



Annual Report & Accounts 2011



CAPITAL HOTELS PLC
(Owners of SHERATON ABUJA HOTEL)



Sheraton
Abuja
HOTEL



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(Owners of Sheraton Abuja Hotel)

Annual
Report &
Accounts
2011

Year Ending 31 December, 2011





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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

NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the 31st Annual General Meeting of Capital Hotels Plc will be held at 12.00 noon on Thursday 21 June, 2012 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, 2011 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 5th July, 2012 to the members, whose names appear in the Register of Members at the close of business on Friday 1st June, 2012.

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 4th June, 2012 to Friday 8th June, 2012, both days inclusive.

BY ORDER OF THE BOARD

Ifebunandu & Co
Company Secretary

27 March, 2012

Results in Brief


	2011 N'000	2010 N'000	% Increase/ (Decrease)
Major balance sheet items:			
Property, Plant and Equipment (Fixed Assets)	1,818,929	1,845,224	-1.4
Current Assets	4,880,734	3,795,047	28.6
Current Liabilities	1,726,121	1,140,844	51.3
Shareholders' Fund	4,973,542	2,974,425	3.3
Major Profit and Loss Account Items:			
Turnover	4,905,536	5,031,505	-2.5
Profit Before Taxation	703,208	1,068,606	-34.2
Profit After Taxation	581,177	598,590	-2.9
Information per 50k Ordinary Share:			
Earnings - Kobo	38	39	-2.6
Net Assets - Naira	2	2	-
Dividend - Kobo	-	7.5	
Dividend Cover (Times)	-	5.2	
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	751	761	-1.3

Brief Corporate Profile


REGISTERED OFFICE:	1, Ladi Kwali Street, Wuse Zone 4, Abuja
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
COMPANY SECRETARY:	Ifebunandu & co Barristers & Solicitors 11, Martins Street, P. O. Box 5918, Lagos
REGISTRARS:	City Securities Limited Primrose Towers 17A, Tinubu Street, Lagos
HOTEL OPERATOR:	Starwood Hotels and Resorts Worldwide, Inc. One StarPoint, Stamford, Connecticut 06902 United States of America
AUDITORS:	PKF Professional Services Chartered Accountants 205A, Ikorodu Road Obanikoro, Lagos G.P.O. Box 2047, Marina Lagos – Nigeria
BANKERS:	Mainstreet Bank Ltd Guaranty Trust Bank Plc Union Bank Plc
SOLICITORS:	G. M. Ibru & Co Suite 011 Sheraton Lagos Hotel & Towers 30, Mobolaji Bank Anthony Way, Ikeja P.M.B. 21189, Lagos



I am pleased to welcome you distinguished Shareholders, officials of the regulatory agencies, members of the fourth estate of the realm, ladies and gentlemen to the 31st Annual General Meeting of Capital Hotels Plc.

I present the Annual Report and Financial Statements of the Company for the Year Ended 31st December, 2011 in the pages that follow.

Operating Environment

The year 2011 witnessed security challenges in the Northern part of the country with the attendant negative impact on the hospitality industry. International travel arrivals slowed and many government functions were either cancelled or moved to areas perceived to be relatively more secure. Consequently, projected demand for accommodation, food and beverages could not be met.

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 2011 budget. There was, therefore, more revenue for the three tiers of government and increased spending power for consumers.

The economic indices for the year 2011 by the Federal Government were GDP growth rate of 7.98% (6.1% in 2010); official headline inflation rate of 8.50% (11.2% in 2010); Crude Oil production of 2.3 million barrels per day (2.088mbpd in 2010) and benchmark price for Crude Oil of \$65 per barrel.

The Central Bank of Nigeria has continued its drive to entrench e-payment system to control money supply in the economy and redirect the economy from cash-based transactions. Lending rates during the year remained relatively high.

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

Power Supply

Electricity supply from the national grid was relatively stable during the year. The quantity of diesel consumed for the running of the power generating plants was in line with the figure for 2010 but at a higher price.

Chairman's Statement (Cont'd)



Operating Results

In spite of the challenges, the management of Capital Hotels Plc was able to deliver the following results while strategizing for better performance in the future.

The Company recorded a turnover of N4.90bn as against N5.03bn earned in 2010, a decline of 2.6%. Similarly, gross profit declined by 35.1% to N1.2bn in 2011 against N1.7bn in 2010. The Profit after tax dropped slightly by 2.99% to N581,18 million compared to N598,590 million achieved in 2010. On the flip side, the total net assets grew by 3.3% to N3.07 billion from N2.97 billion in 2010.

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 from internally generated revenue as management does not intend to call on shareholders for fresh equity subscription or resort to borrowing from the banks.

I am pleased to announce the recommendation of the Directors for the payment of a dividend of 7 kobo per share in spite of the slight decline in 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 5th July, 2012 to shareholders on the register of members at the close of business on 8th June, 2012.

Directors

In the course of 2011, Dr. A.U. Ibru passed on and Dr. A. Thomopoulos resigned from the Board. Olorogun (Senator) F. O. Ibru, CON and Chief N. E. Dortie were appointed to the Board. In accordance with the Company's Articles of Association, the new directors retire at this Annual General Meeting and being eligible, offer themselves for re-election. Similarly, Messrs YA Disu, O. Makinde and Chief V CN Oyolu retire by rotation and being eligible, offer themselves for re-election.

Staff Welfare

The Hotel, in 2011, pursued the objective of extensively training and re-training its staff in both local and international institutions for improved service delivery. In order to equip the staff for efficiency and self confidence in the discharge of their duties, the Company encourages the associates to engage in self-development and sporting activities to gain mental and physical fitness.



Chairman's Statement (Cont'd)



Future Prospects

Having designed, installed and approved the model (mock-up) room, the process of full roll-out of the renovation exercise has begun. The process of re-designing the public areas has also started. The renovation project is designed to improve the comfort of our guests and enhance brand loyalty to the Hotel.

Appreciation

I would like, on behalf of the Board of directors, to appreciate those who have contributed in their respective ways towards the success of the Company in 2011. These include, but not limited to, our customers, staff, regulators, suppliers, shareholders, the mass media and other stakeholders.

The management team, my colleagues and I, cherish your contribution. We shall continue to count on your support.

