

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

**REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS FOR
YEAR ENDED 31st DECEMBER 2011**



GRAFFAN PROPERTIES LIMITED AND SUBSIDIARY COMPANY

DIRECTOR: Mrs. J. C. Burgess

DIRECTOR'S REPORT

The Director has pleasure in submitting her report to the members and the accounts for the year ended 31st December 2011.

Subsidiary Company

The Company owns share capital in a non-dormant Subsidiary Company as follows:

| Name of Company | % Shareholding | Incorporated |
|------------------------|-----------------------|---------------------|
| Graffan Hotel Limited | 100% | N Ireland |

Statement of Director's responsibilities

The Director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing those financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable her to ensure that the financial statements comply with The Companies Act 2006. She is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and business review

The principal activities of the Group are property investment and hotelier. Rental income from the investment properties continued at satisfactory levels during the year. In the hotel, turnover and profitability continued to improve in 2011 and the Company achieved an operating profit in the year. Business in the hotel has shown further growth in 2012 and it is expected that the results for the incoming year will be significantly above those of 2011.

GRAFFAN PROPERTIES LIMITED AND SUBSIDIARY COMPANY

DIRECTOR'S REPORT (continued)

Principle risks and uncertainties

The principal risks facing the Group arise from the continued difficult economic circumstances and, in particular, the trading conditions in the tourism, hospitality and business travel sectors. The local political climate, whilst relatively stable at present, may also impact on the number of visitors to the city.

Liquidity and cash flow risk

Following losses in the past few years, liquidity and cash flow risk remain key concerns of the Group's management. Management are actively monitoring and managing cash flow on a daily basis to ensure necessary funds are available to meet operating requirements. Continued support from the Company's Bankers is required for the Company to continue trading.

Key performance indicators

The Director considers that the performance, development and position of the Company is satisfactorily set out in the attached profit and loss account and balance sheet and that analysis using key performance indicators is not necessary for an understanding of the business.

Results and dividend

The Group results for the year are set out in the profit and loss account on page 8.

Director

The interest of the Director in the shares of the Company was as follows:

| | Number of £1 Ordinary Shares | |
|-------------------|------------------------------|------|
| | 2011 | 2010 |
| Mrs J. C. Burgess | 100 | 100 |

The Director had no personal interest during the year in any contract entered into by the Company.

Mrs J. C. Burgess is the ultimate controlling party.

GRAFFAN PROPERTIES LIMITED AND SUBSIDIARY COMPANY

DIRECTOR'S REPORT (continued)

Disclosure of information to auditors

The Director has taken steps that she ought to have taken as a Director to make herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The Director confirms that there is no relevant information that she knows of and which she knows the auditors are unaware of.

Fixed assets

Details of fixed assets are set out in notes 3 to 6 to the accounts.


Auditors

A resolution proposing the re-appointment of Stevenson and Wilson as auditors will be put to the forthcoming annual general meeting in accordance with Article 485 of The Companies Act 2006.

Medium companies' exemption

The 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 3rd December 2012 and signed on its behalf by:



Director
June Cheryl Burgess

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF
GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

We have audited the Group and Parent Company financial statements of GRAFFAN PROPERTIES LIMITED for the year ended 31st December 2011 set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Director and auditors

As explained more fully in the Director's Responsibilities Statement set out on page 1, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31st December 2011 and of their loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS REPORT
TO THE MEMBERS OF
GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY (continued)**

Emphasis of matter - Going Concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a Going Concern. The Group incurred a net loss of £262,084 during the year ended 31st December 2011 and, at that date, the Group had a deficit on shareholders funds. The ability of the Group to continue to trade as a Going Concern has been due to the long term support of the Company's Bankers and certain creditors on which the Company will continue to depend. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a Going Concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a Going Concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Robert J Stevenson
Senior Statutory Auditor**

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

3rd December 2012

22-30 Broadway Avenue
Ballymena
BT43 7AA

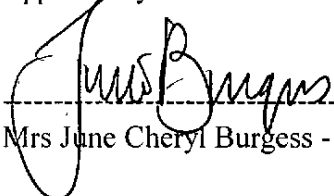
GRAFFAN PROPERTIES LIMITED AND SUBSIDIARY COMPANY

Registration No. N.I. 11874

BALANCE SHEET AS AT 31st DECEMBER 2011

| | | 2011 | 2010 |
|--|-------|--------------------|--------------------|
| | Notes | £ | £ |
| Fixed assets | | | |
| Intangible assets | 3 | 27,885 | 27,885 |
| Investment property | 4 | 850,000 | 1,100,000 |
| Tangible assets | 5a | 17,326,441 | 17,536,417 |
| | | <u>18,204,326</u> | <u>18,664,302</u> |
| Current assets | | | |
| Stock | 8 | 53,579 | 62,295 |
| Debtors | 9 | 237,984 | 235,779 |
| Cash at bank | | 58,939 | 122,537 |
| | | <u>350,502</u> | <u>420,611</u> |
| Creditors (due within one year) | | | |
| Bank overdraft and loans | 10 | 217,952 | 423,010 |
| Trade creditors | | 395,826 | 439,918 |
| Other creditors | 11 | 3,237,723 | 3,249,159 |
| Accruals | | 265,840 | 244,935 |
| | | <u>4,117,341</u> | <u>4,357,022</u> |
| Net current liabilities | | <u>(3,766,839)</u> | <u>(3,936,411)</u> |
| Total assets less current liabilities | | <u>14,437,487</u> | <u>14,727,891</u> |
| Creditors (due after one year) | 12 | 15,103,880 | 14,882,200 |
| | | <u>(666,393)</u> | <u>(154,309)</u> |
| Capital and reserves | | | |
| Called-up share capital | 13 | 100 | 100 |
| Revaluation reserve | 14 | 123,259 | 373,259 |
| Profit and loss account | | (789,752) | (527,668) |
| Shareholder's funds | | <u>(666,393)</u> | <u>(154,309)</u> |

Approved by the Board on 3rd December 2012:


Mrs June Cheryl Burgess - Director

The notes on pages 11 to 19 form part of these accounts.

