



**THE TOURIST COMPANY OF NIGERIA PLC** (RC3781)  
(Owner of the Federal Palace Hotel & Casino, Victoria Island, Lagos)

**2011 ANNUAL REPORT AND ACCOUNTS**



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## COMPANY PROFILE

The Company was incorporated on 10 April 1964 as The Tourist Company of Nigeria Limited, wholly-owned by the Federal Government of Nigeria, to acquire the Federal Palace Hotel ("the Palace Hotel"). The Palace Hotel, built at the dawn of Nigeria's independence in 1960, was previously owned by Victoria Beach Hotel Limited, a member of the AG Leventis Group. The Company was converted to a public limited company on 20 April 1994, when it also assumed its present name.

The Palace Hotel was designed and built to a very high standard: it was to be, and indeed it was, the premier international hotel in the country at the time. It is worthy of note that the celebration of Nigeria's independence from the United Kingdom took place in the Independence Hall of the Hotel in 1960.

The 15 floor Suites Hotel (also known as the Towers) was built to coincide with the Summit of Heads of State of the African Union and the Festival of African Arts and Culture, held in the country in 1977.

In 1992, Ikeja Hotel Plc, in association with other investors (collectively the "Ikeja Hotel Group") acquired The Tourist Company of Nigeria Plc from the Federal Government. In 2009 and 2010 Sun International Limited acquired substantial shares in the Company, thereby becoming an equal shareholder with the Ikeja Hotel Group.

Following the acquisition from the Federal Government, a comprehensive and phased refurbishment of the Palace Hotel was undertaken and it was re-opened in July 2008. The Towers Hotel was closed for refurbishment in June 2009 and has not yet been re-opened. A modern casino was opened in December 2009, a new banqueting facility in January 2010, and the Pool Club in September 2010. The Federal Palace Hotel complex currently incorporates a casino, restaurant, meeting rooms, banqueting and conference centre and recreational facilities.

The Company has an authorised share capital of 4,000,000,000 shares, out of which 2,246,437,472 have been issued and fully paid up.



## FINANCIAL HIGHLIGHTS

Major profit and loss accounts items	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000	% Increase / Decrease
Turnover	<b>4,460,579</b>	1,677,650	166
Loss before taxation	<b>(1,115,451)</b>	(642,388)	74
Taxation	<b>(254,728)</b>	(38,288)	565
Loss after taxation	<b>(1,370,179)</b>	(680,676)	101
Earnings per share (Kobo)	<b>(67)</b>	(60)	12

Major balance sheet items	30 June 2011 N'000	31 December 2009 N'000	% Increase / Decrease
Total assets	<b>11,393,501</b>	13,230,990	(14)
Shareholders' funds	<b>2,237,939</b>	(559,030)	500
Share capital	<b>1,123,219</b>	569,149	97
Share premium	<b>4,132,764</b>	519,686	695
General reserve	<b>(3,117,893)</b>	(1,747,714)	78
Net assets per share (Kobo)	<b>123</b>	(49)	351



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 47th annual general meeting of The Tourist Company of Nigeria Plc ("the Company") will be held at the Federal Palace Hotel & Casino, 6-8 Ahmadu Bello Way, Victoria Island, Lagos, on Wednesday 21 March 2012 at 12h00 noon, for the following purposes:

## Ordinary business

- 1 To receive the report of the directors, the financial statements for the eighteen months ended 30 June 2011, and the reports of the auditors and of the audit committee thereon.
- 2 To re-elect directors:  
Special notice is hereby given to re-elect Mr Yakubu A Disu as a director of the Company, notwithstanding that he is over 70 years old.
- 3 To authorise the directors to fix the remuneration of the auditors.
- 4 To consider a proposal by the board regarding the appointment of auditors.
- 5 To elect shareholder-members of the audit committee.

## Special business

- 6 To approve the remuneration of the directors.

BY ORDER OF THE BOARD

IHL SERVICES LIMITED  
Secretary

Lagos  
27 October 2011

## Notes:

### 1 Proxy

A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. To be valid, proxy forms must be stamped and deposited at the registered office of the Company (Suite 250, Federal Palace Hotel & Casino, 6-8 Ahmadu Bello Way, Victoria Island, Lagos), not less than 48 hours before the time for holding the meeting.

### 2 Closure of register

The register of members and the transfer books of the Company will be closed from Monday 5 March 2012 to Friday 9 March 2012, both dates inclusive.

### 3 Audit Committee

A member of the Company may nominate a shareholder to be a member of the Audit Committee. Such nomination must reach the secretary to the Company (at Suite 250, Federal Palace Hotel & Casino, 6-8 Ahmadu Bello Way, Victoria Island, Lagos), at least 21 days before the date of the meeting.

# DIRECTORS, PROFESSIONAL ADVISORS, ETC

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## DIRECTORS

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Mr Goodie M Ibru, OON  
Mr Yakubu A Disu  
Dr Alexander U Ibru  
Senator Felix O Ibru  
Mr Robert P Becker\*  
Mr David C Coutts-Trotter\*  
Mr John A Lee\*  
Mr David R Mokhobo\*

\* South African

## SECRETARY

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IHL Services Limited  
84 Opebi Road  
Ikeja  
Lagos  
Tel: +234 (1) 448 0887

## REGISTERED OFFICE

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Suite 250  
Federal Palace Hotel & Casino  
6-8 Ahmadu Bello Way  
Victoria Island  
Lagos

## AUDITORS

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PKF Professional Services  
PKF House  
205A Ikorodu Road  
Obanikoro  
Lagos

## MAJOR BANKERS

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Stanbic IBTC Bank Plc  
Union Bank of Nigeria Plc  
Oceanic Bank International Plc  
United Bank for Africa Plc  
Intercontinental Bank Plc

## REGISTRAR AND TRANSFER OFFICE

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Union Registrars Limited  
2 Burma Road  
Apapa  
Lagos



# SHAREHOLDER INFORMATION

## HISTORY OF SHARE CAPITAL CHANGES

Date	Authorised (Naira)		Issued and fully paid (Naira)		Consideration
	Increase	Cumulative	Increase	Cumulative	
11 April 1964	200	200	200	200	Cash
08 July 1985	10,699,800	10,700,000	10,699,800	10,700,000	Cash
06 June 1991	16,920,000	27,620,000	16,920,000	27,620,000	Cash
14 November 1991	602,280	28,222,280	602,280	28,222,280	Cash
03 December 1993	471,777,720	500,000,000	452,703,720	480,926,000	Cash
31 May 2000	500,000,000	1,000,000,000		480,926,000	
18 June 2002		1,000,000,000	88,223,412	569,149,412	Cash
15 November 2004		1,000,000,000	236,776,588	805,926,000	Cash
01 December 2008	1,000,000,000	2,000,000,000		805,926,000	
10 May 2010		2,000,000,000	317,294,736	1,123,220,736	Cash