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

G.M. IBRU, OON
CHAIRMAN



Directors' Report



The Directors of Capital Hotels Plc have the pleasure to present to the members of the Company, their Annual Report and Audited Financial Statements comprising the Balance Sheet as at 31st December, 2011 and the Profit and Loss Account for the year ended on that date together with the notes thereon.

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.

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

Results of Operation

	N'000
Profit on ordinary activities after taxation	703,208
Retained profit for the year	581,177
General Reserve brought forward	2,199,702
General Reserve carried forward	2,298,936

Dividend

The Directors are pleased to recommend to members the payment of a dividend of 7 kobo per share amounting to N108,414,600, subject to withholding tax at the applicable rate. If approved, the dividend will be paid on 5th July, 2012 to members, whose names appear on the register of members at the close of business on Friday 1st June, 2012.

Directors

The names of the Directors at the date on which the accounts were approved are stated on page 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 8th June, 2012 are as follows:

Name	Number of shares 31 December, 2011	Numbers of shares 31 December, 2010
J. O. Makinde	1,000,000	1,168,668
Y. A. Disu	510,000	1,010,000
V C N Oyolu	50,000	50,000
E A Chukwura	100,000	100,000
N. Dortie	1,500	-

Directors' Report (Cont'd)



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 time of this Annual General Meeting (AGM) the following members hold the ascribed percentage shares of the issued share capital of the Company as we considered substantial:

	31 Dec., 2011	%
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	51,008,455	3.30
Ministry of Finance Incorporated	32,579,395	2.10
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., 2010	%
1 – 550	3,409	963,943	0.06
551 – 1,100	801	834,090	0.05
1,101 – 5,500	713	2,014,060	0.13
5,501 – 11,000	158	1,425,540	0.09
11,001 – 55,000	214	5,617,669	0.37
55,001 - Above	<u>95</u>	<u>1,537,924,698</u>	<u>99.30</u>
	<u>5,390</u>	<u>1,548,780,000</u>	<u>100.00</u>

Employment and personnel matters

The health, safety and welfare of our associates (employees/staff) are cardinal to the operations of Capital Hotels Plc. We therefore make every effort to comply with all regulations concerning the Health, Safety and Welfare of employees and we make regular updates to bring all employees to speed with the right the knowledge and awareness at all times.

The Company retains the services of a clinic in-plant to provide medical services to all employees at no cost to them. Professionally qualified and competent medical personnel are always on hand 24/7 to attend to the needs of the staff.

Directors' Report (Cont'd)



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

To ensure the safety of staff, the engineering, house-keeping, security personnel are provided with protective clothing and appropriate gadgets as their jobs demand. The same treatment applies to those providing concierge and other essential Services.

To gain the commitment of staff towards the attainment of the set objectives, the Company implements an incentive scheme for the various categories of staff, including bonuses and a contributory pension scheme. The Company has established a feed-back system where employees are fully informed of its progress and their views and suggestions are tracked for the efficient management of the hotel.

a. **Employment of Disabled Persons**

In the discharge of their commitment to the policy of no discrimination in the employment of able and physically challenged persons, Capital Hotels Plc makes every effort to encourage physically challenged persons to offer themselves for employment, to develop their skills, knowledge and leadership quality. The Company had two disabled persons in its employment as at 31st December, 2011.

b. **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 noticeable training need is unearthed. 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.

Donation - Corporate Social Responsibility

Capital Hotels Plc in line with its disposition and strong belief in giving back to the society where it operates identified two Orphanage Homes for its 2011 outreach programme. These were *Stella Child Care Trust, Bwari* and *Christ Foundation Orphanage Home, Kuje, Abuja, FCT*.

Directors' Report (Cont'd)



Stella Child Care Trust was established in 2000 as a non-governmental outfit for mentally retarded and hearing impaired children as well as those with special needs by Late Mrs. Stella Obasanjo who also doubled as the main financier of the Home until her demise in 2005. The Home has a well-equipped medical laboratory, computer room, etc. Paucity of funds led to the Home being closed down in 2010. It was reopened in 2011 under a new Management.

Started in 2010, Christ Foundation Orphanage Home, is a modest orphanage with about 20 inmates. It has produced a graduate awaiting NYSC call-up. Others were in various stages of their educational pursuits in institutions of learning. The Home is duly registered with Corporate Affairs Commission and Federal Ministry of Women Affairs

Items worth over N5.0m were distributed. These included beddings/linen, televisions sets, DVDs, reading/writing materials, bags of rice and several consumable provisions.

As is customary, the Hotel undertook the "The Sheraton Abuja 'Check Out for Children' UNICEF – Road to Awareness Walk 2011. The FRSC facilitated the smoothness of the exercise while the UNICEF Country Representative, the wife of the Vice President of the Federal Republic of Nigeria and other notable Nigerians and organisations participated in the walk. The annual exercise is usually undertaken to raise awareness about the plight of vulnerable children and raise funds to ameliorate their situation.

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, it was necessary to appoint an independent director. Accordingly, Chief N. Dortie was appointed to fill the role.

BY ORDER OF THE BOARD
Ifibunandu & Co
Company Secretaries
Lagos, Nigeria
27 March, 2012

DIRECTORS' RESPONSIBILITY REPORT



THE Companies and Allied Matters Act, requires the Directors to prepare financial statements for each year that give a true and fair view of the state of financial affairs of the Hotel at the end of the year and of its profit or loss. 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 using suitable accounting policies supported by reasonable and prudent judgments and estimates in conformity with:
 - Statements of Accounting Standards published by the Financial Reporting Council of Nigeria
 - Circulars issued by the Securities and Exchange Commission and the Nigerian Stock Exchange; and
 - The requirements of the Companies and Allied Matters Act, 1990.

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 financial control.

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

27th March, 2012

Chief Operating Officer

27th March, 2012



Corporate Governance Report



Capital Hotels Plc (“CHP”) is committed to implementing initiatives that improve corporate governance for the benefit of all stakeholders. CHP's Board of Directors remains steadfast in implementing governance practices that comply with international best practice, where substance prevails over form.

CHP operate under a governance framework which enables the Board to balance its role of providing oversight and strategic counsel with its responsibility to ensure conformance with regulatory requirements, performance standards and acceptable risk tolerance parameters.

A number of Committees have been established by CHP's Board 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 hospitality, transparency and accountability. The Board monitors compliance with these by means of management reports, which include information on the outcome of any significant interaction with key stakeholders such as the SEC and NSE. The Hotel complies with all applicable legislation, regulations, standards and codes.

