

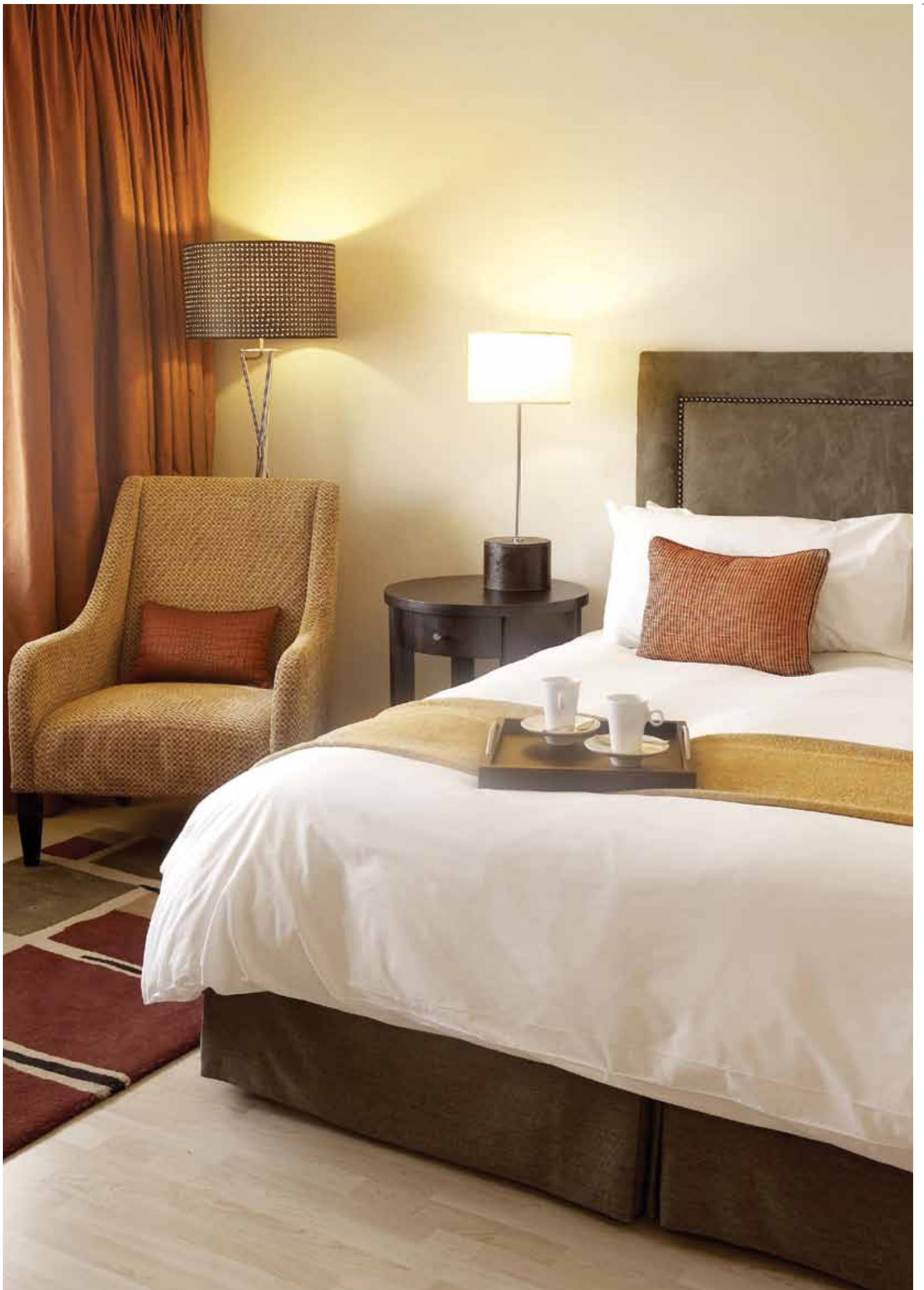




THE TOURIST COMPANY OF NIGERIA PLC (RC 3781)
(Trading as the Federal Palace Hotel & Casino, Victoria Island, Lagos.)

2012
ANNUAL REPORT AND FINANCIAL STATEMENTS







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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 liability 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 worth noting 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 another investor (collectively the “Ikeja Hotel Group”) acquired

The Tourist Company of Nigeria Plc from the Federal Government. In 2009 and 2010, Sun International Limited acquired a substantial shareholding in the Company, thereby becoming an equal shareholder with the Ikeja Hotel Group of shareholders.

Following the acquisition from the Federal Government, a comprehensive and phased refurbishment of the Palace Hotel was undertaken and it re-opened in July 2008. The Towers Hotel was closed for refurbishment in June 2009 and has yet to be 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, two restaurants and bars, meeting rooms, a 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 income statement items	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000	% Increase / (Decrease)
Turnover	3,416,597	4,460,579	(23)
Loss before taxation	(670,711)	(1,115,451)	(40)
Taxation	148,461	(254,728)	158
Loss after taxation	(522,250)	(1,370,179)	(62)
Loss per share (Kobo)	(23)	(67)	(66)

Major balance sheet items	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000	% Increase / (Decrease)
Total assets	11,161,924	11,393,501	(2)
Shareholders' funds	1,737,481	2,237,939	(22)
Share capital	1,123,220	1,123,220	0
Share premium	4,132,763	4,132,763	0
General reserve	(3,618,351)	(3,117,893)	16
Net assets per share (Kobo)	77	109	(29)



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 48th annual general meeting of The Tourist Company of Nigeria Plc will be held at the Federal Palace Hotel & Casino, 6-8 Ahmadu Bello Way, Victoria Island, Lagos on Wednesday 31 October 2012 at 11h00 for the following purposes:

Ordinary Business

1. To receive the report of the directors, the financial statements for the year ended 30 June 2012 and the reports of the auditors and the audit committee thereon.
2. To re-elect directors:
Special notice is hereby given to re-elect Senator Felix O. Ibru, CON, as a director of the Company, notwithstanding he is over 70 years old.
3. To authorise the directors to appoint new auditors in place of PKF Professional Services who have indicated their intention to resign at the conclusion of the annual general meeting.
4. To elect shareholder-members of the audit committee.