## SHARE CAPITAL ANALYSIS

Range of shareholding	Number of shareholders	% of total shareholders	Total number of shares held	% shareholding
1 - 1 000	3,010	68.18	2,059,270	0.09
1 001 - 5 000	1,126	25.50	2,946,148	0.13
5 001 - 10 000	138	3.13	1,225,404	0.05
10 001 - 50 000	87	1.97	2,115,448	0.09
50 001 - 100 000	17	0.39	1,451,047	0.06
100 001 - 500 000	22	0.50	6,009,341	0.27
500 001 - 1 000 000	3	0.07	2,265,822	0.10
1 000 001 - 5 000 000	3	0.07	7,594,934	0.34
5 000 001 - 10 000 000	1	0.02	5,215,189	0.23
10 000 001 - and above	8	0.18	2,215,554,869	98.63
	<b>4,415</b>	<b>100.00</b>	<b>2,246,437,472</b>	<b>100.00</b>



## CHAIRMAN'S REPORT



Goodie M Ibru, OON  
Chairman

It is my pleasure to present the annual report of the Company for the eighteen month financial period ended 30 June 2011.

### OPERATING ENVIRONMENT

The early 2010 period marked the transition in Nigeria from the leadership of the late President Yar'Adua, who passed away on 5 May 2010 after a long illness, to that of Dr Goodluck Jonathan. In the April 2011 elections, Dr Goodluck Jonathan was elected as President for a four year term, on promises of reforms to combat corruption, to restructure the country's oil sector and to re-build its power generation capacity to be able to cope with demand.

The election period led to a slowdown in commercial activities in the country, as travel restrictions were enforced. Additional public holidays were proclaimed to facilitate voting, which took place over four consecutive weekends.

The oil-producing Niger Delta region was relatively stable during the period. However of significant concern were the increasing incidences of inter-community civil violence in the northern parts of the country.

Gross domestic product (GDP) increased by 7.9% in the 2010 calendar year. Equivalent levels of inflation were experienced, resulting in low real growth. The Naira/US Dollar exchange rate remained stable, ranging between N148 and N156 to the Dollar during the period. Oil prices started climbing in the last six months of the period, reaching levels last seen in 2008.

During the first half of the financial period, companies were restricting expenditure due to the uncertain political environment. In the second half of the period, local business confidence started to improve and the economy

began to emerge from the worldwide recessionary conditions, though the restricted availability of bank credit continued to hamper the speed of business growth.

### COMPANY PERFORMANCE

The Company's turnover for the eighteen month period under review totaled N4.5 billion, representing an increase of 166% over the previous financial year, and gross profit increased by 154%. Administrative and property expenses doubled compared to the previous financial year. New licensing costs and management fees contributed to the higher administrative costs. The increase in property expenses was mainly attributable to higher diesel usage and power generation costs, due to the reliance on generator power during the period. These factors resulted in the Company recording a loss after taxation for the period of N1.4 billion (2009: N681 million).

The Company has two business segments, namely Hotel operations and Casino operations. The results of these segments are set out fully in note 25 of the financial statements.

Turnover for Hotel operations for the period increased by a very pleasing 77% in comparison with the previous financial year. This was due to much higher room occupancies, which increased from an average 34% for the previous year, to an average of 56% for the period under review. Average room rates were lower than budget and the previous year, but were more market-aligned. The Hotel's gross profit increased by 70%. The food and beverage service also contributed significantly to the improved Hotel results, which in turn was boosted by corporate functions and conference business from the new banqueting facility. The Pool Club, which operates on a membership basis, enjoyed successful membership sales from its launch date and continues to attract new members. Memberships are available on a monthly, quarterly and annual basis. The Pool Club has been very well received by both members and hotel residents. The Casino opened on 15 December 2009, so the results for this business segment are not comparable to the previous financial year.

## CHAIRMAN'S REPORT (continued)

The impact of unlicensed casinos in Lagos, and particularly in the Victoria Island-Ikoyi precinct, has hampered the growth potential of the Casino, with its turnover and gross profits not meeting budget. In a relatively short space of time, the Casino has earned a reputation as being sophisticated, well-managed, safe and reputable. It also maintains a "Prive" profile and attracts high value players. The Company is focusing on its most valued guest ("MVG") programme and regular promotions to build a loyal and regular clientele base for the Casino, which is proving to be a successful business development strategy.

### DEVELOPMENT PROJECTS

The Towers Hotel was closed in June 2009, with an extensive renovation project expected to commence shortly thereafter. Following a re-appraisal of the project, the board decided to postpone it, to enable other options for the Towers re-development and the required project financing to be considered.

A new banqueting and conference facility was opened in January 2010, with capacity for 450 guests.

The gym was opened in July 2010.

The Pool Club development commenced in March 2010 and was opened at the end of September 2010. It features many recreational facilities, including a sixty meter slide, two children's pools with slides, two tennis courts and an 18 hole adventure golf course.

### DIRECTORATE

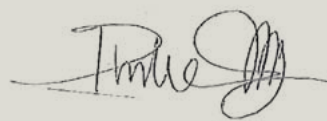
In accordance with the articles of association of the Company, Mr Goodie M Ibru OON, Mr Yakubu A Disu and Mr Robert P Becker retire by rotation at the annual general meeting. All the retiring directors are eligible for re-election and have accordingly offered themselves for re-election. Accordingly a resolution will be proposed at the meeting for their re-election.

### FUTURE OUTLOOK

The hospitality market in the Victoria Island-Ikoyi-Lekki axis of Lagos remains very competitive. Several new hotels have opened recently, existing hotels have been upgraded and significant room rate discounts are being offered to attract business. The Company's casino is fully licensed but experiences significant competition from unlicensed casinos on Victoria Island.

Despite the above constraints, management is focused on increasing the Company's market share whilst containing its costs, in order to deliver positive returns to its shareholders. With marketing designed to highlight the unique attractions of Federal Palace Hotel & Casino, the goal is to position it as a first choice for both hotel guests and gaming patrons.

In conclusion, I would like to thank my board of directors and committee members for their continued support and high-quality advice, and in particular the management and staff for their commitment, passion and hard work, in making the Hotel and Casino a truly 5 star facility in the past financial period.