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 2011

During 2011, the following developments in the CHP's corporate governance practices occurred:

- Full compliance with the requirements of the Securities & Exchange Commission Code of Corporate Governance in relation to independent Directors was maintained until 31 December 2011 with the appointment of Chief Nick Dortie.
- Nominations Committee to assist in the process for selecting individuals for appointment to the Board: this role is being handled by the Business, Finance & Governance Committee.
- There was a continued focus on Directors training via attendance at various courses.
- 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 2012

The Hotel intends, during 2012, to:

- Continue the focus on Directors' training on issues that are relevant to the hospitality industry;
- Ensure that the Hotel fully complies with the requirement of the SEC Code of Corporate Governance;

Corporate Governance Report (Cont'd)



- Continue to enhance the level of information provided to, and interaction with Shareholders, investors and stakeholders generally

Board and Directors

Board structure and composition

Ultimate responsibility for governance rests with the Board of Directors of CHP, who ensures that appropriate controls, systems and practices are in place. The Hotel 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.

One of the features of the manner in which the Board operates is the role played by Board Committees, which facilitate the discharge of Board responsibilities. The Committees each have a Board approved mandate that is regularly reviewed. Details on how these Committees operate are provided elsewhere in this report.

Strategy

The Board considers and approves the Company's strategy. Once the financial and governance objectives for the following year have been agreed, the Board monitors performance against financial objectives and detailed budgets on an on-going basis, through quarterly reporting.

Regular interaction between the Board and the executive is encouraged. Management is invited, as required, to make presentations to the Board on material issues under consideration.

- 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 key terms of reference in the Board's mandate, which forms the basis for its responsibilities, are to:

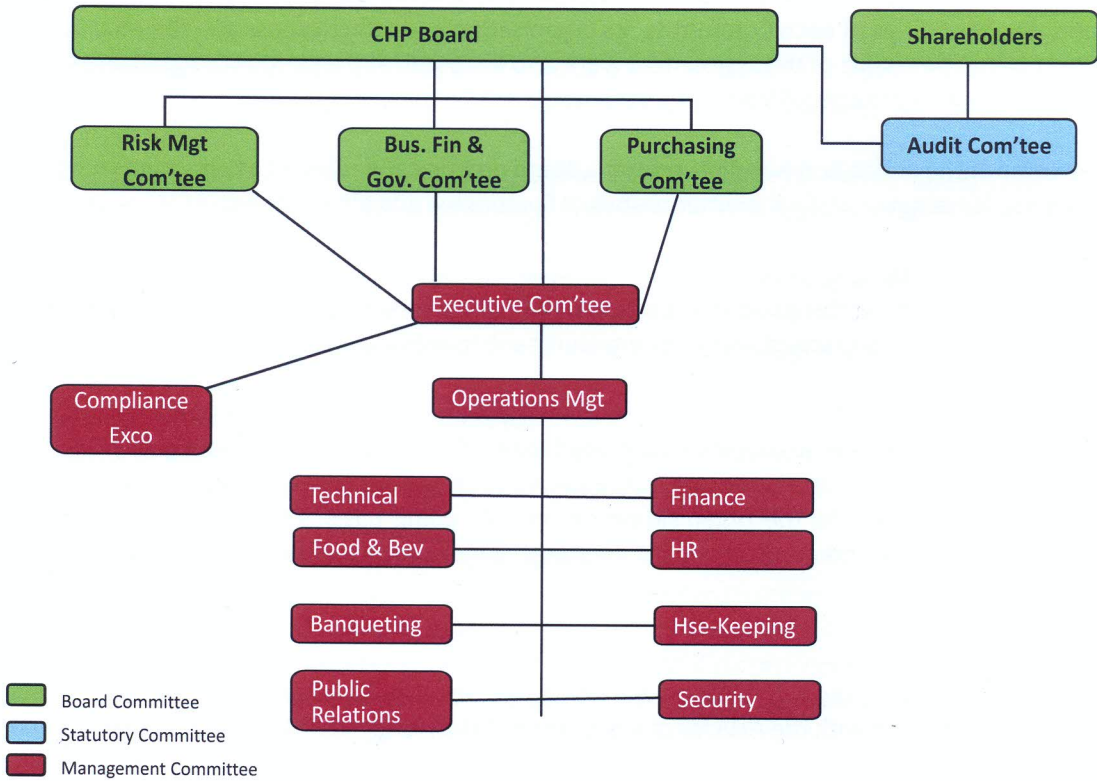
- agree the Hotel's objectives, strategies and plans for achieving those objectives;
- annually review the corporate governance process and assess achievement against objectives;
- review its mandate at least annually and approve recommended changes;
- delegate to the chief executive or any senior executive, any of the powers, authorities and discretions vested in the Board of Directors, including the power of sub-delegation; and to delegate similarly such powers, authorities and discretions to any Committee as may exist or be created from time to time;
- determine the terms of reference and procedures of all Board Committees and review their reports and minutes;
- consider and evaluate reports submitted by members of the management Committee;
- ensure that an effective risk management process exists and is maintained throughout the Hotel to ensure financial integrity and safeguarding of the assets;
- review and monitor the performance of the chief executive and the executive team;
- ensure consideration is given to succession planning for the chief executive and executive management;
- establish and review annually, and approve major changes to, relevant Hotel policies;
- approve the remuneration of non-executive Directors on the Board and Board Committees, based on recommendations made by the remuneration Committee, and recommended to Shareholders for approval;
- approve capital funding for the Hotel, and the terms and conditions of rights or other issues and any prospectus in connection therewith;
- ensure that an adequate budget and planning process exists, performance is measured against budgets and plans, and approve annual budgets for the Hotel;
- consider and approve capital expenditure recommended by the executive Committee;
- consider and approve any significant changes proposed in accounting policy or practice, and consider the recommendations of the statutory audit Committee;
- consider and approve the annual financial statements, quarterly results and dividend announcements and notices to Shareholders, and consider the basis for determining that the Hotel will be a going concern as per the recommendation of the audit Committee;
- assume ultimate responsibility for financial, operational and internal systems of control, and ensure adequate reporting on these by Committees to which they are delegated;
- take ultimate responsibility for regulatory compliance and ensure that reporting to the Board is comprehensive;
- ensure a balanced and understandable assessment of the Hotel's position in reporting to stakeholders;
- review non financial matters that have not been specifically delegated to a management Committee; and
- specifically agree, from time to time, matters that are reserved for its decision, retaining the right to delegate any of these matters to any Committee from time to time in accordance with the articles of association

The ultimate responsibility for the Hotel's operations rests with the Board. The Board retains effective control through a well-developed governance structure of Board Committees. These Committees provide in-depth focus on specific areas of Board responsibility.