Special Business

5. To approve the remuneration of the directors.

BY ORDER OF THE BOARD



IHL SERVICES LIMITED

Secretary

Lagos
15 August 2012

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/her 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, at IHL Services Limited, 84 Opebi Road, Ikeja, 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 8 October to 12 October 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 IHL Services Limited, 84 Opebi Road, Ikeja, Lagos), at least 21 days before the date of the meeting.

DIRECTORS, PROFESSIONAL ADVISORS, ETC

DIRECTORS

Mr Goodie M Ibru, OON (Chairman)
Mr Robert P Becker*
Mr Yakubu A Disu
Senator Felix O Ibru, CON
Mr John A Lee #
Mr David R Mokhobo*

* South African

British

REGISTERED OFFICE

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

AUDITORS

PKF Professional Services
PKF House
205A Ikorodu Road
Obanikoro
Lagos

SOLICITORS

GM Ibru & Co
Circular Suite, 10th Floor
Federal Towers Hotel
6-8 Ahmadu Bello Way
Victoria Island
Lagos

REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
2 Burma Road
Apapa
Lagos

HOTEL AND CASINO OPERATOR

Sun International Management Limited
27 Fredman Drive
Sandton
Republic of South Africa

PRINCIPAL BANKER

Stanbic IBTC Bank Plc



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
01 December 2008	1,000,000,000	2,000,000,000	–	569,149,412	
10 May 2010	–	2,000,000,000	554,071,324	1,123,220,736	Cash

SHARE CAPITAL ANALYSIS AT 12 SEPTEMBER 2012

Range of shareholding	Number of shareholders	% of total shareholders	Total number of shares held	% shareholding
1 - 1,000	3,023	68.19	2,062,013	0.09
1,001 - 5,000	1,131	25.51	2,948,783	0.13
5,001 - 10,000	136	3.07	1,199,624	0.05
10,001 - 50,000	88	1.98	2,130,250	0.09
50,001 - 100,000	17	0.38	1,456,647	0.07
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	2	0.05	14,079,610	0.63
10,000,001 - and above	8	0.18	2,206,690,448	98.23
	4,433	100.00	2,246,437,472	100.00



CHAIRMAN'S REPORT



**Goodie M Ibru, OON
Chairman**

It is my pleasure to present the annual report of the Company for the financial year ended 30 June 2012.

OPERATING ENVIRONMENT

The socio-political climate in the country was not conducive to business in the year under review. Consequently the trading environment was harsh, and there have been several factors which have negatively influenced business travel and the hospitality business in Nigeria.

The country has faced a variety of challenges which threaten to distract the government from its reform agenda, the most important being the threat to political stability from the spate of bomb explosions and other violent incidents in the north of the country. Bomb explosions and violent attacks targeted at places of religious worship, government buildings and security agencies, and in particular the high profile attack on the United Nations building in Abuja, impacted the hospitality sector. A decline in international reservations and booking cancellations is noticeable immediately after the news of such incidents is published. Federal Palace sells half of its room nights to business travellers from overseas.

The national strike in protest against the Federal Government's removal of the fuel subsidy in January 2012 had a significant impact on the trading performance of the Federal Palace. It was not possible to recover the shortfall in the January revenues, caused by this and other disruptions, over the remaining months of the financial year.

The diplomatic row between Nigeria and South Africa in March 2012 over yellow fever vaccination certificates for travellers between the two countries, led to cancellation of flights and repatriation of travellers who were denied entry by both countries. The subsequent calls by members of the House of Representatives to expel South African companies from the country saw a dramatic decline in business travellers from South Africa.

The threats by the Movement for the Emancipation of the Niger Delta ("MEND") to target South African companies in retaliation for the prolonged detention of its leader, Charles Oko, in South Africa pending his trial on charges relating to his activities while in Nigeria, also played into the uncertainty of safe travel to Nigeria and the image of Nigeria as a safe place to do business.

The global economic recession continues to exert pressure on Nigeria's economy, and businesses are increasingly mindful of their expenditure. The frequency of travel, duration of stay and propensity to entertain has re-aligned to the current economic climate. The delayed implementation of the Federal Government's constituency projects and lower than expected funds for these projects has seen a slowing of economic activity in the local market.

Real gross domestic product (GDP) increased by 7.2% in the 2011 calendar year and is estimated to grow at a similar rate in 2012. Consumer price inflation is estimated to be 12.9% in 2012. The Naira/US Dollar exchange rate remained stable, ranging between N150 and N155 to the US Dollar during the financial year. Oil prices have retreated from their recent highs but are still at reasonably positive levels for the Nigerian economy.

CHAIRMAN'S REPORT

COMPANY PERFORMANCE

It should be noted that the Company's previous financial reporting period (which ended on 30 June 2011) was for eighteen months. The Company's revenue for the current financial year totalled N3.4 billion, representing a 5.7% increase over the equivalent previous twelve month period, and gross profit increased by 8.4%. This growth is encouraging, considering that trading for the year was significantly impacted by the decline in business around the January 2012 strike and by a slow-down in international business travel, due to international economic factors and Nigeria security concerns.

Indirect costs declined by 2%; the saving would have been greater but for the high reliance on generator power, which continues to have a major impact on the Company's cost structure. The Company's earnings before interest, tax and depreciation (EBITDA) improved by 79.8% over the previous twelve month period. This positive performance in a difficult operational environment, together with lower foreign exchange losses and taxation charges, contributed to a reduction in the loss after taxation from N1.2 billion for the previous twelve months to N522 million for the current year.

The Company has two business segments, namely Hotel and Casino operations. The results of these segments are set out fully in the financial statements. Revenue for Hotel operations increased by 3% in comparison with the previous twelve month period. This was due to the combination of marginally lower average occupancy but a higher average room rate. The January 2012 strike (and its aftermath) impacted on business confidence, curtailing hotel bookings and banqueting functions in the first quarter of 2012. Thereafter security concerns and recessionary economic conditions in Europe and North America also resulted in a slow-down in international business

travel. Due to the Hotel's high fixed cost structure, the lower than expected revenue gave rise to a marginal increase in gross profit.

The Casino was also affected by the above-mentioned strike, but managed to increase its revenue by an encouraging 11.1% over the previous twelve month period, and gross profit by 52.5%. Competition from unlicensed casinos in the Victoria Island/Ikoyi/Lekki axis continues to restrict the Casino from reaching its true growth potential. The Casino continues to develop its reputation as being sophisticated, well-managed, safe and reputable. At the end of the financial year, the Company launched its new Prive' facility, aimed at discerning, top-end players, who value their privacy. With on-going innovation, the Company's Casino is well-placed to remain the market leader in Lagos.

