
Directors' Fee	1,750	1,900
Directors' Expenses	32,218	24,484
Insurance	35,218	33,279
Legal and Other Professional Fees	20,955	34,378
Audit Fee	4,500	4,500
Others	<u>35,849</u>	<u>41,884</u>
	<u>666,360</u>	<u>444,938</u>

19. Segment Information

2010	Rooms	Food & Beverage	Other Services	Total
	N'000	N'000	N'000	N'000
Turnover	2,867,514	1,881,134	282,856	5,031,505
Cost of sales	(642,740)	(1,397,715)	(1,275,140)	(3,315,595)
	-----	-----	-----	-----
Gross profit/(Loss)	<u>2,224,775</u>	<u>483,419</u>	<u>(992,284)</u>	<u>1,715,910</u>
2009	Rooms	Food & Beverage	Others	Total
	N'000	N'000	N'000	N'000
Turnover	2,620,705	1,858,367	224,605	4,703,677
Cost of sales	(612,223)	(1,105,429)	(1,357,424)	(3,075,076)
	-----	-----	-----	-----
Gross profit/(Loss)	<u>2,008,482</u>	<u>752,938</u>	<u>(1,132,819)</u>	<u>1,628,601</u>

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

20. Profit Before Taxation

This is stated after charging/(crediting):

	2010 N'000	2009 N'000
- Directors' Fees	1,750	1,900
- Directors' Expenses	26,979	26,979
Audit Fee	4,500	4,500
Finance Charges	-	18,457
Management Fee	160,175	149,170
Depreciation of Property, Plant and Equipment	259,578	280,538
Pension and Gratuity cost	175,120	174,833
Loss/(Gain) on Currency Translation - Unrealised	-	<u>(37,972)</u>

21. (Increase)/Decrease in Operating Assets

Inventories	(1,914)	(25,266)
Trade Debtors	(104,465)	(126,714)
Due from Related Party	(976,716)	(10,721)
Other Debtors	188,323	34,935
	<u>(894,772)</u>	<u>(127,766)</u>



	2010 N'000	2009 N'000
22. Increase/(Decrease) in Operating Liabilities		
Trade Creditors	113,657	16,907
Due to Related Party	114	7,858
Other Creditors and Accruals	148,093	165,841
Staff Pension and Gratuity	<u>(24,241)</u>	<u>(27,837)</u>
	<u>237,623</u>	<u>162,769</u>
23. Reconciliation of Cash and Cash Equivalent		
Placement with Bank (Note 7.1)	597,633	1,185,582
Bank and Cash Balances (Note 7.2)	<u>768,870</u>	<u>463,221</u>
	<u>1,366,503</u>	<u>1,648,803</u>
24. Reconciliation of Profit After Tax for the Year to Cash Provided/(Used) by Operating Activities		
Profit After Taxation for the year	598,590	668,449
Adjustment to Reconcile Profit After Taxation for the Year to Net Cash Provided by Operating Activities:		
Depreciation of Property, Plant and Equipments (Note 2)	259,578	280,538
Increase in Taxation Payable	4,091	170,544
Decrease in Deferred Taxation	(1,909)	165,442
Increase VAT Liability	4,584	4,505
Decrease in Operating Assets (Note 21)	(894,772)	(127,766)
Decrease in Operating Liabilities (Note 22)	<u>237,620</u>	<u>162,769</u>
Net Cash provided by Operating Activities	<u>207,784</u>	<u>1,324,481</u>
25. Information Regarding Directors and Employees		
25.1 Emoluments of the Directors		
Fees paid to Non-executive Directors	1,500	1,650
Fees of the Chairman	250	250
Emolument of the Highest paid Director	-	-
	=====	=====
25.2 The number of Directors whose emoluments fell within the following ranges was		
N10,001 - N50,000	-	-
N50,001 - N100,000	-	-
N100,001 - Above	-	-
	-----	-----
	-	-
	=====	=====
Emolument of the highest paid Director	-	-
	=====	=====