Corporate Governance Report (Cont'd)



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 focused on continuous improvements in its corporate governance performance. To this end, the Board undertakes a process to evaluate 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 2011, 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.



Corporate Governance Report (Cont'd)



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 2011 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 organisation and effectiveness and the qualifications of its members. The results of the assessment were also discussed at the various Committee meetings and further actions were agreed from this process.

The outcome of the evaluation was discussed at a Board meeting and relevant action points have been noted for implementation to further improve Board functioning and effectiveness.

Induction and training

An induction programme designed to meet the needs of each new director is being implemented. One-on-one meetings are scheduled with management to introduce new Directors to the Hotel's operations.

The SEC's Code of Corporate Governance is provided to new Directors on their appointment. Directors are kept abreast of all relevant legislation and regulations as well as sector developments leading to changing risks to the organisation on an on - going basis. This is achieved by way of management reporting and quarterly Board meetings, which are structured to form part of ongoing training.

Board Meetings

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

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

Attendance at Board meetings from 1 January – 31 December 2011 is set out in the following table:

Name	Feb 8th	Mar 29th	June 23rd	Dec 20th
G. M. Ibru, OON (Chairman)	Yes	No	Yes	Yes
Y A Disu	Yes	Yes	Yes	Yes
O. Makinde	Yes	Yes	Yes	Yes
V C N Oyolu (Chief)	Yes	Yes	Yes	Yes
E A Chukwura	Yes	Yes	Yes	Yes
A A Thomopoulos (Dr)	Yes	Yes	Yes	No
Ngozi Olejeme (Mrs)	Yes	Yes	No	No
J. C. Anosike	Yes	Yes	Yes	Yes
A.Ibru (Dr)	No	No	No	Deceased

Corporate Governance Report (Cont'd)



Board Committees

Some of the functions of the Board have been delegated to Board Committees, consisting of Board members appointed by the Board. The composition and mandates of the Committees were reviewed during the course of 2011:

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 2011 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, 2011:

- Provides input to annual report of the hotel in respect of directors' compensation,
- Reviews and recommends the hotel's annual budget proposals for Board approval,
- Ensures orderly conduct of operations of the hotel,
- Reviews state of functionality of hotel facilities,
- 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, and
- Looks at alternative investment window for the hotel.
- Ensures the Hotel complies with directives of regulatory authorities/agencies

Members' attendance at BF&G Committee meetings during the financial year ended 31 December 2011 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,



Corporate Governance Report (Cont'd)



- 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 2011 are stated in the table of attendance for Committees below.

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:

- 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.

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

As at 1 January 2011 the Committee consisted of the following persons:

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

* = Shareholders' Representative

** = Non- Executive Director

The Shareholders re-elected the entire shareholder representatives on the Audit Committee at the AGM held on 23 June 2011.

Corporate Governance Report (Cont'd)



Members' attendance at Audit Committee meetings during the financial year ended 31 December 2011 is contained in the table of attendance for Committees below:

Table of Attendance at Committee Meetings 2011

Meetings of the Committees of the Company/Board of Capital Hotels Plc and attendance of members thereof for 2011 are stated in the table below:

Committee	Meeting Times During the year	Members	Member's Attendance
Purchase Committee	10	Mr. Y. A. Disu (Chairman)	10
		Chief V. C. N. Oyolu	10
		Mrs. Ngozi Olejeme	2
Business, Finance & Governance Committee	8	Chief V. C. N. Oyolu (Chairman)	8
		Mr. O. Makinde	6
		Mr. Y. A. Disu	8
		Barr. J. C. Anosike	4
Risk Committee	4	Mr. O. Makinde (Chairman)	2
		Barr. J. C. Anosike	2
		Barr. Akpofure Ibru	2
		Mr. R. Itawa	4
		Gen. Mgr. Sheraton	4
		Executive Asst. Mgt	4
		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	3
		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 cognisant 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 Board, at the end of 2011, views the Company as a going concern for the foreseeable future.

**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.

Social responsibility

As a hospitality business, CHP 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 economic development but also to the strengthening of civil society and human well being.

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 greatest impact. These areas of focus will be subject to annual review as the socio-economic dynamics of our catchment area change.

The Company during the 2011, visited two Orphanage Homes for its outreach programme, namely, *Stella Child Care Trust, Bwari* and *Christ Foundation Orphanage Home, Kuje, Abuja, FCT*.

Stella Child Care Trust, Bwari was established in 2000 as a non-governmental outfit for mentally retarded and hearing impaired children as well as those with special needs. The then First Lady was funding it until her death. Then the funds dried up.

Christ Foundation Orphanage Home, Kuje, Abuja, FCT started in Abuja on 13 November, 2010 from Lagos where it had been before its relocation. The Home has produced a graduate then awaiting NYSC call to service.

Various items in excess of N5m were presented to both centres. These included Television sets, DVD Players, items of clothing and various edible goods and consumable supplies.

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 2011 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.

Members of the Committee

Mr. B.A. Adegbesan

Chairman

Barr. (Chief) C.F. Nwokocha

Member

HRH J.O. Agwu

Member

Mr. Y.A. Dīsu

Member

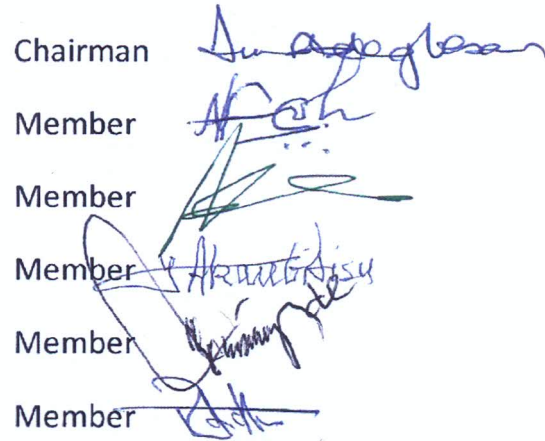
Mr. J.O. Makinde

Member

Barr. E. A. Chukwura

Member

Dated this 26th day of March, 2012



Chairman: *B.A. Adegbesan*
Member: *C.F. Nwokocha*
Member: *J.O. Agwu*
Member: *Y.A. Dīsu*
Member: *J.O. Makinde*
Member: *E.A. Chukwura*