DEVELOPMENT PROJECTS

The Towers Hotel, which was closed in June 2009, requires extensive refurbishment. The first refurbishment programme was put on hold to allow the board to consider other redevelopment options for that hotel. The deliberations pertaining to the proposed redevelopment will deliver an outcome shortly.

Various landscaping projects were undertaken, aimed at the beautification of the property at large and improvement of the guest experience.

LITIGATION

During the period under review, the Company had long-term loans of N7.4 billion owing to its two major shareholders, Ikeja Hotel Plc and Sun International Limited, and a related party, Omamo Investment Corporation. These loans are covered by agreements duly executed by all the parties. Under the terms of the agreements the loans were to be re-paid by the Company out of cash generated by profitable

CHAIRMAN'S REPORT

trading, and repayment was to commence once a pre-determined level of profitability had been achieved by the Company. The related party, Omamo Investment Corporation, sought to recover its loan immediately, clearly in breach of the loan agreements, and brought a winding up petition against the Company at the Federal High Court in Lagos. The petition was dismissed by the Court. The Company has brought an action for declaration against this related party, asking the Federal High Court to confirm the rights and obligations of the parties under the loan agreements.

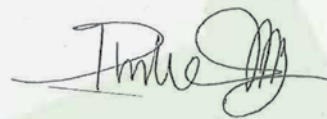
FUTURE OUTLOOK

Competition within the hospitality industry in the Victoria Island/Ikoyi/Lekki axis is set to escalate, as more internationally branded hotels currently under construction commence trading. Federal Palace's casino is expected to continue to experience competition from unlicensed casinos.

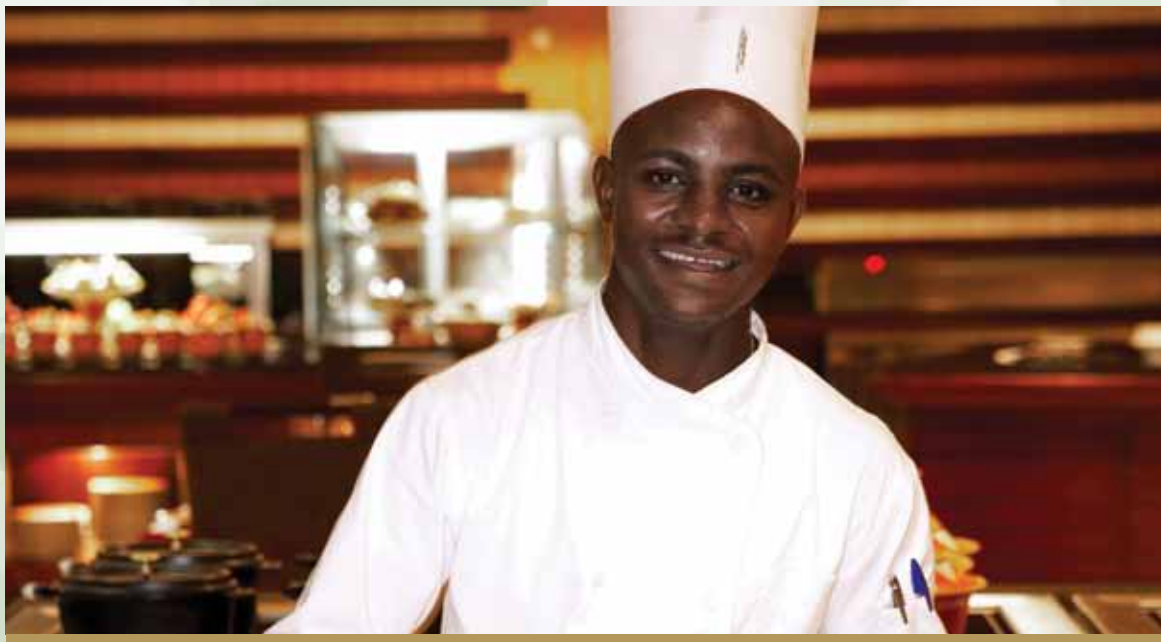
The Federal Palace has maintained its high operating standards and is steadily surpassing the current competitor hotels from a quality standards perspective.

The property has been beautified and the operational buildings well-maintained, inside and out. With the development and implementation of a comprehensive Customer Value Proposition programme, the Federal Palace will become and remain the preferred choice for discerning hotel and gaming patrons to conduct successful business and enjoy superior entertainment.

In conclusion, I would like to thank my colleagues on the board and committee members for their continued and insightful support during these difficult times. I would also like to thank the management and staff for the energy and passion they display in delivering first class service to our guests. Finally I would like to thank the shareholders for their perseverance and support of the Company.



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 year ended 30 June 2012.

LEGAL STATUS

The Company was incorporated in Nigeria as a private company on 10 April 1964 and was converted to a public liability company on 20 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 YEAR

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

	Year ended 30 June 2012 N'000	18 mths ended 30 June 2011 N'000
Turnover	3,416,597	4,460,579
Loss before taxation	(670,711)	(1,115,451)
Taxation	148,461	(254,728)
Loss after taxation	(522,250)	(1,370,179)

PROPERTY, PLANT AND EQUIPMENT

New capital work in progress during the year amounted to N119 million. Completed capital work in progress transferred to fixed assets during the year totalled N116 million. Details of movements in property, plant and equipment are shown in note 3 to the financial statements.

DIVIDEND POLICY

The Company has not declared nor paid any dividends for the year under review, and no dividend is proposed.

RETIREMENT OF DIRECTORS BY ROTATION

In accordance with the articles of association of the Company, Senator Felix O Ibru, CON, and Mr John A Lee retire by rotation at the annual general meeting. The retiring directors are eligible for re-election and have accordingly offered themselves for re-election.

SUBSTANTIAL SHAREHOLDINGS

As at 12 September 2012 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	369,408,169	16.44
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 12 September 2012, are as follows:

Name	Direct	Indirect
Mr Goodie M Ibru, OON (Note)	NIL	642,937,254
Senator Felix O Ibru, CON	9,114,421	NIL
Mr Yakubu A Disu	110,000	NIL

Note – Held through Ikeja Hotel Plc and Associated Ventures International Limited.