	2010 N'000	2009 N'000
25.3 Analysis of Staff Costs		
Salaries and Allowances	1,390,346	1,382,307
Pension Costs	<u>175,120</u>	<u>174,833</u>
	<u>1,565,466</u>	<u>1,557,140</u>
Staff costs include cost for both direct and indirect labour.		
25.4 Analysis of the company's average monthly number of employees		
Management	29	12
Senior Staff	226	245
Junior Staff	<u>506</u>	<u>434</u>
	<u>761</u>	<u>691</u>
	=====	=====
25.5 The number of Employees whose Emolument fell within the following ranges		
N100,001 - N200,000	-	-
N200,001 - N300,000	85	89
N300,001 - N400,000	121	110
N400,001 - N500,000	210	180
N500,001 - N1,000,000	302	278
N1,000,001 - Above	<u>43</u>	<u>34</u>
	<u>761</u>	<u>691</u>

26. Earnings Per Share

Earnings per share (Basic) have been computed for each year on the profit after tax attributable to ordinary shareholders and divided by the number of issued and fully paid up 50 kobo ordinary shares during the year.

Profit After Taxation	<u>598,590</u>	<u>668,449</u>
Number of Shares	<u>1,548,780</u>	<u>1,548,780</u>
Earnings Per Share (EPS) (Kobo)	<u>39</u>	<u>43</u>
	=====	=====



	2010 N'000	2009 N'000
27. 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 50kobo ordinary shares during the year.		
Dividend	-	116,159
Number of Shares	1,548,780	1,548,780
Dividend Per Share (DPS) (Kobo)	-	7.50

28. Staff Commitments

28.1 Staff Gratuity Scheme

The Company operates a defined benefit service gratuity scheme for its employees. The employee entitlement to the scheme depends on the number of years of service, terminal salary and condition of service.

28.2 Staff Pension Scheme

The Company in line with the provisions of the Pension Reform Act 2004 has instituted a defined contribution pension scheme for its employees. Contributions to the scheme are funded through payroll deductions while the company contribution is charged to profit and loss account.

29. 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.

30. Management Agreements

Capital Hotels Plc (The Owner) entered into an agreement with Sheraton Overseas Management Corporation (The Operator) to pay the following during each fiscal year of the Operating Term (and proportionately for a fraction of a fiscal year):

30.1 Basic Fee

A Basic Fee in United States Dollars equal to two and half percent (2.5%) of Total Revenue, provided however that in no event shall the Basic Fee be less than US \$250,000.00 per fiscal year. Included within the Basic Fee is the compensation for the services provided by The Operator under the terms of the License Agreement between The Owner and Sheraton Overseas Management Corporation.

30.2 Incentive Fee

An Incentive Fee in Nigerian Naira of two and one - half percent (2.5%) of the Adjusted Gross Operating Profit for each fiscal year.

**31. Note to the Statement of Cash flows**

The Cash flows statement has been drawn up using the indirect method. Working Capital comprises of inventories, receivables and current liabilities. Cash flows from financing activities relates to the net amount of payments made for financing business activities in the year and changes in short term borrowings. The net cash position consists of cash in hand, cash at bank, placement with bank and bank overdraft.

32. 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 for the year amounted to N215,223,800.00.

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.

33. Related Party Transaction

During the year, the Hotel had significant business dealings with a related company and other hotels under the Sheraton Brand:

33.1 Ikeja Hotel Plc

The Company advanced Ikeja Hotel a loan of one billion (N1 billion) naira during the year at 2% above the Company bankers rate, repayable over a three year period with one year moratorium.

33.2 Sheraton Lagos Hotel

Transactions amounting to N7,946,958.00 related to bills payable to Sheraton Lagos Hotel for the use of its rooms and restaurants.

33.3 Le Meridien Hotel

The Hotel also traded with Le Meridien Ogeyi Port. This resulted in amount receivable of N6,019,666.93 for the use of the hotels rooms and restaurants.