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

CAPITAL HOTELS PLC (OWNERS OF SHERATON ABUJA HOTEL)

We have audited the accompanying financial statements of **Capital Hotels Plc**, set out on pages 2 to 17 which comprise the balance sheet as at 31 December 2011, the profit and loss account, statement of cash flows, statement of value added for the year then ended and 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 for such internal control as the Directors determines 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 statement present fairly, in all material respects the financial position of **Capital Hotels Plc** as at 31 December 2011, and of its financial performance and Cash flows for the year then ended, the company has kept books of accounts, which are in agreement with the balance sheet and income statement in the manner required by the Company and Allied Matters Act, CAP C20, LFN 2004 and in accordance with the Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria.

PKF
Chartered Accountants
Lagos, Nigeria

27 March 2012



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Offices in: Abuja, Bauchi, Jos, Kaduna, Kano

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Statement of Significant Accounting Policies

Year Ended 31 December 2011



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 Statements of Accounting Standards (SAS) issued by the Financial Reporting Council of Nigeria. The Financial Statements are presented in the functional currency, Nigerian 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 financial period 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 is stated at cost, less accumulated 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 Capital Work in Progress has not been completed.

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

4. Depreciation on Property, Plant & Equipment

Depreciation is provided on the straight-line basis to write off the assets over their estimated useful lives taking into consideration any residual value. Annual depreciation is calculated at fixed percentages of cost. Land and capital work in progress is not depreciated. Depreciation is charged only when the asset is put into use.

Statement of Significant Accounting Policies (Cont'd)

Year Ended 31 December 2011



The annual rates used are as follows:

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

Capital work in progress is not depreciated. On completion, the attributable cost of the 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 current 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 the original invoice amount less an allowance for any uncollectible amounts. Specific provision is made where there is objective evidence that the collection of a debt is considered to be doubtful. Debts considered irrecoverable are written off.

7. Revenue

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

8. Cost of Sales

Cost of sales comprises the full operating cost of goods and services provided, which comprises of cost of direct services and labour and the allocation of administrative overhead based on normal operating capacity.

9. 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 recorded in 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.

10. Taxation

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax, education tax, capital gains tax and deferred taxation.

i) Income Tax

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



Statement of Significant Accounting Policies (Cont'd)

Year Ended 31 December 2011

**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 tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability settled, based on Tax laws that have been enacted at the balance sheet date.

iii) Value Added Tax (VAT)

Non-recoverable VAT paid in respect of an expense is expensed. Non-recoverable VAT paid in respect of an item of property, plant and equipment is capitalized as part of the cost of the asset.

The net amount owing to or due from the tax authority is included in current liabilities or current assets.

iv) Withholding Tax

The withholding tax credits are set-off against income tax payable. Withholding tax credit which are considered irrecoverable are written-off as part of the tax charge for the financial period.

11. Employees' Retirement Benefits

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

12. Cash and Cash Equivalent

For the purpose of reporting cash flows, Cash and cash equivalent include cash on hand; cash balances with banks and short-term bank deposits.

13. Provisions

Provisions are 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.

14. Segment Reporting

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

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.

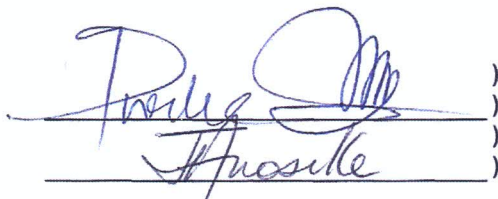


Balance Sheet

 As at 31 December 2011
 ●●●

		2011	2010
	Note	N'000	N'000
Property, plant and equipment	2	<u>1,818,929</u>	<u>1,845,224</u>
Current assets			
Inventories	3	199,727	231,202
Trade debtors	4	964,978	658,986
Due from related party	5	1,082,906	1,008,405
Other debtors and prepayments	6	523,001	529,951
Bank and cash balances	7	<u>2,110,122</u>	<u>1,366,503</u>
		<u>4,880,734</u>	<u>3,795,047</u>
Current liabilities			
Trade creditors		533,678	297,742
Due to related party	8	-	7,972
Other creditors and accruals	9	905,706	507,486
Taxation payable	11.1	<u>286,737</u>	<u>327,644</u>
		<u>1,726,121</u>	<u>1,140,844</u>
Net current assets		<u>3,154,613</u>	<u>2,654,203</u>
Total assets less current liabilities		4,973,542	4,499,427
Deferred taxation		(251,874)	(422,937)
Provision for liabilities and charges			
Staff retirement benefits	12	<u>(1,648,009)</u>	<u>(1,102,065)</u>
Net assets		<u>3,073,659</u>	<u>2,974,425</u>
Capital and reserves			
Share capital	13	774,390	774,390
Capital reserve		333	333
General reserve	14	<u>2,298,936</u>	<u>2,199,702</u>
Shareholders' funds		<u>3,073,659</u>	<u>2,974,425</u>

The financial statements on pages 2 to 17 were approved by the Board of Directors on **27 March 2012** and signed on its behalf by:



Directors

The statement of significant accounting policies on pages 2 to 4 and the notes on pages 8 to 15 form an integral part of these financial statements.

Profit and Loss Account

For the Year Ended 31 December 2011



		2011	2010
	Note	N'000	N'000
Turnover	15	4,905,536	5,031,505
Cost of Sales	16	<u>(3,635,090)</u>	<u>(3,315,595)</u>
Gross Profit		1,270,446	1,715,910
Other Income	17	48,833	19,056
Administrative Expenses	18	<u>(616,071)</u>	<u>(666,360)</u>
Profit Before Taxation		703,208	1,068,606
Taxation	11.3	<u>(122,031)</u>	<u>(470,016)</u>
Profit after Taxation Transferred to General Reserve	14	<u>581,177</u>	<u>598,590</u>
Earnings Per Share (EPS) (Kobo)	26	<u>38</u>	<u>39</u>

The statement of significant accounting policies on pages 30 to 32 and the notes on pages 36 to 45 form an integral part of these Financial Statements.