REPORT OF THE DIRECTORS (continued)

CORPORATE GOVERNANCE

Listed companies in Nigeria are required to comply with the Securities and Exchange Commission (“SEC”) Code of Corporate Governance. The Company subscribes to the principles of good corporate governance as contained in this Code and as at the date of this report is planning to improve its corporate governance practices, in compliance with the Code. An outline of the Company’s current corporate governance structure and practices is provided below:

Board of directors

The directors are responsible for the corporate governance of the Company.

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 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.

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 of eight directors. As at the date of this report the board consisted of six directors. The board meets quarterly to decide on policy matters and direct the affairs of the Company. During these meetings, the directors also review the Company’s performance, operations and finances, and set standards for the ethical conduct of the Company’s business.

The directors who served during the financial year and to the date of this report were:

Mr Goodie M Ibru, OON (Chairman)
 Mr Robert P Becker
 Mr David C Coutts-Trotter (resigned in November 2011)
 Mr Yakubu A Disu
 Dr Alexander U Ibru (died in November 2011)
 Senator Felix O Ibru, CON
 Mr John A Lee
 Mr David R Mokhobo

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 is set out below:

Name	28 July 2011	27 October 2011	21 March 2012	15 May 2012
Mr GM Ibru	Yes	Yes	Yes	Yes
Mr RP Becker	Yes	No	No	No
Mr DC Coutts-Trotter	Yes	No	Resigned	Resigned
Mr YA Disu	Yes	Yes	Yes	Yes
Dr AU Ibru	Yes (via alternate)	Yes (via alternate)	Deceased	Deceased
Senator FO Ibru	Yes	Yes	Yes	Yes
Mr JA Lee	Yes	Yes	Yes	Yes
Mr DR Mokhobo	Yes	Yes	Yes	Yes

REPORT OF THE DIRECTORS (continued)

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 shareholders. 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 and according to its approved terms of reference. Those who served on the audit committee during the year under review are:

Representing shareholders:

Mr Bolaji O Banjo (chairman)
Chief Victor CN Oyolu
Mrs Temilade F Durojaiye

Representing the board:

Dr Alexander U Ibru (deceased in November 2011)
Mr Yakubu A Disu
Mr David R Mokhobo

Other committees

In addition to the audit committee, the board has two other committees, namely a finance committee and a capital projects committee, which meet on a quarterly basis. These committees operate according to approved terms of reference. The composition of the committees is as follows:

Finance:

Mr Yakubu A Disu (chairman)
Mr John A Lee
Mr David R Mokhobo

Capital projects:

Mr Yakubu A Disu (chairman)
Senator Felix O Ibru, CON
Mr John A Lee
Mr David R Mokhobo

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

REPORT OF THE DIRECTORS (continued)

Attendance at committee meetings

Attendance by members at committee meetings held during the financial year is set out below:

Committee	No. of meetings	Members	Attendance
Audit committee	2		
		Mr BO Banjo (Chairman)	2
		Chief VCN Oyolu	2
		Mrs TF Durojaiye	2
		Dr AU Ibru	1 (via alternate)
		Mr YA Disu	2
		Mr DR Mokhobo	2
Finance committee	3		
		Mr YA Disu (Chairman)	3
		Dr AU Ibru	2 (via alternate)
		Mr JA Lee	2
		Mr DR Mokhobo	3
Capital projects committee	2		
		Mr YA Disu (Chairman)	2
		Senator FO Ibru, CON	2
		Mr JA Lee	2
		Mr DR Mokhobo	2

Internal audit

The internal audit function is performed by the internal audit department of the Company's management company, Sun International Management Limited. A systematic, disciplined and risk-based approach is adopted to evaluate and improve the effectiveness of internal controls and governance processes in the areas that are audited.

Risk management

The Company's executive management has established a risk committee, which is representative of all the stakeholders of the Company and is overseen by the board of directors. 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.

Delegation of authority

The Company has an approved delegation of authority framework of matters that can be delegated to Sun International Management Limited and executive management, and those reserved for the board.

Directors' interests in contracts

Directors are required to disclose any interests they may have in contracts to be entered into by the Company, prior to the consideration of those proposed contracts by the board. 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 year under review.

REPORT OF THE DIRECTORS (continued)

MANAGEMENT, 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 and Casino. The agreement has been approved by the National Office for Technical Acquisition and Promotion;
- b) a development management 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

Employment of disabled persons

The Company has no disabled employees as at 30 June 2012 but has 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.

Health and safety

The Company requires that all staff join an approved medical aid scheme. 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.

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.

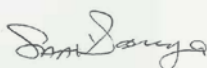
DONATIONS

During the financial year, as part of a joint sponsorship initiative, the Company contributed N2,035,000 towards the donation of a patrol vehicle to the Bar Beach station of the Nigeria Police. The Company also donated food to the value of N164,000 to a Lagos-based regiment of the Nigerian Army.

AUDITORS

PKF Professional Services have indicated their intention to resign as auditors to the company after the conclusion of the next annual general meeting. Accordingly a resolution will be proposed to authorise the directors to appoint new auditors.

By order of the board



IHL Services Limited

Secretary

15 August 2012

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF THE TOURIST COMPANY OF NIGERIA PLC

We have audited the accompanying financial statements of The Tourist Company of Nigeria Plc, set out on pages 17 to 34, which comprise the balance sheet as at 30 June 2012, 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, 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 as at 30 June 2012, and of its financial performance and cash flows for the year then ended; the Company has kept proper books of account, 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 Statement of Accounting Standards issued by the Financial Reporting Council of Nigeria.

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.

PKF

Chartered Accountants
Lagos, Nigeria
15 August 2012

REPORT OF THE AUDIT COMMITTEE

In compliance with Section 359(6) of the Companies and Allied Matters Act, CAP C20, LFN 2004, we have reviewed the report of the independent auditors for the year ended 30 June 2012. 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 year ended 30 June 2012 were, in our opinion, adequate.
3. The Company maintained effective systems of accounting and internal controls during the year.
4. The external auditors' findings and recommendations on management matters were satisfactorily dealt with by management.



Bolaji B Banjo, FCII

Chairman, Audit Committee

15 August 2012

Members of the Committee

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

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

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 recognised to the extent that it is probable that, and in the financial year in which, the economic benefits will flow to the Company and the revenue can be reliably measured. Losses are accounted for in the year 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 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 income statement 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.

