GRAFFAN PROPERTIES LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st DECEMBER 2017

Registration number N.I. 011874

GRAFFAN PROPERTIES LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their reports to the members and the accounts for the year ended 31st December 2017.

Directors

The directors who served in office during the year were as follows:

Mr Michael Holland
Mr Tom Mannix
Mr Brian Savage

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' and Strategic reports and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The Directors have taken steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Auditors

A resolution proposing the appointment of auditors will be put to the forthcoming annual general meeting in accordance with Section 485 of The Companies Act 2006.

DIRECTORS' REPORT *(continued)*

Required disclosures dealt with in the Strategic Report

In accordance with the provisions of s414C(11) of the Companies Act 2006, the following matters, otherwise required for inclusion in the Directors' Report, have been included in the Strategic Report:

- Review of business and future developments in the Company, and
- Financial instruments incorporating financial risk management objectives and policies,

Medium companies' exemption

This report has been prepared in accordance with the special provisions relating to medium sized companies within Part 15 of the Companies Act 2006.

Approved by the Board on 17th May 2018 and signed on its behalf by:

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Director
Mr Michael Holland

GRAFFAN PROPERTIES LIMITED

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31st December 2017.

Fair review of the business

The directors are pleased to report an increase in operating profit for 2017 following the completion of a substantial refurbishment during 2016. In addition, the hotel's recently achieved 5 star grading status has helped to drive an increase in revenue per available room (RevPAR).

During 2018 the hotel will undergo some further refurbishment which, on completion, will increase the number of available bedrooms. In the short-term, however, this is expected to reduce the volume of rooms available for use with some impact on revenue and profitability for the financial year ending December 31st 2018.

Principal risks and uncertainties

The principal risks facing the Company arise from the local economic and political situation in Northern Ireland as well as any uncertainty arising from the UK's exit from the European Union. These factors may have a direct impact on the levels of tourism, hospitality and business and consumer spending.

Belfast is currently experiencing a significant increase in the number of available hotel beds as additional hoteliers enter the market. The Directors feel that due to the Fitzwilliam Hotel's reputation, desirable location and commitment to service quality it is in a position to continue trading successfully in this environment.

Liquidity and cash flow risk remain key focusses of the Company's management. Management are actively monitoring and managing cash flow on a daily basis to ensure necessary funds are available to meet operating and financing requirements. With healthy levels of operating profitability and positive cash flows, the Company continues to comfortably meet all financing commitments.

Approved by the Board on 17th May 2018 and signed on its behalf by:

Director
Mr Michael Holland

INDEPENDENT AUDITORS REPORT TO THE MEMBER OF GRAFFAN PROPERTIES LIMITED

We have audited the financial statements Graffan Properties Limited for the year ended 31st December 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of Company's affairs as at 31st December 2017 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Peter Stevenson
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Peter Stevenson
Senior Statutory Auditor

for and on behalf of:
Stevenson and Wilson, Statutory Auditor

22-30 Broadway Avenue
Ballymena
BT43 7AA

17th May 2018

GRAFFAN PROPERTIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	**6,761,049**	5,970,237
Cost of sales		**(1,527,710)**	(1,458,975)
Gross profit		**5,233,339**	4,511,262
Administrative expenses		**(3,914,640)**	(3,454,624)
Operating profit	5	**1,318,699**	1,056,638
Interest payable and similar charges	6	**(543,766)**	(587,882)
Profit before tax		**774,933**	468,756
Taxation	7	**(33,038)**	-
Profit for the year		**741,895**	468,756

All results relate to the continuing activities of the Company.

The notes on pages 11 to 17 form part of these financial statements.

GRAFFAN PROPERTIES LIMITED

BALANCE SHEET AS AT 31st DECEMBER 2017

Registration No N.I. 011874

	Notes	2017	2016
		£	£
Fixed assets			
Intangible assets	8	**27,885**	27,885
Tangible assets	9	**18,236,909**	18,482,311
Investments	10	**1**	1
		18,264,795	18,510,197
Current assets			
Stock	11	**17,942**	17,776
Debtors	12	**205,865**	202,180
Cash at bank and in hand		**486,790**	8,400
		710,597	228,356
Creditors: amounts falling due within one year	13	**1,807,535**	1,722,591
Net current liabilities		**(1,096,938)**	(1,494,235)
Total assets less current liabilities		**17,167,857**	17,015,962
Creditors: amounts falling due after more than one year	14	**11,760,000**	12,350,000
Net assets		**5,407,857**	4,665,962
Capital and reserves			
Called-up share capital	16	**100**	100
Profit and loss account		**4,553,499**	3,811,604
Revaluation reserve		**854,258**	854,258
Equity shareholder's funds		**5,407,857**	4,665,962

Approved by the Board on 17th May 2018:

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Mr Michael Holland
Director

The notes on pages 11 to 17 form part of these financial statements.