Statement of Cash Flows

For the Year Ended 31 December 2011



	Note	2011 N'000	2010 N'000
Cash Flows from Operating Activities:			
Cash Receipts from Customers		4,648,377	4,946,095
Payment to Suppliers & Employees		(3,255,103)	(4,255,231)
Net VAT		-	(15,245)
Income Tax Paid		(334,001)	(467,834)
Net Cash Provided by Operating Activities		1,059,273	207,785
Cash Flows from Investing Activities:			
Purchase of Property, Plant and Equipment	2	(199,496)	(373,924)
Net Cash Used in Investing Activities		(199,496)	(373,924)
Cash Flows from Financing Activities:			
Dividend paid		(116,159)	(116,159)
Net Cash provided by Financing Activities		(116,159)	(116,159)
Net Increase/ (Decrease) in Cash and Cash Equivalent		743,618	(282,298)
Cash and Cash Equivalent at the beginning of the year		1,366,504	1,648,802
Cash and Cash Equivalent at the end of the year		2,110,122	1,366,504

The explanatory notes on pages 32 to 40 form an integral part of this statement of Cash Flows .

Notes to The Financial Statements

For the Year Ended 31 December, 2011


1. The Company
1.1 Legal Form

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 is managed and operated by Starwood EAME License and Services Company, BVBA under a System License Agreement dated 7 June 2011.

1.2 Principal activities

The principal activities of the Company include the operation of hotels and restaurants, apartments letting, recreational facilities, night clubs and a business centre.

2. Property, Plant and Equipment

	Land & Building N'000	Motor Vehicle N'000	Plant & Machinery N'000	Furniture, Fittings & Equipment N'000	Work in Progress N'000	Total N'000
Cost						
As 1 January	835,256	172,279	1,368,170	1,969,164	464,114	4,808,983
Additions	61,216	-	37,837	100,443	-	199,496
At 31 December	<u>896,472</u>	<u>172,279</u>	<u>1,406,007</u>	<u>2,069,607</u>	<u>464,114</u>	<u>5,008,479</u>
Depreciation						
At 1 January	284,478	150,149	784,407	1,744,725	-	2,963,759
Charged for the period	21,667	9,331	123,525	71,268	-	225,791
At 31 December, 2011	<u>306,145</u>	<u>159,480</u>	<u>907,932</u>	<u>1,815,993</u>	<u>-</u>	<u>3,189,550</u>
Net Book Value						
At 31 December, 2011	<u>590,327</u>	<u>12,799</u>	<u>498,075</u>	<u>253,614</u>	<u>464,114</u>	<u>1,818,929</u>
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>

	2011 N'000	2010 N'000
3 Inventories		
Food	52,572	60,193
Beverage	16,732	22,363
Engineering-spare parts	74,862	79,504
Linen & Guest Supplies	10,305	14,106
General stores	45,256	55,036
	<u>199,727</u>	<u>231,202</u>
4. Trade Debtors		
Trade Debtors	1,038,844	748,575
Provision for Doubtful Debts	(73,866)	(89,589)
	<u>964,978</u>	<u>658,986</u>

Notes to The Financial Statements (Cont'd)

For the Year Ended 31 December, 2011

4.1 Provision for doubtful debts		
At 1 January	89,589	120,200
Charge in the year	10,575	-
Written off	(26,298)	(30,611)
At 31 December	<u>73,866</u>	<u>89,589</u>
5. Due From Related Party		
Ikeja Hotel Plc	1,002,385	1,002,385
Sheraton Lagos Hotel	78,429	0
Other Sheraton brand hotels	2,092	6,020
	<u>1,082,906</u>	<u>1,008,405</u>
6. Other Debtors and Prepayments		
CHP/SAH Current Account	286,992	355,633
Staff Debtors	59,552	68,233
Advances to Suppliers	131,481	72,137
Prepaid Expenses	37,174	31,640
Sundry Debit Balances	7,802	2,308
	<u>523,001</u>	<u>529,951</u>
7.0 Bank and cash balances:		
7.1 Time Dposit	<u>1,074,581</u>	<u>597,633</u>
7.2 Bank and Cash		
Cash at Bank	1,030,820	764,267
Cash in Hand	4,721	4,603
	<u>1,035,541</u>	<u>768,870</u>
	<u>2,110,122</u>	<u>1,366,503</u>
7.3 Time Deposit relates to tenured placement with Nigerian banks at varying interest rates negotiated.		
8. Due to related party		
Sheraton Lagos Hotel	-	7,947
Four Points by Sheraton, Lagos	-	25
	<u>-</u>	<u>7,972</u>
9. Other Creditors & Accruals		
Due to CHP Hospitality & Tourism	496,852	251,575
Sundry Credit balances	154,038	15,135
Accrued Expenses	111,594	82,338
Due to Starwood EAME License and Services Company, BVBA	59,970	59,147
Deferred Income	50,019	46,876
Deposits	32,902	36,839
VAT liability	0	15,245
Unclaimed Dividend	331	331
	<u>905,706</u>	<u>507,486</u>

Notes to The Financial Statements (Cont'd)

For the Year Ended 31 December, 2011



10 Dividend		
At 1 January	116,490	116,490
Payment during the period	<u>(116,159)</u>	<u>(116,159)</u>
Unclaimed dividend	331	331
Proposed in the year	<u>108,415</u>	<u>116,159</u>
At 31 December, 2011	<u><u>108,746</u></u>	<u><u>116,490</u></u>
11. Deferred Income		
Deferred Health Club	9,902	39,655
Deferred Space Rental	<u>40,117</u>	<u>7,221</u>
	<u><u>50,019</u></u>	<u><u>46,876</u></u>

The Directors proposed that for the year ended 31 December 2011, a dividend of 7 kobo per ordinary share amounting to N108,414,673.22 be paid to shareholders (2010: 7.5 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.

12.0 Taxation
12.1 Taxation payable

At 1 January	327,644	323,553
Payment in the year	(334,001)	(467,834)
Charge for the year (Note 12.3)	<u>293,094</u>	<u>471,925</u>
At 31 December	<u><u>286,737</u></u>	<u><u>327,644</u></u>

12.2 Deferred taxation

At 1 January	422,937	424,846
Charge for the year (Note 12.3)	<u>(171,063)</u>	<u>(1,909)</u>
At 31 December	<u><u>251,874</u></u>	<u><u>422,937</u></u>

12.3 Taxation charge

Income tax	270,467	301,678
Education tax	22,627	26,177
Under provision in previous years	<u>0</u>	<u>144,070</u>
	293,094	471,925
Deferred taxation	<u>(171,063)</u>	<u>(1,909)</u>
Profit and loss account	<u><u>122,031</u></u>	<u><u>470,016</u></u>

12.4 The charge for income tax in these financial statements is based on the provisions of the Company 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.