The annual depreciation rates used are as follows:

	%
Buildings	2.5
Plant and machinery	10
Furniture and fittings	10
Motor vehicles	33.3
Computer equipment	25
Hotel, office and casino equipment	10

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 FOR THE YEAR ENDED 30 JUNE 2012 (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 consists of cost of direct services and labour.

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 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 income statement.

10. TAXATION

Income tax expense is the aggregate of the charge to the income statement 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 year, 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 year 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 items of a non-capital nature are written off to the income statement. 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 that are considered irrecoverable are written-off as part of the tax charge for the financial year.

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 income statement.

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.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012 (continued)

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 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 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.

BALANCE SHEET AS AT 30 JUNE 2012

	Notes	30 June 2012 N'000	30 June 2011 N'00
Non-current assets			
Property, plant and equipment	3.1	10,024,568	10,388,777
Capital work in progress	3.2	6,034	3,264
		10,030,602	10,392,041
Current assets			
Inventory	4	173,953	171,864
Trade receivables	5	383,211	329,654
Other receivables and prepayments	6	92,014	98,818
Cash and cash equivalents	7	482,144	401,124
		1,131,322	1,001,460
Current liabilities			
Trade payables		75,679	108,232
Other payables and accruals	8	1,566,602	1,664,332
Taxation payable	9.1	34,969	32,157
		1,677,250	1,804,721
Net current liabilities		(545,928)	(803,261)
Total assets less current liabilities		9,484,674	9,588,780
Long term liabilities			
Loans	10	(7,393,268)	(6,845,643)
Deferred taxation	9.3	(353,925)	(505,198)
		(7,747,193)	(7,350,841)
Net assets		1,737,481	2,237,939
Capital and reserves			
Share capital	11	1,123,220	1,123,220
Share premium	12	4,132,763	4,132,763
Revaluation reserve	13	99,849	99,849
General reserve	14	(3,618,351)	(3,117,893)
Shareholders' funds		1,737,481	2,237,939

The statement of significant accounting policies on pages 17 to 19 and the accompanying notes on pages 23 to 34 form an integral part of these financial statements.

INCOME STATEMENT

for the year ended 30 June 2012

	Notes	Year ended 30 June 2012 N'000	18 month ended 30 June 2011 N'00
Turnover	15	3,416,597	4,460,579
Cost of sales		(1,510,957)	(1,869,822)
Gross profit		1,905,640	2,590,757
Expenses	16	(2,290,279)	(3,338,626)
Other income	17	71,061	3,278
Operating loss		(313,578)	(744,591)
Finance costs	18	(357,133)	(370,860)
Loss on ordinary activities before taxation	19	(670,711)	(1,115,451)
Taxation	9.2	148,461	(254,728)
Loss after taxation transferred to general reserve	14	(522,250)	(1,370,179)
Loss per share (Kobo)	20	(23)	(67)

The statement of significant accounting policies on pages 17 to 19 and the accompanying notes on pages 23 to 34 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Notes	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000
Cash flows from operating activities			
Cash receipts from customers		3,445,600	4,339,478
Payment to suppliers and employees		(3,341,678)	(3,174,796)
Input VAT		1,354	2,553
Output VAT		(7,103)	(8,282)
Net cash provided by operating activities	21	98,173	1,158,953
Cash flows from investing activities			
Net additions to capital work in progress	3.2	(2,770)	(1,016,788)
Purchase of property, plant and equipment	3.1	(115,801)	—
Net cash provided by investing activities		(118,571)	(1,016,788)
Cash flows from financing activities			
Loan converted to equity		—	(4,199,845)
Increase in share capital		—	554,071
Increase in share premium		—	3,613,077
Loan repayment		—	(752,000)
Increase/(decrease) in loans		547,625	(214,184)
Finance costs capitalised		(357,133)	(370,860)
Loss on currency translation		(89,074)	(96,332)
Net cash provided by financing activities		101,418	(1,466,073)
Net increase/ (decrease) in cash and cash equivalents			
		81,020	(1,323,908)
Cash and cash equivalents at the beginning of the period		401,124	1,725,032
Cash and cash equivalents at the end of the period	7	482,144	401,124

The statement of significant accounting policies on pages 17 to 19 and the notes on pages 23 to 34 form an integral part of these financial statements.

NOTES TO 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 in the Company from the Federal Government. Between 2009 and 2010, Sun International Limited of South Africa acquired a substantial shareholding 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 a loss after taxation of N522 million for the year ended 30 June 2012 (18 months ended 30 June 2011: N1,370 million) and sustained a working capital deficiency of N546 million at 30 June 2012 (N803 million at 30 June 2011). These developments raise potential concern about the Company's ability to continue as a going concern. However most of the Company's liabilities are due to related parties. The directors are confident that the Company's shareholders and lenders 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 and buildings N'000	Plant and machinery N'000	Hotel & office equipment N'000	Furniture & fittings N'000	Motor vehicles N'000	Casino equipment N'000	Total N'000
Cost/valuation							
At 1 July 2011	9,110,855	288,381	958,990	641,153	69,276	1,001,507	12,070,162
Transferred from capital work in progress	31,399	11,963	35,542	2,617	-	34,280	115,801
Adjustments *	188,461	(11,824)	(145,659)	15,047	(25,096)	(198,233)	(177,304)
At 30 June 2012	9,330,715	288,520	848,873	658,817	44,180	837,554	12,008,659
Depreciation							
At 1 July 2011	649,450	73,820	417,220	166,784	45,597	328,514	1,681,385
Charge for the year	230,611	20,233	97,436	50,833	6,039	93,696	498,848
Adjustments *	188,462	(11,824)	(138,862)	-	(25,096)	(198,233)	(196,142)
At 30 June 2012	1,068,523	82,229	375,794	217,617	26,540	213,388	1,984,091
Net book value							
At 30 June 2012	8,262,192	206,291	473,079	441,200	17,640	624,166	10,024,568
At 30 June 2011	8,461,405	214,561	541,770	474,369	23,679	672,993	10,388,777

NOTES TO FINANCIAL STATEMENTS (continued)

* The adjustments resulted from reclassifications between fixed asset categories and the reconciliation of the financial records to the fixed asset register.

The Company's property, plant and equipment was revalued on 30 November 1990 by Messrs Jide Taiwo & Co, estate surveyors and valuers, using the depreciated replacement cost method. The surplus arising on revaluation of land, building, premises 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 has not been recognised in these financial statements. Subsequent additions are stated at cost.