34. Post Balance Sheet Event

No events or transactions have occurred since the balance sheet, which would have material effect on the financial statements at that date or which need to be mentioned in the financial statement in order to make them not misleading as to the financial position or results of operations at the balance date.

35. Reclassification of Balances

Certain balances for the previous year have been reclassified to conform to the current years classification.

36. Approval of Financial Statements

The Financial Statements were approved by the Board of Directors on29/03/2011..

Statement of Value Added

Year Ended 31 December 2010

	2010 N'000	%	2009 N'000	%
Turnover	5,031,504		4,703,677	
Other Income	19,056		41,944	
	<u>5,050,560</u>		<u>4,475,621</u>	
Cost of Goods and Services - Local	(2,200,726)		(1,455,535)	
Cost of Goods and Services - Foreign	160,175		(149,170)	
	<u>3,010,009</u>	<u>100</u>	<u>3,140,916</u>	<u>100</u>
Distributed as follows:				
Pay Employees				
- Salaries and Allowances, Pension and Welfare	1,565,466	52	1,557,140	50
To Pay Government				
- Company Income Taxation	471,925	16	391,717	13
To Pay Finance Houses				
- Interests and Bank Charges	200	-	192	-
To Pay Providers of Capital				
- Dividend Paid	116,159	4	77,439	2
Retained for Maintenance of Assets and Future Expansion of Business				
- Depreciation of Property, Plant and Equipment	259,578	8	280,537	9
- Deferred Taxation	(1,909)	-	165,442	5
- Retained Profit	598,590	20	668,449	21
Value Added	<u>3,010,009</u>	<u>100</u>	<u>3,140,916</u>	<u>100</u>

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

CAPITAL HOTELS PLC

Five Year Financial Summary

Year Ended 31 December 2010

	2010 N'000	2009 N'000	2008 N'000	2007 N'000	2006 N'000
Balance Sheet					
Property, Plant & Equipment	1,845,224	1,730,877	1,435,297	1,605,617	1,707,148
Net Current Assets	2,654,201	2,312,269	1,879,234	612,105	421,042
Long Term Liability	(1,525,002)	(1,551,152)	(1,413,546)	(525,871)	(535,930)
Net Assets	<u>2,974,425</u>	<u>2,491,994</u>	<u>1,900,985</u>	<u>1,691,851</u>	<u>1,592,260</u>
Equity and Reserves					
Share Capital	774,390	774,390	774,391	774,391	774,391
Reserves	333	333	333	333	333
General Reserves	<u>2,199,702</u>	<u>1,717,271</u>	<u>1,126,261</u>	<u>917,127</u>	<u>817,536</u>
Shareholders' Funds	<u>2,974,425</u>	<u>2,491,994</u>	<u>1,900,985</u>	<u>1,691,851</u>	<u>1,592,260</u>
Profit and Loss Accounts					
Turnover	<u>5,031,505</u>	<u>4,703,677</u>	<u>3,962,500</u>	<u>2,811,786</u>	<u>2,851,138</u>
Profit Before Taxation	1,068,606	1,225,607	571,572	260,338	345,954
Taxation	(470,016)	(557,159)	(362,438)	(83,308)	(110,705)
Profit After Taxation	<u>598,590</u>	<u>668,448</u>	<u>209,134</u>	<u>177,030</u>	<u>235,249</u>
Dividend Paid	<u>-</u>	<u>116,159</u>	<u>77,439</u>	<u>77,439</u>	<u>77,439</u>
Per Share Data:					
Dividend Per Share (Kobo)	<u>-</u>	<u>7.50</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>
Earnings Per Share (Kobo)	<u>39</u>	<u>43</u>	<u>14</u>	<u>11</u>	<u>10</u>



CAPITAL HOTELS PLC

Share Capital History

Year Ended 31 December 2010

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 & Privatisation