Notes to The Financial Statements (Cont'd)

For the Year Ended 31 December, 2011


13 Staff retirement benefits

Staff Pension (13.1)	-	-
Staff gratuity (13.2)	1,648,009	1,102,065
At 31 December	<u>1,648,009</u>	<u>1,102,065</u>

13.1 Staff pension

At 1 January	-	95
Charge for the year	52,600	51,925
Payments in the year	(52,600)	(52,020)
At 31 December	<u>-</u>	<u>-</u>

13.2 Staff gratuity

At 1 January	1,102,065	1,126,210
Under provision in previous years	365,784	-
Charge for the year	368,538	102,000
Payments in the year	(188,378)	(126,145)
At 31 December	<u>1,648,009</u>	<u>1,102,065</u>

14 Share Capital
Authorised

1,600,000,000 Ordinary Shares of 50k each	<u>800,000</u>	<u>800,000</u>
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Issued and fully paid

1,548,780,000 ordinary shares of 50k each	<u>774,390</u>	<u>774,390</u>
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15 General Reserve

At 1 January	2,199,702	1,717,271
Dividend paid during the year	(116,159)	(116,159)
Prior year adjustment (Note 15.1)	(365,784)	-
Transferred from profit and loss account	581,177	598,590
At 31 December	<u>2,298,936</u>	<u>2,199,702</u>

15.1 Prior year adjustment

This relates to staff gratuity not recognised in the previous year as a result of proposed change in policy to discontinue with the scheme. The proposed change has not been effected.

16 Revenue

Rooms	2,663,675	2,867,515
Food and Beverage	1,910,708	1,881,134
Others Services	331,153	282,856
	<u>4,905,536</u>	<u>5,031,505</u>



Notes to The Financial Statements (Cont'd)

For the Year Ended 31 December, 2011

17 Cost of Sales		
Rooms	643,542	642,740
Food & Beverage	1,251,359	1,397,715
Other services	1,740,189	1,275,140
	<u>3,635,090</u>	<u>3,315,595</u>
18 Other Income		
Interest Received	42,618	1,026
Sundry receipts	5,294	18,030
Gain on currency traslation - unrealised	921	-
	<u>48,833</u>	<u>19,056</u>
19 Administrative expenses		
Depreciation of property, plant and equipment	225,791	259,578
Management Service charge	245,277	251,575
Salaries and wages	30,764	24,718
Directors' fees	1,750	1,750
Directors' expenses	25,953	32,218
Insurance	33,637	35,218
Legal and other professional fees	6,479	20,955
Audit fee	5,500	4,500
Others	40,920	35,848
	<u>616,071</u>	<u>666,360</u>

20 Segment Information

2011	Rooms	Food & Beverage	Other Services	Total
	N'000	N'000	N'000	N'000
Turnover	2,663,675	1,910,708	331,153	4,905,536
Cost of sales	(643,542)	(1,251,359)	(1,740,189)	(3,635,090)
Gross profit/(loss)	<u>2,020,133</u>	<u>659,349</u>	<u>(1,409,036)</u>	<u>1,270,446</u>

Segment Information (cont'd)

2010	Rooms	Food & Beverage	Other Services	Total
	N'000	N'000	N'000	N'000
Turnover	2,867,514	1,881,134	282,856	5,031,504
Cost of sales	(642,740)	(1,397,715)	(1,275,140)	(3,315,595)
Gross profit/(loss)	<u>2,224,774</u>	<u>483,419</u>	<u>(992,284)</u>	<u>1,715,909</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.

Notes to The Financial Statements (Cont'd)

For the Year Ended 31 December, 2011

	2011 N'000	2010 N'000
21 Profit before taxation		
This is stated after charging/(crediting):		
- Directors' fees	1,750	1,750
- Directors' expenses	25,953	26,979
Management fee	166,147	160,175
Depreciation of property, plant and equipment	225,791	259,578
Staff retirement benefits	421,138	153,925
Audit fee	5,500	4,500
Gain on currency translation - unrealised	(921)	-
	<u>342,068</u>	<u>894,772</u>
22 Net increase in operating assets		
Inventories	31,476	(1,914)
Trade debtors	(305,992)	(104,465)
Due from related party	(74,502)	(976,716)
Other debtors and prepayments	6,950	188,323
	<u>342,068</u>	<u>894,772</u>
23 Net increase in operating liabilities		
Trade creditors	235,936	113,657
Due to related party	(7,972)	114
Other creditors and accruals	398,220	152,677
	<u>626,184</u>	<u>266,448</u>
24 Reconciliation of profit for the year to		
Cash provided by operating activities		
Profit after taxation	<u>581,177</u>	598,590
Adjustment to reconcile profit after taxation for the year to net cash provided by operating activities:		
Depreciation of property, plant and equipment (Note 2)	225,790	259,578
(Decrease)/Increase in taxation payable	(40,907)	4,091
Decrease in deferred taxation	(171,063)	(1,909)
Increase/(Decrease) in staff retirement benefits	545,944	(24,241)
Prior year adjustment	(365,784)	-
Increase in operating assets (Note 21)	(342,068)	(894,772)
Increase in operating liabilities (Note 22)	626,184	266,448
	<u>478,096</u>	<u>(390,805)</u>
Net cash provided by operating activities	<u>1,059,273</u>	207,785

Notes to The Financial Statements (Cont'd)

For the Year Ended 31 December, 2011

	2011 N'000	2010 N'000
25 Information regarding Directors and employees		
25.1 Emoluments of the Directors		
Fees paid to non-Executive Directors	1,500	1,500
Fees of the Chairman	250	250
Emoluments of the highest paid Directors	<u> </u>	<u> </u>
	Number	Number
25.2 The number of Directors whose emoluments fell within the following ranges:		
N10,001 - N50,000	-	-
N50,001 - N100,000	-	-
N100,001 - Above	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
25.3 Analysis of the Company's average monthly number of employees:		
Management Staff	25	29
Senior staff	217	226
Junior staff	509	506
	<u> </u>	<u> </u>
	<u>751</u>	<u>761</u>
25.4 The number of employees whose emoluments fell within the following ranges:		
N100,001 - N200,000	-	-
N200,001 - N300,000	80	85
N300,001 - N400,000	117	121
N400,001 - N500,000	212	210
N500,001 - N1000,000	298	302
N1,000,001 - Above	44	43
	<u> </u>	<u> </u>
	<u>751</u>	<u>761</u>
	N'000	N'000
25.5 Analysis of staff costs		
salaries and wages	298,183	269,479
Allowances	1,071,516	1,033,936
Retirement benefits	421,138	153,925
	<u> </u>	<u> </u>
	<u>1,790,837</u>	<u>1,457,340</u>

Staff costs include cost for both direct and indirect labour.