A subsequent revaluation carried out on 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 in these financial statements. The revaluation of property, plant and equipment assets 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
Cost							
At 1 July 2011	3,264	–	–	–	–	–	3,264
Additions during the year	28,135	11,963	41,576	2,617	–	34,280	118,571
Transferred to fixed assets (note 3.1)	(31,399)	(11,963)	(35,542)	(2,617)	–	(34,280)	(115,801)
At 30 June 2012	–	–	6,034	–	–	–	6,034

4. INVENTORY

	30 June 2012 N'000	30 June 2011 N'000
Food	11,840	12,835
Beverages	5,347	6,694
Hotel operating supplies	96,406	93,211
Casino operating supplies	7,697	12,926
Consumables	44,423	39,935
Other	8,240	6,263
	173,953	171,864

5. TRADE RECEIVABLES

Trade debtors	444,663	441,675
Less: Provision for doubtful debts (refer note 5.1)	(61,452)	(112,021)
	383,211	329,654

5.1 Provision for doubtful debts

Opening balance	112,021	30,839
Written off in the year	(73,657)	–
Charge for the year	23,088	81,182
Closing balance	(61,452)	112,021

NOTES TO FINANCIAL STATEMENTS (continued)

	30 June 2012 N'000	30 June 2011 N'000
6. OTHER RECEIVABLES & PREPAYMENTS		
Prepayments	92,014	98,658
Other	–	160
	92,014	98,818
7. CASH AND BANK BALANCES		
Cash on hand	39,082	37,571
Cash at bank	443,062	363,553
	482,144	401,124
8. OTHER PAYABLES AND ACRUALS		
Accrued expenses	502,156	261,002
Casino loyalty programme	28,394	22,800
Deposits received	35,609	19,750
Fees payable to Sun International Management Limited and Ikeja Hotel Plc (refer notes 26, 27 and 28)	338,759	353,854
Other amounts payable to Sun International Management Limited (refer note 32)	597,561	822,269
Other payables	64,123	184,657
	1,566,602	1,664,332
9. TAXATION		
9.1 Taxation payable		
Opening balance	32,157	13,628
Charge for the period	2,812	18,529
Closing balance	34,969	32,157
9.2 Taxation charge		
Income tax	2,812	18,529
Deferred tax	(151,273)	236,199
	(148,461)	254,728
9.3 Deferred taxation		
Opening balance	505,198	268,999
Charge for the period (refer note 9.2)	(151,273)	236,199
Closing balance	353,925	505,198

9.2 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.

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

NOTES TO FINANCIAL STATEMENTS (continued)

	30 June 2012 US\$'000	30 June 2012 N'000	30 June 2011 N'000
10. LOANS			
Shareholders:			
Ikeja Hotel Plc			
Opening balance	14 851	2 246 911	2 846 322
Repayment	—	—	(376 000)
Interest capitalised	696	117 219	123 234
Exchange revaluation	—	62 524	(346 645)
Closing balance	15 547	2 426 654	2 246 911
Sun International Limited			
Opening balance	15 816	2 392 795	6 065 526
Conversion to equity	—	—	(4 199 845)
Interest capitalised	740	124 830	126 392
Exchange revaluation	—	66 584	400 722
Closing balance	16 556	2 584 209	2 392 795
Total shareholders	32 103	5 010 863	4 639 706
Other:			
Omamo Investment Corporation			
Opening balance	14 581	2 205 937	3 099 824
Repayment	—	—	(376 000)
Interest capitalised	682	115 084	121 234
Exchange revaluation	—	61 384	(639 121)
Closing balance	15 263	2 382 405	2 205 937
The loan from Omamo Investment Corporation is currently the subject of a legal dispute.			
Total loans	47 366	7 393 268	6 845 643

Terms of the above loans:

- They are unsecured.
- There are no fixed terms of repayment.
- The loans are denominated in US Dollars.
- Interest is capitalised at 5% per annum and will only be paid when cash flow allows.

NOTES TO FINANCIAL STATEMENTS (continued)

11. SHARE CAPITAL

Authorised

	30 June 2012 N'000	30 June 2011 N'000
Opening balance	2,000,000	1,000,000
Increase in share capital	–	1,000,000
Closing balance	<u>2,000,000</u>	<u>2,000,000</u>

Number of ordinary shares of 50 Kobo each at 30 June 2012: 4,000,000,000 (at 30 June 2011: 4,000,000,000).

Issued and fully paid

Opening balance	1,123,220	569,149
Increase in shares (refer note 2)	–	554,071
Closing balance	<u>1,123,220</u>	<u>1,123,220</u>

Number of ordinary shares of 50 Kobo each at 30 June 2012: 2,246,437,472 (at 30 June 2011: 2,246,437,472).

12. SHARE PREMIUM

	30 June 2012 N'000	30 June 2011 N'000
Opening balance	4,132,763	519,686
Increase in share premium (refer note 12.1)	–	3,613,077
Closing balance	<u>4,132,763</u>	<u>4,132,763</u>

12.1 Increase in share capital and share premium

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>–</u>	<u>3,613,077</u>

13. REVALUATION RESERVE

Surplus on revaluation of land, buildings, construction and swimming pool carried out in 1990.

	<u>99,849</u>	<u>99,849</u>
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14. GENERAL RESERVE

Opening balance	(3,117,893)	(1,747,714)
Prior year adjustment (refer note 14.1)	21,792	–
Transferred from income statement	(522,250)	(1,370,179)
Closing balance	<u>(3,618,351)</u>	<u>(3,117,893)</u>

14.1 Prior year adjustment

This represents the reversal of prior period accruals of expenses.