**Goodie M Ibru, OON**  
Chairman

# REPORT OF THE DIRECTORS

The directors are pleased to present their report to the members of the Company, together with the audited financial statements of the Company for the eighteen month period ended 30 June 2011.

## LEGAL STATUS

The Company was incorporated in Nigeria as a private limited liability company on 10 April 1964 and was converted to a public limited company on 30 April 1994.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are the operation of hotel and casino businesses, and the provision of catering services.

## RESULTS FOR THE PERIOD

The Company's results for the period are as follows:

	<b>18 months ended 30 Jun 2011 N'000</b>	<b>Year ended 31 Dec 2009 N'000</b>
Turnover	<b>4,460,579</b>	1,677,650
Loss before taxation	<b>(1,115,451)</b>	(642,388)
Taxation	<b>(254,728)</b>	(38,288)
Loss after taxation	<b>(1,370,179)</b>	(680,676)

## PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment during the year totaled N3.346 million. Details of movements are shown in note 3.1 to the financial statements.

## DIVIDEND POLICY

The Company has not declared or paid any dividends for the period under review.

## DIRECTORS

The directors who served during the period under review and to the date of this report were:

Mr Goodie M Ibru, OON (Chairman)  
Mr Yakubu A Disu

Dr Alexander U Ibru  
Senator Felix O Ibru  
Mr Robert P Becker  
Mr David C Coutts-Trotter  
Mr John A Lee  
Mr David R Mokhobo

In accordance with the articles of association of the Company, Mr. Goodie M Ibru OON, Mr Yakubu A Disu and Mr Robert P Becker retire by rotation at the annual general meeting. All the retiring directors are eligible for re-election and have accordingly offered themselves for re-election.

## BOARD MEETINGS

The board of directors meets regularly to decide on policy matters and direct the affairs of the Company. During their meetings, the directors also review the Company's performance, operations and finances, and set standards for the ethical conduct of the Company's business.

## RECORD OF DIRECTORS' ATTENDANCE

In accordance with Section 258(2) of the Companies and Allied Matters Act, CAP C20, LFN 2004, the record of directors' attendance at board meetings held during the reporting period will be made available for inspection at the annual general meeting.

## BOARD COMMITTEES

The board has the following committees:

### Finance:

Dr Alexander U Ibru, Mr Yakubu A Disu, Mr John A Lee and Mr David R Mokhobo

### Capital projects:

Senator Felix O Ibru, Mr Yakubu A Disu, Mr John A Lee, and Mr David R Mokhobo

The finance and capital projects committees met twice during the period under review.

## REPORT OF THE DIRECTORS (continued)

### SUBSTANTIAL SHAREHOLDINGS

As at 27 October 2011, no shareholder held more than 5% of the issued share capital of the Company, except as stated below:

Name	No. of shares	%
Sun International Limited	1,108,138,647	49.33
Oma Investments Limited	405,614,547	18.06
Associated Ventures International Limited	378,272,590	16.84
Ikeja Hotel Plc	273,529,085	12.18

### DIRECTORS' INTERESTS IN SHARES

The direct and indirect interests of directors in the issued share capital of the Company, as recorded in the register of members at 27 October 2011, are as follows:

	No. of shares held	
	Direct	Indirect
Mr Goodie M Ibru, OON	-	378,272,590 (note 1)
Dr Alexander U Ibru	-	405,614,547 (note 2)
Mr Yakubu A Disu	100,000	-
Senator Felix O Ibru	250,000	-

Note 1 – Held through Associated Ventures International Limited

Note 2 – Held through Oma Investments Limited

### DIRECTORS' INTERESTS IN CONTRACTS

None of the directors has notified the Company, for the purpose of Section 277 of the Companies and Allied Matters Act, CAP C20, LFN 2004, of any interest in contracts deliberated upon during the period under review.

### DIRECTORS' RESPONSIBILITIES

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. In this regard, the responsibility of the directors includes: designing, implementing and maintaining

internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### CORPORATE GOVERNANCE

The directors are responsible for the corporate governance of the Company. Accordingly, the directors have a responsibility to ensure that proper accounting records are kept, and that the financial status of the Company is at all times disclosed with reasonable accuracy.

The directors are also responsible for protecting the Company's assets and taking reasonable steps for preventing and detecting fraud and other malpractices with regard to the Company's affairs.

The affairs of the Company are managed by a board comprising eight directors.

### AUDIT COMMITTEE

In accordance with Section 359(3) of the Companies and Allied Matters Act, CAP C20, LFN 2004, the Company has an audit committee comprising three directors and three representatives of the other shareholders. Those who served on the audit committee during the period under review are:

Mr Bolaji O Banjo  
Chief Victor CN Oyolu  
Dr Alexander U Ibru  
Mr Yakubu A Disu  
Mrs Temilade F Durojaiye  
Mr David R Mokhobo

The audit committee carries out its functions as set out in section 359(6) of the Companies and Allied Matters Act, CAP C20, LFN 2004.

## REPORT OF THE DIRECTORS (continued)

### INTERNAL AUDIT FUNCTION

The board of directors has signed a resolution to adopt The Code of Corporate Governance in Nigeria. Section 31.1 of this code requires that the Company should have an effective risk-based internal audit function. The board of directors does not consider it necessary for the Company to have its own internal audit department, as certain of these functions are being performed by the internal audit department of Sun International Management Limited, and the directors of the Company consider this function to be sufficient for the needs of the Company. This internal audit department adopts a systematic, disciplined and risk based approach to evaluate and improve the effectiveness of internal controls and governance processes in the areas that it audits.

The Company has also established a risk committee, which is representative of all the stakeholders of the Company and is overseen by the board of directors of the Company. The risk committee assesses the risks to the Company on an annual basis and reviews the effectiveness of any mitigating actions and controls for risks identified, on a quarterly basis. This is reported to the board of directors on a quarterly basis.

### DONATIONS

The Company did not make any donations during the period under review.

### TECHNICAL AND SERVICE AGREEMENTS

The Company has:

- a) an operating management agreement with Sun International Management Limited for the management of the Federal Palace Hotel & Casino. The agreement has been approved by the National Office for Technical Acquisition and Promotion;
- b) a know-how and technical service agreement with Sun International Management Limited for the provision of technical services to the Company. The agreement has been approved by the National Office for Technical Acquisition and Promotion; and
- c) an agreement with Ikeja Hotel Plc to provide support services to the Company.