GRAFFAN PROPERTIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2017

	2017	2016
	£	£
Profit for the financial year	**741,895**	468,756
Surplus on revaluation of tangible fixed assets	-	2,505,554
Total comprehensive income for the year	**741,895**	2,974,310

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2017

	Called-up share capital	Profit and loss account	Revaluation reserve	**Total**
	£	£	£	**£**
At 1st January 2016	100	(3,824,950)	5,516,502	**1,691,652**
Profit for the year	-	468,756	-	**468,756**
Other comprehensive income	-	-	2,505,554	**2,505,554**
Transfer between reserves	-	7,167,798	(7,167,798)	-
At 31st December 2016	100	3,811,604	854,258	**4,665,962**
Profit for the year	-	741,895	-	**741,895**
At 31st December 2017	100	4,553,499	854,258	**5,407,857**

The notes on pages 11 to 17 form part of these financial statements.

GRAFFAN PROPERTIES LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st DECEMBER 2017

	Notes	2017	2016
		£	£
Operating profit		**1,318,699**	1,056,638
Depreciation including loss on disposal		**385,027**	314,562
(Increase)/decrease in stock		**(166)**	9,029
Increase in debtors		**(3,685)**	(5,431)
Increase in creditors		**137,148**	76,706
Cash inflow from operating activities		**1,837,023**	1,451,504
Investing activities			
Acquisition of tangible fixed assets		**(139,625)**	(1,149,907)
Proceeds on disposal of fixed assets		-	22,691
Cash outflow from investing activities		**(139,625)**	(1,127,216)
Financing activities			
Interest payable and similar charges		**(543,766)**	(587,882)
Repayment of bank loans		**(540,000)**	(550,000)
Advance of loans from group undertakings		-	250,000
Cash outflow from financing activities		**(1,083,766)**	(887,882)
Increase/(decrease) in cash in the period		**613,632**	(563,594)

Cash and cash equivalents	2017	2016
	£	£
Net cash balances as at 1st January 2017	**(126,842)**	436,752
Increase/(decrease) in cash for the period	**613,632**	(563,594)
Net cash balances as at 31st December 2017	**486,790**	(126,842)

The notes on pages 11 to 17 form part of these financial statements.

1. Company information

The Company is a private company limited by share capital incorporated in Northern Ireland. The registered office address is 40 Linenhall Street, Belfast, Northern Ireland, BT2 8BA. The principal activity of the Company is that of a hotelier.

2. Accounting policies

Statement of compliance

These financial statements are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of accounting

These financial statements have been prepared using the historical cost convention modified to include the revaluation of tangible fixed assets.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of VAT and discounts. Turnover is recognised at the point of the provision of service and sale of associated goods.

Intangible assets

Intangible assets comprise costs incurred by the Company to acquire a liquor licence. Amortisation is not provided on the licence as its value to the hotel is non-depreciating.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes any incidental costs of acquisition. Fixed assets are depreciated at rates calculated to reduce them to residual value at the end of their expected normal lives on a straight line basis as follows:

Freehold land and buildings	Not depreciated
Fixtures and fittings	10% and 20%
Plant and equipment	10%
Computer and office equipment	10% and 33%

Revaluation of tangible fixed assets

The Hotel property is revalued to market value using the "profits method" as advised by independent external property valuers. Revaluations are performed with sufficient regularity to ensure that the carrying value does not materially differ from the fair market value at the reporting date. Revaluation gains are reported through the Statement of Comprehensive Income except to the extent that they reverse losses previously charged through the profit and loss account. Revaluation losses are reported through the Statement of Comprehensive Income except to the extent that they exceed previously reported gains, in which instance the excess is charged to the profit and loss account.

2. Accounting policies *(continued)*

Stock

Stock is valued on a first in first out basis at the lower of cost or net realisable value after making due allowance for unusable items.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the statement of cash flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. The current tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Foreign currency

Transactions occurring in foreign currencies are recognised at the spot rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the rate at the balance sheet date. Foreign exchange gains and losses are recognised in the profit and loss account as they arise.

2. Accounting policies *(continued)*

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans are recognised as an employee benefit expense when they fall due.

3. Turnover

All turnover is generated in the UK from the provision of hospitality services.