NOTES TO FINANCIAL STATEMENTS (continued)

	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000
15. TURNOVER		
Rooms	1,296,993	1,757,304
Food and beverage	853,792	897,870
Other services	84,253	282,236
Casino	1,181,559	1,523,169
	3,416,597	4,460,579
16. EXPENSES		
Administrative and general	1,252,950	1,450,520
Marketing and promotion	107,185	194,438
Property operational expenses	773,162	961,221
Other operating expenses	156,982	732,447
	2,290,279	3,338,626
17. OTHER INCOME		
Interest received on bank balances	11	3,278
Provisions no longer required	71,050	–
	71,061	3,278
18. FINANCE COSTS		
Interest on long-term loans (refer note 10)	357,133	370,860
19. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		
This is stated after charging:		
Audit fees	9,800	9,100
Depreciation of property, plant and equipment	498,848	712,778
Directors' fees	1,200	720
Loss on foreign currency translation	89,074	96,332
Management fees	156,982	196,958
20. 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 financial year.		
Loss after taxation	(522,250)	(1,370,179)
Number of shares	2,246,437,472	(2,246,437,297)
Weighted average number of shares	2,246,437,472	2,053,454,000
Loss per share (Kobo)	(23)	(67)

NOTES TO FINANCIAL STATEMENTS (continued)

	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000
21. RECONCILIATION OF LOSS AFTER TAXATION TO CASH FLOW FROM OPERATING ACTIVITIES		
Loss after taxation	(522,250)	(1,370,179)
Depreciation of property, plant and equipment (refer note 3.1)	498,848	712,778
Prior year adjustment	21,792	–
Foreign currency loss on translation	89,074	96,332
Reclassification of property, plant and equipment	(18,838)	(158,841)
Finance costs	357,133	370,860
Increase in taxation (refer note 10.1)	2,812	18,529
(Decrease)/increase in deferred tax liabilities (refer note 10.3)	(151,273)	236,199
(Increase)/decrease in operating assets (refer note 22)	(48,842)	940,340
(Decrease)/increase in operating liabilities (refer note 23)	(130,283)	312,935
Total adjustments	620,423	2,529,132
Net cash provided by operating activities	98,173	1,158,953
22. (INCREASE)/DECREASE IN OPERATING ASSETS		
Inventory	(2,089)	110,435
Trade receivables	(53,557)	(124,379)
Other receivables and prepayments	6,804	954,284
	(48,842)	940,340
23. (DECREASE)/INCREASE IN OPERATING LIABILITIES		
Trade payables	(32,553)	(47,213)
Other payables and accruals	(97,730)	360,148
	(130,283)	312,935

NOTES TO FINANCIAL STATEMENTS (continued)

24. SEGMENT INFORMATION

24.1 Business segments

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

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

Casino operations: This includes the provision of tables and slots gaming services.

	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000
Turnover		
Hotel operations	2,235,038	2,937,410
Casino operations	1,181,559	1,523,169
Total per income statement	<u>3,416,597</u>	<u>4,460,579</u>
Gross profit		
Hotel operations	1,555,620	1,887,731
Casino operations	350,020	703,026
Total per income statement	<u>1,905,640</u>	<u>2,590,757</u>
Depreciation		
Hotel operations	405,151	384,264
Casino operations	93,697	328,514
Total per income statement	<u>498,848</u>	<u>712,778</u>
Property, plant and equipment at net book value		
Hotel operations	9,400,402	9,715,784
Casino operations	624,166	672,993
Total net book value of property, plant and equipment	<u>10,024,568</u>	<u>10,388,777</u>
Net assets		
Hotel operations	1,305,531	1,651,519
Casino operations	431,950	586,420
	<u>1,737,481</u>	<u>2,237,939</u>

NOTES TO 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	Total N'000
24.2 Analysis of turnover and gross profit by service						
Year ended 30 June 2012						
Turnover	1,296,993	853,792	84,253	363,932	817,627	3,416,597
Cost of sales	(191,008)	(479,681)	(8,729)	(258,994)	(572,545)	(1,510,957)
Gross profit	<u>1,105,985</u>	<u>374,111</u>	<u>75,524</u>	<u>104,938</u>	<u>245,082</u>	<u>1,905,640</u>
Eighteen month period ended 30 June 2011						
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>

25. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000
25.1 Emolument of the directors		
Non-executive directors' fees	1,200	720
Chairman's fees (included above)	200	200
Emoluments of highest paid non-executive director	200	200
25.2 Emolument of directors whose emoluments were within the following ranges		
N0 - N100,000	2	5
N100,001 - N200,000	5	1
	7	6
25.3 Analysis of staff costs		
Salaries and allowances	918,225	1,320,117
Pension fund contributions	60,003	72,173
	978,228	1,392,290
25.4 Analysis of the average monthly number of employees		
Management staff	27	32
Other staff	489	491
	516	523

NOTES TO FINANCIAL STATEMENTS (continued)

25. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000
25.5 Number of employees whose emoluments were within the following ranges		
N0 - N200,000	9	9
N200,001 - N400,000	25	9
N400,001 - N600,000	262	277
N600,001 - N800,000	8	49
N800,001 - N1,000,000	74	79
N1,000,001 - above	138	100
	516	523

26. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company had significant business dealings with the following related parties, excluding long term loans, details of which are provided in note 10.

	Value of goods and services supplied (to)/by the Company		Amounts due (to)/by the Company	
	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000	30 June 2012 N'000	30 June 2011 N'000
26.1 Sun International Management Limited	8,893	(272,934)	(285,296)	(291,238)
A subsidiary of Sun International Limited, which is a shareholder in the Company. It has an operating service agreement with the Company (refer note 27).				
26.2 Ikeja Hotel Plc	71,435	(70,309)	(11,250)	(5,975)
A shareholder in the Company and is controlled by the director of the Company. It has a support services agreement with the Company (refer note 28).				
26.3 AVI Services Limited	(53,655)	(89,867)	(2,004)	—
Controlled by a director of the Company. It provides a staff transport service to the Company, operates a car hire business at the Hotel and rents offices from the Company.				
26.4 GM Ibru & Co	(15,744)	(2,374)	(15,744)	—
A firm of attorneys controlled by a director of the Company. It provides legal services to the Company and rents offices from the Company.				
26.5 IHL Services Limited	(5,052)	—	(5,052)	—
Controlled by a director of the Company. It provides company secretarial services to the Company.				

NOTES TO FINANCIAL STATEMENTS (continued)

26. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	Value of goods and services supplied (to) /by the Company		Amounts due (to)/by the Company	
	Year ended 30 June 2012 N'000	18 months ended 30 June 2011 N'000	30 June 2012 N'000	30 June 2011 N'000

26.6 Minet Nigeria Limited	(52,616)	(79,135)	—	—
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Controlled by a director of the Company. It provides insurance broking service to the Company.

26.7 Crusader General Insurance Limited

Controlled by a director of the Company. It is a major underwriter for the Company's general insurance policies. 35% of annual premium, being N22,538,453, through the Company's insurance broker, Minet Nigeria Limited (refer note 26.6).