### EMPLOYMENT AND EMPLOYEES

#### a) Employment of disabled persons

The Company had no disabled employees as at 30 June 2011 but had an employment policy that precludes discrimination against the disabled. For employees of the Company who become disabled, arrangements are available to retrain them for alternative work within the Company.

#### b) Health and safety

The Company provides free medical facilities to all employees, at clinics retained for this purpose. A daily meal is provided to staff while on duty. The Company is also very conscious of the safety requirements both of its guests and employees, and stringent precautions are taken to ensure this.

#### c) Employees' involvement and training

Employees are regularly provided with information on matters concerning the Company and their welfare. Management holds regular formal and informal meetings with the staff, aimed at ensuring cordial industrial relations throughout the year. Employees are given regular training on the job or in other hotels in the Sun International Limited group, to equip them with skills and knowledge required for the efficient performance of their duties.

### AUDITORS

PFK Professional Services have indicated their willingness to continue in office as auditors of the Company in accordance with section 357(2) of the Companies and Allied Matters Act, CAP C20, LFN 2004.

#### By order of the board

#### IHL Services Limited

Secretary  
27 October 2011

# REPORT OF THE AUDITORS

We have audited the accompanying financial statements of The Tourist Company of Nigeria Plc, set out on pages 14 to 32, which comprise the balance sheet as at 30 June 2011, the income statement, statement of cash flows, statement of value added for the eighteen month period then ended and a summary of significant accounting policies, financial summary 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 controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

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

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

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Tourist Company of Nigeria Plc, and of its financial performance and cash flows for the eighteen month period then ended; the Company has kept proper books of accounts, which are in agreement with the balance sheet and income statement, in the manner required by the Companies and Allied Matters Act, CAP C20, LFN 2004, and in accordance with the Statements of Accounting Standards issued by the Nigerian Accounting Standards Board.

## EMPHASIS OF MATTER

We draw attention to note 2 to the financial statements which describes the persistent losses sustained and the negative working capital position. Our opinion is not qualified in respect of these matters.

## Chartered Accountants

Lagos, Nigeria  
27 October 2011

## REPORT OF THE AUDIT COMMITTEE

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In compliance with Section 359(6) of the Companies and Allied Matters Act, CAP C20, LFN 2004, we have reviewed the auditors' report for the eighteen month period ended 30 June 2011. We hereby report that:

1. The accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices.
2. The scope and planning of the external audit for the eighteen month period ended 30 June 2011 were, in our opinion, adequate.
3. The Company maintained effective systems of accounting and internal controls during the period.

4. The external auditors' findings and recommendations on management matters were satisfactorily dealt with by management.



**Bolaji B Banjo**  
Chairman, Audit Committee

27 October 2011

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### MEMBERS OF THE COMMITTEE

Mr Bolaji B Banjo, (Chairman)	Shareholder
Mrs Temilade F Durojaiye	Shareholder
Chief Victor CN Oyolu	Shareholder
Mr Yakubu A Disu	Director
Dr Alexander U Ibru	Director
Mr David R Mokhobo	Director

# STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

## FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 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). 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 recognised 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 recognised 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 recognised 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 AND EQUIPMENT

Property, plant and equipment is stated at historical 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 includes 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 AND 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. Depreciation is charged only when the asset is put into use. Land and capital work in progress are not depreciated. Upon completion of the capital works, the attributable cost of the asset is transferred to the relevant asset category and depreciated accordingly.

Buildings	2.5%
Plant and machinery	10.0%
Furniture and fittings	10.0%
Motor vehicles	33.5%
Computer equipment	25.0%
Hotel, office and casino equipment	10.0%

### 5. INVENTORY

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

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 6. RECEIVABLES

Trade and other receivables are recognised 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 costs of direct services and labour and an allocation of administrative overheads 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 translated to Naira at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to 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.

#### a) 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.

#### b) 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 financial period when the asset is realised or the liability settled, based on tax laws that have been enacted at the balance sheet date.

#### c) 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 capitalised 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.

#### d) Withholding tax

Withholding tax credits are set-off against income tax payable. Withholding tax credits 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 7.5% each of the employees' current salaries and designated allowances. The Company's contribution is charged to the profit and loss account.

### 12. CASH AND CASH EQUIVALENTS

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

### 13. PROVISIONS

Provisions are recognised 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

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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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 is 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 is subject to risks and returns different from those 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.

## PROFIT AND LOSS ACCOUNT

### FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 2011

	Notes	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000
<b>Turnover</b>	16	<b>4,460,579</b>	1,677,650
Cost of sales		<b>(1,869,822)</b>	(657,012)
<b>Gross profit</b>		<b>2,590,757</b>	1,020,638
Expenses	17	<b>(3,338,626)</b>	(1,656,171)
Other income	18	<b>3,278</b>	7,497
<b>Operating loss</b>		<b>(744,591)</b>	(628,036)
Finance costs	19	<b>(370,860)</b>	(14,352)
<b>Loss on ordinary activities before taxation</b>		<b>(1,115,451)</b>	(642,388)
Taxation charge	10.2	<b>(254,728)</b>	(38,288)
<b>Loss after taxation transferred to general reserve</b>	15	<b>(1,370,179)</b>	(680,676)
Loss per share (Kobo)		<b>(67)</b>	(60)

The statement of significant accounting policies on pages 14 to 16 and the accompanying notes on pages 20 to 30 form an integral part of the financial statements.

## BALANCE SHEET AS AT 30 JUNE 2011

	Notes	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000
<b>Property, plant and equipment</b>			
Fixed assets	3.1	10,388,777	7,596,250
Capital work in progress	3.2	3,264	2,332,940
		<u>10,392,041</u>	<u>9,929,190</u>
<b>Current assets</b>			
Inventory	4	171,864	282,299
Trade receivables	5	256,283	131,904
Other receivables and prepayments	6	172,189	1,126,473
Bank and cash balances	7	401,124	1,761,124
		<u>1,001,460</u>	<u>3,301,800</u>
<b>Current liabilities</b>			
Trade payables		108,232	155,445
Other payables and accruals	8	1,664,332	1,300,714
Taxation payable	9.1	32,157	13,628
Bank overdraft		-	36,092
		<u>1,804,721</u>	<u>1,505,879</u>
<b>Net current (liabilities)/assets</b>		<u>(803,261)</u>	<u>1,795,921</u>
<b>Total assets less current liabilities</b>		<b>9,588,780</b>	11,725,111
<b>Long-term liabilities</b>			
Loan	10	(6,845,643)	(12,011,672)
Deferred taxation	9.3	(505,198)	(268,999)
<b>Provision for liabilities and charges</b>			
Staff retirement benefits	11	-	(3,470)
<b>Net assets/(liabilities)</b>		<u>2,237,939</u>	<u>(559,030)</u>
<b>Capital and reserves</b>			
Share capital	12	1,123,220	569,149
Share premium	13	4,132,763	519,686
Revaluation reserve	14	99,849	99,849
General reserve	15	(3,117,893)	(1,747,714)
<b>Shareholders' funds</b>		<u>2,237,939</u>	<u>(559,030)</u>