4. Staff costs

	2017	2016
The aggregate payroll cost was:	£	£
Salaries and wages	**1,516,267**	1,345,631
Social security costs	**115,183**	100,109
	1,631,450	1,445,740

The average number of persons employed by the Company (including the Directors) during the year was 89 (2016: 86) as follows:

	2017	2016
Directors	**3**	3
Administration	**11**	10
Direct	**75**	73
	89	86

5. Operating profit

	2017	2016
Operating profit is stated after charging/(crediting):	£	£
Depreciation of tangible fixed assets	**385,027**	314,561
Loss on disposal of investment	**-**	1
Auditor's remuneration - audit fees	**10,000**	10,000
Foreign exchange loss/(gain)	**1,415**	(361)

6. Interest payable and similar charges

	2017	2016
	£	£
Bank overdraft and loans	**398,766**	454,595
Interest payable to group undertakings	**145,000**	133,287
	543,766	587,882

7. Taxation

The taxation charge for the period differs from the reported profit multiplied by the UK small companies rate (19.25%). The difference is reconciled below:

	2017	2016
	£	£
Profit for the year	**774,933**	468,756
Multiplied by the UK corporation tax rate, 19.25% (2016 : 20%)	**149,150**	93,751
Effects of:		
Expenses not deductible for tax purposes	**1,340**	1,461
Accelerated capital allowances and other timing differences	**(54,269)**	(117,425)
(Utilisation of losses brought-forward)/unutilised losses carried forward	**(63,183)**	22,213
UK current tax	**33,038**	-

8. Intangible fixed assets - liquor licence

	2017	2016
	£	£
Cost		
As at 1st January and 31st December 2017	**27,885**	27,885

Amortisation is not provided on the intangible fixed asset held by the Company. The liquor licence is of continued value to the Company and holds a readily attainable market value in excess of its cost.

9. Tangible fixed assets

	Freehold land & buildings	Fixtures & fittings	Plant & equipment	Computer & office equip	Total
	£	£	£	£	£
Cost/valuation					
As at 1st January 2017	17,176,775	2,173,982	323,032	394,508	20,068,297
Additions	76,109	30,268	5,605	27,643	139,625
As at 31st December 2017	**17,252,884**	**2,204,250**	**328,637**	**422,151**	**20,207,922**
Depreciation					
As at 1st January 2017	-	1,050,757	203,525	331,704	1,585,986
Charge for the year	-	308,269	38,824	37,934	385,027
As at 31st December 2017	**-**	**1,359,026**	**242,349**	**369,638**	**1,971,013**
Net book value					
As at 31st December 2017	**17,252,884**	**845,224**	**86,288**	**52,513**	**18,236,909**
As at 31st December 2016	17,176,775	1,123,225	119,507	62,804	18,482,311

The Hotel property, incorporating the fixtures and fittings, was revalued to an open market value of £18,300,000 in January 2017 by the external, professional valuers, Savilles.

10. Investments

	2017	2016
	£	£
Cost		
As at 1st January 2017	**1**	2
Disposals	**-**	(1)
As at 31st December 2017	**1**	1

The Company holds 100% of the equity share capital of Fitzwilliam Hotel (Belfast) Limited, a dormant company registered in Northern Ireland with a year-end coterminous with that of its parent.

11. Stock

	2017	2016
	£	£
Goods for resale	**17,942**	17,776

12. Debtors

	2017	2016
	£	£
Trade debtors	**92,419**	121,421
Prepayments and accrued income	**113,446**	80,759
	205,865	202,180

13. Creditors: amounts falling due within one year

	2017	2016
	£	£
Bank overdraft	-	135,242
Bank loan (note 15)	**600,000**	550,000
Trade creditors	**387,273**	372,847
Other tax and social security	**226,433**	212,957
Accruals and deferred income	**250,132**	214,513
Other creditors	**310,659**	237,032
Corporation tax	**33,038**	-
	1,807,535	1,722,591

14. Creditors: amounts falling due after more than one year

	2017	2016
	£	£
Bank loan (note 15)	**10,310,000**	10,900,000
Amounts due to group undertakings	**1,450,000**	1,450,000
	11,760,000	12,350,000

Amounts due to group undertakings are secured by a second charge over the Company's hotel property and liquor licence. They are interest bearing with no fixed repayment date.

15. Bank loan

The bank loan is secured by a fixed charge over the hotel property, a debenture over all assets of the Company and an intergroup guarantee from the Company's immediate parent. It is repayable by instalment and is estimated to fall due as follows:

	2017	2016
	£	£
Within one year	**600,000**	550,000
Between one and two years	**600,000**	600,000
Between two and five years	**1,800,000**	1,950,000
After more than five years	**7,910,000**	8,350,000
	10,910,000	11,450,000

16. Share capital

	2017	2016
	£	£
Allotted, called-up and fully paid:		
100 ordinary shares of £1	**100**	100

Ordinary shares carry full voting rights and entitle the holder to participate in any form of distribution.

17. Related party transactions

The Company has availed of the exemption provisions contained in FRS 102 not to disclose transactions with group companies. The Company is a subsidiary of Graffan No.1 Limited which in turn is a 100% subsidiary of Plazaway Investments Limited, a Company registered in Republic of Ireland, the financial statements of which are publicly available.

18. Ultimate controlling party

The Director, Mr M. Holland, is considered to be the ultimate controlling party.