26.8 Lady Maiden Ibru

Ladu Ibru is the wife of the late Dr Alex Ibru, a former director with an indirect shareholding in the Company. Lady Ibru rents retail premises from the Company, for which no rental charge has been processed.

26.9 Mrs Emuobo Ibru

Mrs Ibru is the wife of a director. Mrs Ibru rents retail premises from the Company, for which no rental charge has been processed.

26.10 Estate Late Dr Alex Ibru

A former director and indirect shareholder in the Company. The estate rents hotel penthouse premises from the Company, which is currently the subject of a legal dispute. No rental charge has been processed.

26.11 Guy Saries Limited

Controlled by a director of the Company. It rents office premises from the Company, for which no rental charge has been processed.

27. OPERATING SERVICE AGREEMENTS

The Company has agreements with Sun International Management Limited (a subsidiary of Sun International Limited) until 30 September 2017 to manage the Company's business. In terms of these agreements, the Company is obligated to pay the following annual fees to Sun International Management Limited.

27.1 Basic fee

A basic fee equal to 3% per annum of the gross revenue of the Company. This is exclusive of any taxes and is denominated and payable in Naira.

27.2 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.

27.3 Development management and technical services

A fee of 2.5% per annum of the aggregate cost of new property development projects undertaken by the Company. This fee is exclusive of any taxes and is denominated and payable in Naira.

NOTES TO FINANCIAL STATEMENTS (continued)

28. SUPPORT SERVICES AGREEMENT

The Company has an agreement with Ikeja Hotel Plc to provide support services to the Company until 30 September 2017. In terms of this agreement, the Company is obligated to pay the following annual fees to Ikeja Hotel Plc:

28.1 Basic fee

A basic fee equal to 0.45% per annum of the gross revenue of the Company. This is exclusive of any taxes and is denominated and payable in Naira.

28.2 Incentive fee

An incentive fee of 1.5% per annum of the adjusted net profit of the Company. This fee is exclusive of any taxes and is denominated and payable in Naira.

29. 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, and current receivables and payables. Cash flow from financing activities relates to the net amount of payments made for financing business activities in the year and changes in short term borrowings. The net cash position consists of cash in hand, cash at bank, short-term bank deposits and bank overdraft.

30. CONTINGENT LIABILITIES

The Company is subject to various pending litigations arising in the normal course of business. The contingent liabilities in respect of these pending litigations amounted to N0.9 billion as at 30 June 2012 (30 June 2011: N1.3 billion). In the opinion of the directors, based on legal advice, no material loss is expected to arise from these claims. Therefore, no provision for any loss arising has been made 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 these financial statements.

32. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2012, N598 million of current debt due to Sun International Management Limited was ceded to Sun International Limited, who in turn agreed to convert that debt into a long term loan, on the same terms and conditions as its existing loan (refer note 10). No other events or transactions have occurred since 30 June 2012, which would have a material effect on the financial statements at that date or which need to be mentioned in the financial statements in the interests of fair presentation of the Company's financial position at 30 June 2012 and the results of its operations for the year then ended.

33. RECLASSIFICATION OF BALANCES

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

STATEMENT OF VALUE ADDED For the year ended 30 June 2012

	Year ended 30 June 2012 N'000	%	18 months ended 30 June 2011 N'000	%
Turnover	3,416,597		4,460,579	
Other income	71,061		3,278	
	3,487,658		4,463,857	
Brought-in goods and services				
Local	(1,872,976)		(2,955,623)	
Foreign	(451,184)		(147,757)	
Value added	1,163,498	100	1,360,477	100
Distributed as follows:				
To pay employees:				
Salaries and allowances, pension and staff welfare	978,228	84	1,392,290	102
To pay government:				
Company income tax	2,812	—	18,529	1
To pay providers of funds:				
Finance costs	357,133	31	370,860	27
Retained for maintenance of assets and future expansion of business:				
Depreciation of property, plant and equipment	498,848	43	712,778	52
Deferred tax liabilities	(151,273)	(13)	236,199	17
Loss sustained	(522,250)	(45)	(1,370,179)	(101)
Value added	1,163,498	100	1,360,477	100

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

Balance sheet	Year ended 30 June 2012 N'000	18 mths ended 30 June 2011 N'000	Year ended 31 Dec 2009 N'000	Year ended 31 Dec 2008 N'000	Year ended 31 Dec 2007 N'000
Assets					
Property, plant and equipment	10,030,602	10,392,041	9,929,190	7,854,644	6,565,712
Net current (liabilities)/assets	(545,928)	(803,261)	1,795,921	(4,520,259)	(2,808,515)
Long term loans	(7,393,268)	(6,845,643)	(12,011,672)	(1,938,325)	(1,835,730)
Deferred tax liabilities	(353,925)	(505,198)	(268,999)	(237,910)	(308,582)
Provision for liabilities and charges	—	—	(3,470)	(1,036,415)	(808,280)
Net assets/(liabilities)	1,737,481	2,237,939	(559,030)	121,735	804,605
Equity and reserves					
Share capital	1,123,220	1,123,220	569,149	569,149	569,149
Share premium	4,132,763	4,132,763	519,686	519,686	519,686
Revaluation reserve	99,849	99,849	99,849	99,849	99,849
General reserve	(3,618,351)	(3,117,893)	(1,747,714)	(1,066,949)	(384,079)
Shareholders' funds	1,737,481	2,237,939	(559,030)	121,735	804,605
Income statement					
	Year ended 30 June 2012 N'000	18 mths ended 30 June 2011 N'000	Year ended 31 Dec 2009 N'000	Year ended 31 Dec 2007 N'000	Year ended 31 Dec 2007 N'000
Turnover	3,416,597	4,460,579	1,677,650	1,458,079	1,458,986
Loss before taxation	(670,711)	(1,115,451)	(642,388)	(748,825)	(217,474)
Taxation	148,461	(254,728)	(38,288)	65,955	93,701
Loss after taxation	(522,250)	(1,370,179)	(680,676)	(682,870)	(123,773)
Per share data					
(Loss)/earnings per ordinary share (Kobo)	(23)	(67)	(60)	(60)	11
Net assets/(liabilities) per ordinary share (Kobo)	77	109	(49)	11	71

(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 net assets/(liabilities) and the weighted average number of issued and fully paid ordinary shares at the end of each financial period.