The statement of significant accounting policies on pages 14 to 16 and the accompanying notes on pages 20 to 30 form an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

### FOR THE EIGHTEEN MONTH PERIOD ENDED 30 JUNE 2011

	Notes	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		<b>4,339,478</b>	1,806,533
Payments to suppliers and employees		<b>(3,483,147)</b>	(3,225,538)
Prior year adjustment		-	(89)
Income tax paid	9.1	-	(42,917)
Net VAT paid		<b>(5,729)</b>	
Net cash flow from operating activities	23	<b>850,602</b>	(1,462,011)
<b>Cash flows from investing activities</b>			
Additions to capital work in progress	3.2	<b>(1,016,788)</b>	(2,332,940)
Adjustments to property, plant and equipment	3.1	<b>(158,841)</b>	-
Purchase of property, plant and equipment		-	(38,309)
Net cash flow from investing activities		<b>(1,175,629)</b>	(2,371,249)
<b>Cash flows from financing activities</b>			
Loan (repayments)/advances		<b>(5,166,029)</b>	5,445,285
Increase in share capital		<b>554,071</b>	-
Increase in share premium		<b>3,613,077</b>	-
Net cash flow from financing activities		<b>(998,881)</b>	5,445,285
Net (decrease)/increase in cash and cash equivalents		<b>(1,323,908)</b>	1,612,025
Cash and cash equivalents at the beginning of the period		<b>1,725,032</b>	113,007
<b>Cash and cash equivalents at the end of the period</b>	24	<b>401,124</b>	1,725,032

The statement of significant accounting policies on pages 14 to 16 and the accompanying notes on pages 20 to 30 form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. THE COMPANY

### 1.1 Legal form and history

The Company was incorporated on 10 April 1964, with its share capital wholly-owned by the Federal Government of Nigeria, to acquire the Federal Palace Hotel. In 1992, Ikeja Hotel Plc in association with other investors (collectively the "Ikeja Hotel Group"), acquired all the shares of the Company from the Federal Government. Between 2009 and 2010, Sun International Limited of South Africa acquired substantial shares in the Company, thereby becoming an equal shareholder with the Ikeja Hotel Group.

### 1.2 Principal activities

The principal activities of the Company are the operation of hotel and casino businesses, and the provision of catering services.

## 2. GOING CONCERN

The Company recorded losses after taxation for the eighteen month period ended 30 June 2011 of N1.370 million (year ended 31 December 2009: N681 million) and sustained a working capital deficiency at 30 June 2011 of N803 million (31 December 2009: working capital surplus of N1,796 million). These developments raise concern about the Company's ability to continue as a going concern. However, the Directors are confident that the shareholders will continue to provide the necessary support to the Company, and thus consider it appropriate to prepare the financial statements on the going concern basis.

## 3. PROPERTY, PLANT AND EQUIPMENT

### 3.1 Fixed assets

	Land & buildings N'000	Plant & machinery N'000	Hotel & office equipment N'000	Furniture & fittings N'000	Motor vehicles N'000	Casino equipment N'000	Total N'000
<b>Cost/valuation</b>							
At 1 January 2010	7,275,459	281,193	310,576	641,153	56,476	-	8,564,857
Transferred from capital work in progress	1,835,396	-	509,561	-	-	1,001,507	3,346,464
Adjustment	-	7,188	138,853	-	12,800	-	158,841
At 30 June 2011	<u>9,110,855</u>	<u>288,381</u>	<u>958,990</u>	<u>641,153</u>	<u>69,276</u>	<u>1,001,507</u>	<u>12,070,162</u>
<b>Depreciation</b>							
At 1 January 2010	509,984	277,632	135,111	12,278	33,602	-	968,607
Charge for the year	139,466	29,668	127,913	75,222	11,995	328,514	712,778
Adjustment	-	(233,480)	154,196	79,284	-	-	-
At 30 June 2011	<u>649,450</u>	<u>73,820</u>	<u>417,220</u>	<u>166,784</u>	<u>45,597</u>	<u>328,514</u>	<u>1,681,385</u>
<b>Net book value</b>							
At 30 June 2011	<u>8,461,405</u>	<u>214,561</u>	<u>541,770</u>	<u>474,369</u>	<u>23,679</u>	<u>672,993</u>	<u>10,388,777</u>
At 31 December 2009	<u>6,765,475</u>	<u>3,561</u>	<u>175,465</u>	<u>628,875</u>	<u>22,874</u>	<u>-</u>	<u>7,596,250</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

The Company's property, plant and equipment was revalued at 30 November 1990 by Messrs Jide Taiwo & Co, Estate Surveyors and Valuers, using the depreciated replacement cost method. The surplus arising on revaluation of the land, buildings, and swimming pool amounting to N99,849,329 was transferred to the revaluation reserve, whilst the surplus on revaluation of plant, equipment, furniture, borehole and motor vehicles amounting to N13,127,733 was not recognised in the financial statements. Subsequent additions are stated at cost.

A subsequent revaluation carried out at 12 August 2009 by Messrs Jide Taiwo & Co, put the open market value of the fixed assets of the Company at N25,963,249,000. This valuation has not been incorporated into the financial statements.

The revaluation of property, plant and equipment is undertaken when it is considered necessary by the directors.