Notes to The Financial Statements (Cont'd)

For the Year Ended 31 December, 2011


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.

	2011 N'000	2010 N'000
Profit after taxation	<u>581,177</u>	<u>598,590</u>
Number of shares	<u>1,548,780</u>	<u>1,548,780</u>
Earnings per share (kobo)	<u>38</u>	<u>39</u>

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 50 kobo ordinary shares during the year.

Dividend	<u>108,415</u>	<u>116,159</u>
Number of shares	<u>1,548,780</u>	<u>1,548,780</u>
Dividend per share (DPS) (Kobo)	<u>7</u>	<u>7.50</u>

28. Staff commitments
28.1 Staff gratuity scheme

The Company operates a defined benefit service gratuity scheme for its employees. The employees 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.

Notes to The Financial Statements (Cont'd)

For the Year Ended 31 December, 2011

**30. 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 (an proportionately for a fraction of a fiscal year):

30.1 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.

30.2 System License Fee

A license Fee in United States Dollars equal to five percent (5%) of Gross Room Revenue. The License Fee is limited to the Base Fee. Where Base Fee exceeds System License Fee, the difference is paid as Base Fee, while the amount that equates the License fee is paid as System License Fee. And where the System License Fee exceeds the Base Fee, the excess is waived.

30.3 Incentive Fee

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

31. Management agreement

The Company entered into an agreement with CHP Hospitality and Tourism Limited to provide management and secretarial support services to the Company for a duration of 5 years commencing 1 January 2011. The Company shall pay to CHP Hospitality and Tourism Limited 5% of its gross annual revenue in consideration for the services.

32. Note to the Statement of cash flows

The Statement of Cash Flows has been drawn up using the direct 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 period and changes in short-term borrowings. The net cash position consists of cash in hand, cash at bank, placement with bank and bank overdraft

33. 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 N256,946,000.00 as at 31 December 2011 (2010: 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.

Notes to The Financial Statements (Cont'd)

For the Year Ended 31 December, 2011

**34. Related party transaction**

During the year, the Hotel had significant business dealings with related companies and other hotels under the Sheraton brand:

34.1 Ikeja Hotel Plc

Ikeja Hotel Plc has indirect shareholding interest in the Company through Hans Gremlin. During the year, transactions amounting to N42,618,483.22 (2010: N1.0 billion) related to interest on loan to Ikeja Hotel Plc.

34.2 Sheraton Lagos Hotel

Transactions amounting to N78,428,695.00 (2010: N7,946,958.00) related to bills receivable from Sheraton Lagos Hotel for the use of its rooms and restaurants.

34.3 CHP Hospitality and Tourism Ltd

During the year, transactions amounting to N245,276,827.72 (2010: N251,575,241.72) related to secretarial and support services rendered to Capital Hotels Plc.

35. Post balance sheet events

No events or transactions have occurred since the balance sheet date, which would have had a material effect on the financial statements as 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 sheet date.

36. Reclassification of balances

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

Statement of value added
 For the Year Ended 31 December, 2011
 

	2011 N'000	%	2010 N'000	%
Turnover	4,905,536		5,031,504	
Other income	48,833		19,056	
	<u>4,954,369</u>		<u>5,050,560</u>	
Bought in goods and services:				
- Local	(2,068,387)		(2,104,861)	
- Foreign	(166,147)		(160,175)	
Value added	<u>2,719,835</u>	<u>100%</u>	<u>2,785,524</u>	<u>100%</u>
Distributed as follows:				
To pay employees				
- Salaries, allowances and retirement benefits	1,790,837	66	1,457,340	52
To pay government				
- Taxation	293,094	11	471,925	17
To pay providers of funds				
- Finance charges	-	-	-	-
Retained for maintenance of assets and future expansion of business				
- Depreciation of property, plant & equipment	225,790	8	259,578	9
- Deferred taxation	(171,063)	(6)	(1,909)	1
- Retained profit	581,177	21	598,590	21
Value added	<u>2,719,835</u>	<u>100</u>	<u>2,785,524</u>	<u>100</u>

Value added represents the additional wealth which the company has been able to create by its own and 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.

Financial Summary

	2011 N'000	2010 N'000	2009 N'000	2008 N'000	2007 N'000
Balance Sheet					
Property, plant & equipment	1,818,929	1,845,224	1,730,877	1,435,297	1,605,617
Net current assets	3,154,613	2,654,203	2,312,269	1,879,234	612,105
Long term liability	(1,899,883)	(1,525,002)	(1,551,152)	(1,413,546)	(525,871)
Net assets	3,073,659	2,974,425	2,491,994	1,900,985	1,691,851
Equity and reserves:					
Share capital	774,390	774,390	774,390	774,391	774,391
Reserves	333	333	333	333	333
General reserve	2,298,936	2,199,702	1,717,271	1,126,261	917,127
Shareholders' funds	3,073,659	2,974,425	2,491,994	1,900,985	1,691,851
Profit and loss account					
Turnover	4,905,536	5,031,505	4,703,677	3,962,500	2,811,786
Profit before taxation	703,208	1,068,606	1,225,607	571,572	260,338
Taxation	(122,031)	(470,016)	(557,159)	(362,438)	(83,308)
Profit after taxation	581,177	598,590	668,448	209,134	177,030
Dividend declared	-	116,159	77,439	77,439	77,439
Per share data:					
Earnings per share (kobo) - Basic	38	39	43	14	11
Net assets per ordinary share (kbo)	198	192	161	123	109

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 2011



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