### 3.2 Capital work in progress

	Land & buildings N'000	Plant & machinery N'000	Hotel & office equipment N'000	Furniture & fittings N'000	Motor vehicles N'000	Casino equipment N'000	Total N'000
<b>Cost</b>							
At 1 January 2010	1,011,862	-	509,561	-	-	811,517	2,332,940
Additions during the period	826,798	-	-	-	-	189,990	1,016,788
Transferred to fixed assets (note 3.1)	(1,835,396)	-	(509,561)	-	-	(1,001,507)	(3,346,464)
At 30 June 2011	3,264	-	-	-	-	-	3,264

### 4. INVENTORY

	30 June 2011 N'000	31 December 2009 N'000
Food	12,835	12,511
Beverages	6,694	9,689
Hotel operating equipment	93,211	106,174
Casino operating equipment	12,926	12,600
Consumable supplies	39,935	40,213
Other	6,263	101,112
	<b>171,864</b>	<b>282,299</b>

### 5. TRADE RECEIVABLES

Trade debtors	368,304	162,743
Less: Provision for doubtful debts (refer note 5.1)	(112,021)	(30,839)
	<b>256,283</b>	<b>131,904</b>

#### 5.1 Provision for doubtful debts

Balance at beginning of period	30,839	17,749
Charge for the period	81,182	13,090
Balance at end of period	<b>112,021</b>	<b>30,839</b>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	30 June 2011 N'000	31 December 2009 N'000
<b>6. OTHER RECEIVABLES AND PREPAYMENTS</b>		
Staff share scheme (refer note 6.1)	-	644,741
Prepayments	<b>98,658</b>	292,318
Others	<b>73,531</b>	189,414
	<b>172,189</b>	1,126,473

The amount due from the staff share scheme has been transferred to the Ikeja Hotel Group shareholders.

<b>7. CASH AND BANK BALANCES</b>		
Cash in hand	<b>37,571</b>	28,936
Cash at bank	<b>363,553</b>	1,732,188
	<b>401,124</b>	1,761,124

<b>8. OTHER PAYABLES AND ACCRUALS</b>		
Deposits received	<b>19,750</b>	28,040
Due to Sun International Management Limited	<b>822,269</b>	735,744
Management and support fees payable to Sun International Management Limited and Ikeja Hotel Plc	<b>353,854</b>	76,017
Casino loyalty plan liability	<b>22,800</b>	-
Due to Guardian Press Limited (refer note 8.1)	<b>143,034</b>	143,034
Accrued expenses	<b>261,002</b>	59,638
Other payables	<b>41,623</b>	258,241
	<b>1,664,332</b>	1,300,714

8.1 Guardian Press Limited is a company in which Dr Alexander U Ibru, a director of the Company, has an interest.

## 9. TAXATION

### 9.1 Taxation payable

Balance at beginning of period	<b>13,628</b>	49,345
Charge for the period (refer note 9.2)	<b>18,529</b>	7,200
Payments during the period	-	(42,917)
Balance at end of period	<b>32,157</b>	13,628

### 9.2 Taxation charge

Income tax	<b>18,529</b>	7,200
Education tax	-	-
	<b>18,529</b>	7,200
Deferred tax	<b>236,199</b>	31,088
	<b>254,728</b>	38,288

The charge for taxation has been computed in accordance with the provisions of the Companies Income Tax Act, CAP C21, LFN 2004 and the Education Tax Act, CAP E4, LFN 2004 as amended.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	30 June 2011 N'000	31 December 2009 N'000
<b>9.3 Deferred taxation</b>		
Balance at beginning of period	268,999	237,911
Charge for the period (refer note 9.2)	236,199	31,088
Balance at end of period	<u>505,198</u>	<u>268,999</u>

The Company has adopted the Statement of Accounting Standard 19 on deferred taxation, which is computed using the liability method.

	30 June 2011 US \$'000	30 June 2011 N'000	31 December 2009 N'000
<b>10. LOANS</b>			
Shareholders:			
- Ikeja Hotel Plc	14,851	2,246,911	2,846,322
- Sun International Limited	15,816	2,392,795	6,065,526
	<u>30,667</u>	<u>4,639,706</u>	8,911,848
Others:			
- Omamo Investment Corporation	14,638	2,205,937	3,099,824
	<u>45,305</u>	<u>6,845,643</u>	<u>12,011,672</u>

### Terms of the above loans:

- These are unsecured.
- There are no fixed term of repayment.
- The loans are denominated in US Dollars.
- Interest is calculated at 5% per annum and will only be payable when the Company's cash flow allows.

Ikeja Hotel Plc and Omamo Investment Corporation are controlled by directors of the Company.

## II. STAFF RETIREMENT BENEFITS

Staff gratuities (refer note 11.1)	-	(976)
Staff pensions (refer note 11.2)	-	4,446
	<u>-</u>	<u>3,470</u>

### 11.1 Staff gratuity

Balance at beginning of period	(976)	1,031,969
Provision for the period	-	-
Payment during the period	976	(1,032,945)
Balance at end of period	<u>-</u>	<u>(976)</u>

The Company has discontinued the staff gratuity scheme, consequently there is no charge for the period.

### 11.2 Staff pension

Balance at beginning of period	4,446	4,446
Provision for the period	76,190	12,219
Payments during the period	(80,636)	(12,219)
Balance at end of period	<u>-</u>	<u>4,446</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	30 June 2011 N'000	31 December 2009 N'000
<b>12. SHARE CAPITAL</b>		
<b>Authorised:</b>		
At beginning of period	1,000,000	1,000,000
Increase in share capital	1,000,000	-
At end of period	<u>2,000,000</u>	<u>1,000,000</u>
Number of ordinary shares of 50 Kobo each: At 30 June 2011: 4,000,000,000 (at 31 December 2009: 2,000,000,000)		
<b>Issued and fully paid:</b>		
At beginning of period	569,149	569,149
Increase in share capital (refer note 13.1)	554,071	-
At end of period	<u>1,123,220</u>	<u>569,149</u>
Number of ordinary shares of 50 Kobo each: At 30 June 2011: 2,246,437,472 (at 31 December 2009: 1,138,298,825)		
<b>13. SHARE PREMIUM</b>		
At beginning of period	519,686	519,686
Increase in share premium (refer note 13.1)	3,613,077	-
At end of period	<u>4,132,763</u>	<u>519,686</u>
<b>13.1 Increase in share premium</b>		
1,108,138,647 ordinary shares issued at N3.79	4,199,845	-
Per value of shares	(554,071)	-
Share issue expenses	(32,697)	-
Increase in share premium	<u>3,613,077</u>	<u>-</u>
<b>14. REVALUATION RESERVE</b>		
Surplus on revaluation of land, buildings, construction and swimming pool carried out in 1990.	99,849	99,849
<b>15. GENERAL RESERVE</b>		
Balance at beginning of period	(1,747,714)	(1,066,949)
Prior year adjustment	-	(89)
Transferred from profit and loss account	(1,370,179)	(680,676)
Balance at end of period	<u>(3,117,893)</u>	<u>(1,747,714)</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000
<b>16. TURNOVER</b>		
Rooms	1,757,304	1,116,572
Food and beverage	897,870	418,690
Other services	282,236	128,358
Casino	1,523,169	14,030
	<u>4,460,579</u>	<u>1 677,650</u>
<b>17. EXPENSES</b>		
Administrative and general	1,450,520	736,122
Marketing and promotion	194,438	91,464
Property operations	961,221	415,215
Other operating expenses	732,447	413,370
	<u>3,338,626</u>	<u>1,656,171</u>
<b>18. OTHER INCOME</b>		
Interest received	3,278	1,037
Scrap sales	-	3,250
Miscellaneous	-	3,210
	<u>3,278</u>	<u>7,497</u>
<b>19. FINANCE COST</b>		
Interest on long-term loans	370,860	14,352
<b>20. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
<b>This is stated after charging:</b>		
Directors' fees	720	-
Finance costs	370,860	14,352
Loss on foreign currency translation	96,332	120,142
Management fees	196,958	76,017
Audit fees	9,100	4,000
Depreciation of property, plant and equipment	712,778	296,704

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000
<b>21. RECONCILIATION OF LOSS AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss after taxation	<b>(1,370,179)</b>	(680,676)
Adjustments:		
Depreciation of property plant and equipment (refer note 3)	<b>712,778</b>	296,704
Loss on foreign currency translation	-	119,635
Prior year adjustment	-	(89)
Increase/(decrease) in taxation (refer note 9.1)	<b>18,529</b>	(35,716)
Increase in deferred tax liabilities (refer note 9.3)	<b>236,199</b>	31,088
Staff retirement benefits	<b>(3,470)</b>	(1,032,945)
Decrease/(increase) in operating assets (refer note 22)	<b>940,340</b>	(320,310)
Increase/(decrease) in operating liabilities (refer note 23)	<b>316,405</b>	160,298
Total adjustments	<b>2,220,781</b>	(781,335)
Net cash flow from operating activities	<b>850,602</b>	(1 462,011)
<b>22. DECREASE/(INCREASE) IN OPERATING ASSETS</b>		
Inventories	<b>110,435</b>	(89,777)
Trade receivables	<b>(124,379)</b>	121,386
Other receivables	<b>954,284</b>	(351,919)
	<b>940,340</b>	(320,310)
<b>23. INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>		
Trade payables	<b>(47,213)</b>	125,522
Other payables and accruals	<b>363,618</b>	34,776
	<b>316,405</b>	160,298
<b>24. RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<b>401,124</b>	1,761,124
Bank overdraft	-	(36,092)
	<b>401,124</b>	1,725,032

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25. SEGMENT INFORMATION

#### 25.1 Business segment

The Company has two reportable business segments, summarised as follows:

**Hotel operations:** This includes the sale of rooms, food and beverages, and other minor operating services.

**Casino operations:** This includes the provision of tables and slots gaming services. The casino operations commenced in mid December 2009.

	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000
<b>Turnover</b>		
Hotel operations	2,937,410	1,663,620
Casino operations	1,523,169	14,030
Total per profit and loss account	4,460,579	1,677,650
<b>Gross profit</b>		
Hotel operations	1,887,731	1,044,799
Casino operations	703,026	(24,161)
Total per profit and loss account	2,590,757	1,020,638
<b>Depreciation</b>		
Hotel operations	384,264	296,704
Casino operations	328,514	-
Total per profit and loss account	712,778	296,704
	<b>30 June 2011 N'000</b>	<b>31 December 2009 N'000</b>
<b>Property, plant and equipment at net book value</b>		
Hotel operations	9,715,784	7,596,250
Casino operations	672,993	-
Total net book value of property, plant and equipment (refer note 3)	10,388,777	7,596,250
<b>Net assets/(liabilities)</b>		
Hotel operations	1,651,519	(559,030)
Casino operations	586,420	-
	2,237,939	(559,030)

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Hotel operations			Casino operations		Total
	Rooms N'000	Food and beverage N'000	Other services N'000	Tables N'000	Slots N'000	N'000
<b>25.2 Analysis of turnover and gross profit by service</b>						
<b>Eighteen month period ended 30 June 2011</b>						
Turnover	1,757,304	897,870	282,236	417,475	1,105,694	4,460,579
Cost of sales	(285,078)	(592,663)	(171,938)	(164,029)	(656,114)	(1,869,822)
Gross profit	<u>1,472,226</u>	<u>305,207</u>	<u>110,298</u>	<u>253,446</u>	<u>449,580</u>	<u>2,590,757</u>
<b>Year ended 31 December 2009</b>						
Turnover	1,116,572	418,690	128,358	7,287	6,743	1,677,650
Cost of sales	(190,629)	(393,435)	(34,757)	(7,639)	(30,552)	(657,012)
Gross profit	<u>925,943</u>	<u>25,255</u>	<u>93,601</u>	<u>(352)</u>	<u>(23,809)</u>	<u>1,020,638</u>

## 26. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000
<b>26.1 Emoluments of the directors:</b>		
Non-executive directors' fees	720	-
Chairman's fees	-	-
Emoluments of the highest paid director	-	-
<b>26.2 Number of directors whose emoluments were within the following ranges:</b>		
N10,001 - N50,000	-	-
N50,001 - N100,000	6	-
N100,001 - Above	-	-
	<u>6</u>	<u>-</u>
<b>26.3 Analysis of staff costs</b>		
Salaries and allowances	1,320,117	659,973
Pension fund contributions	72,173	23,314
	<u>1,392,290</u>	<u>683,287</u>

## NOTES TO THE FINANCIAL STATEMENTS (continued)

	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000
<b>26.4 Analysis of the average monthly number of employees</b>	<b>Number</b>	<b>Number</b>
Management staff	32	7
Other staff	482	421
	514	428
<b>26.5 The number of employees whose emoluments were within the following ranges:</b>		
N400,001 - N500,000	85	209
N500,001 - N1,000,000	308	133
N1,000,001 - Above	121	86
	514	428

### 27. LOSS PER SHARE

Loss per ordinary share (basic) has been computed for each period on the loss after taxation attributable to ordinary shareholders, divided by the weighted average number of issued and paid up 50 Kobo ordinary shares at the end of the period.

	Eighteen months ended 30 June 2011 N'000	Year ended 31 December 2009 N'000
Loss after taxation	<b>(1,370,179)</b>	(680,676)
Number of shares	<b>2,246,437</b>	1,138,299
Weighted average number of shares	<b>2,053,454</b>	1,138,299
Loss per share (Kobo)	<b>(67)</b>	(60)

### 28. RELATED PARTY TRANSACTIONS

During the period, the Company had significant business dealings with several related companies, as follows:

#### 28.1 Sun International Limited

During the period, Sun International Limited, South Africa acquired 49.33% of the issued share capital of the Company for a total consideration of N4,199,845,472 (2009: 4,649,064,000.00).

#### 28.2 Ikeja Hotel Plc

Ikeja Hotel Plc owns 17.4% of the issued share capital of the Company. During the period, transactions amounting to N376 million related to the part settlement of an existing indebtedness on behalf of The Tourist Company of Nigeria Plc (2009: nil).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 28.3 Omama Investment Corporation

One of the directors of the Company is also a director of Omama Investment Corporation. During the period, transactions amounting to N376 million related to the part settlement of an existing indebtedness on behalf of The Tourist Company of Nigeria Plc (2009: nil).

## 29. OPERATING SERVICE AGREEMENT

The Company entered into an agreement with Sun International Management Limited ("SIML", a subsidiary of Sun International Limited) to manage the Company's business. In terms of the agreement, the Company is obligated to pay the following annual fees to SIML:

### 29.1 Basic fee

A basic fee of 3.5% of the annual gross revenue of the Company. This fee is exclusive of any taxes and is denominated and payable in Naira.

### 29.2 Incentive fee

An incentive fee of 10% per annum of the adjusted net profit of the Company. This fee is exclusive of any taxes and is denominated and payable in Naira.

## 30. CONTINGENT LIABILITIES

The Company is subject to various pending litigations arising in the normal course of business. The contingent liabilities in respect of pending litigations amounted to N1.330 billion at 30 June 2011 (31 December 2009: N1.236 billion). In the opinion of the Directors, based on legal advice, no material loss is expected to arise from these claims. Accordingly, no provision has been made for them in the financial statements.

## 31. FINANCIAL COMMITMENTS

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

## 32. NOTE TO THE STATEMENT OF CASH FLOWS

The statement of cash flows has been drawn up using the indirect method. Working capital comprises of inventories, receivables and current liabilities. Cash flow 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, short-term bank deposits and bank overdraft.

## 33. POST BALANCE SHEET EVENTS

No events or transactions have occurred since the balance sheet date, which would have a material effect on the financial statements as at that date or which need to be mentioned in the financial statement in the interests of fair presentation of the Company's financial position at the balance sheet date or its results for the period then ended.

## 34. RECLASSIFICATION OF BALANCES

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

## STATEMENT OF VALUE ADDED

	Eighteen months ended 30 June 2011 N'000		Year ended 31 December 2009 N'000	
		%		%
Turnover	4,460,579		1,677,650	
Other Income	3,278		7,497	
	<b>4,463,857</b>		<b>1,685,147</b>	
Bought in goods and services:				
- Local	(2,955,623)		(1,257,174)	
- Foreign	(147,757)		(76,017)	
<b>Value added</b>	<b>1,360,477</b>		<b>351,956</b>	
<b>Distributed as follows:</b>				
To pay employees				
- Salaries and allowances, pension and staff welfare	1,392,290	102	683,288	194
To pay government				
- Company income taxation	18,529	1	7,200	2
To pay providers of funds				
- Finance costs	370,860	27	14,352	4
Retained for maintenance of assets and future expansion of business				
- Depreciation of property, plant and equipment	712,778	52	296,704	84
- Deferred tax liabilities	236,199	17	31,088	9
- Loss sustained	(1,370,179)	(101)	(680,676)	(193)
<b>Value added</b>	<b>1,360,477</b>	<b>100</b>	<b>351,956</b>	<b>100</b>

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.

## FIVE YEAR FINANCIAL SUMMARY

	30 Jun 11 N'000	31 Dec 09 N'000	31 Dec 08 N'000	31 Dec 07 N'000	31 Dec 06 N'000
<b>BALANCE SHEET</b>					
Property, plant and equipment	10,392,041	9,929,190	7,854,644	6,565,712	6,498,284
Net current (liabilities)/assets	(803,261)	1,795,921	(4,520,259)	(2,808,515)	(2,881,844)
Long term loans	(6,845,643)	(12,011,672)	(1,938,325)	(1,835,730)	(1,908,150)
Deferred tax liabilities	(505,198)	(268,999)	(237,910)	(308,582)	(257,056)
Provision for liabilities and charges	-	(3,470)	(1,036,415)	(808,280)	(770,402)
<b>Net assets/(liabilities)</b>	<b>2,237,939</b>	<b>(559,030)</b>	<b>121,735</b>	<b>804,605</b>	<b>680,832</b>
Equity and reserves					
Share capital	1,123,220	569,149	569,149	569,149	569,149
Share premium	4,132,763	519,686	519,686	519,686	519,686
Revaluation reserve	99,849	99,849	99,849	99,849	99,849
General reserve	(3,117,893)	(1,747,714)	(1,066,949)	(384,079)	(507,852)
<b>Shareholders' funds</b>	<b>2,237,939</b>	<b>(559,030)</b>	<b>121,735</b>	<b>804,605</b>	<b>680,832</b>

	Period Ended 30 June 11 N'000	Year Ended 31 Dec 09 N'000	Year Ended 31 Dec 08 N'000	Year Ended 31 Dec 07 N'000	Year Ended 31 Dec 06 N'000
<b>PROFIT AND LOSS ACCOUNT</b>					
<b>Turnover</b>	<b>4,460,579</b>	1,677,650	1,485,079	1,458,986	1,230,217
(Loss)/profit before taxation	(1,115,451)	(642,388)	(748,825)	217,474	(169,448)
Taxation charge	(254,728)	(38,288)	65,955	(93,701)	(127,168)
(Loss)/profit for the year after taxation	(1,370,179)	(680,676)	(682,870)	123,773	(224,556)
<b>Per share data</b>					
(Loss)/earnings per ordinary share (Kobo)	(67)	(60)	(60)	11	(26)
Net assets/(liabilities) per ordinary share (Kobo)	109	(49)	11	71	60

(Loss)/earnings per share is based on the (loss)/profit after taxation and the weighted average number of issued and fully paid ordinary shares at the end of each financial period.

Net assets/(liabilities) per share is based on the net assets/(liabilities) and the weighted average number of issued and fully paid ordinary shares at the end of each financial period.





**THE TOURIST COMPANY OF NIGERIA PLC** (RC3781)  
(Owner of the Federal Palace Hotel & Casino, Victoria Island, Lagos)