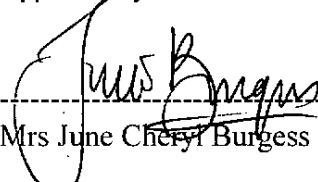
GRAFFAN PROPERTIES LIMITED

Registration No. N.I. 11874

BALANCE SHEET AS AT 31st DECEMBER 2011

| | | 2011 | 2010 |
|--|-------|-------------------|-------------------|
| | Notes | £ | £ |
| Fixed assets | | | |
| Investment property | 4 | 850,000 | 1,100,000 |
| Tangible assets | 5b | 724 | 0 |
| Long leasehold property | 6 | 3,412,494 | 3,412,494 |
| | | <u>4,263,218</u> | <u>4,512,494</u> |
| Investments | 7 | <u>12,222,742</u> | <u>12,177,883</u> |
| Current assets | | | |
| Debtors | 9 | 4,401 | 1,225 |
| Cash at bank | | 51,998 | 118,363 |
| | | <u>56,399</u> | <u>119,588</u> |
| Creditors (due within one year) | | | |
| Bank overdraft and loans | 10 | 79,822 | 318,209 |
| Other creditors | 11 | 178,908 | 259,167 |
| Accruals | | 122,066 | 37,405 |
| | | <u>380,796</u> | <u>614,781</u> |
| Net current liabilities | | <u>(324,397)</u> | <u>(495,193)</u> |
| Total assets less current liabilities | | <u>16,161,563</u> | <u>16,195,184</u> |
| Creditors (due after one year) | 12 | <u>15,103,880</u> | <u>14,882,200</u> |
| | | <u>1,057,683</u> | <u>1,312,984</u> |
| Capital and reserves | | | |
| Called-up share capital | 13 | 100 | 100 |
| Revaluation reserve | 14 | 123,259 | 373,259 |
| Profit and loss account | | 934,324 | 939,625 |
| Shareholder's funds | | <u>1,057,683</u> | <u>1,312,984</u> |

Approved by the Board on 3rd December 2012.



 Mrs June Cheryl Burgess - Director

The notes on pages 11 to 19 form part of these accounts

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31st DECEMBER 2011**

| | | 2011 | 2010 |
|--|--------------|------------------|-------------|
| | Notes | £ | £ |
| Turnover | | 4,355,853 | 4,065,789 |
| Cost of sales | | 1,165,358 | 1,168,754 |
| | | ----- | ----- |
| Gross profit | | 3,190,495 | 2,897,035 |
| | | ----- | ----- |
| Staff costs | 15 | 1,177,388 | 1,270,678 |
| Services hired | | 474,156 | 480,663 |
| Depreciation | | 223,231 | 220,576 |
| Other operating charges | | 1,158,947 | 1,037,864 |
| | | ----- | ----- |
| | | 3,033,722 | 3,009,781 |
| | | ----- | ----- |
| | | 156,773 | (112,746) |
| Other income | | 90,404 | 92,004 |
| | | ----- | ----- |
| | | 247,177 | (20,742) |
| Interest receivable | | 68 | 1,500 |
| Interest payable | | 509,329 | 487,411 |
| | | ----- | ----- |
| | | (262,084) | (506,653) |
| Profit on disposal of investment property | | 0 | 194,635 |
| | | ----- | ----- |
| Loss on ordinary activities before taxation | 16 | (262,084) | (312,018) |
| Taxation credit | 18 | 0 | 20,376 |
| | | ----- | ----- |
| Loss for the year | | (262,084) | (291,642) |
| | | ===== | ===== |
| Revenue reserves | | | |
| Balance at 1st January 2011 | | (527,668) | (236,026) |
| Loss for the year | | (262,084) | (291,642) |
| | | ----- | ----- |
| Balance at 31st December 2011 | | (789,752) | (527,668) |
| | | ===== | ===== |

All accounts relate to the continuing operation of the Group. There is no difference between the reported profit and the historical cost equivalents.

The notes on pages 11 to 19 form part of these accounts.

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

**CASHFLOW STATEMENT FOR THE
YEAR ENDED 31st DECEMBER 2011**

| | | 2011 | 2010 |
|--|--------------|------------------|------------------|
| | Notes | £ | £ |
| Operating profit/(loss) | | 247,177 | (20,742) |
| Depreciation | | 223,412 | 220,576 |
| (Increase)/decrease in stock | | 8,716 | (3,578) |
| Increase in debtors | | (22,581) | (34,971) |
| Decrease in creditors | | (62,943) | (53,902) |
| | | ----- | ----- |
| Cash inflow from operating activities | | 393,781 | 107,383 |
| | | ----- | ----- |
| Return on investment and servicing of finance | | | |
| Interest received | | 68 | 1,500 |
| Interest payable | | (509,329) | (487,411) |
| | | ----- | ----- |
| | | (509,261) | (485,911) |
| | | ----- | ----- |
| Taxation refund | | 20,376 | 0 |
| | | ----- | --- |
| Capital expenditure and financial instruments | | | |
| Acquisition of tangible fixed assets | | (13,436) | (63,102) |
| Sale of tangible fixed assets | | 0 | 325,113 |
| | | ----- | ----- |
| | | (13,436) | 262,011 |
| | | ----- | ----- |
| Net cash outflow before financing | 19 | (108,540) | (116,517) |
| Financing | | | |
| Advance/(repayment) of loans | | 250,000 | (250,000) |
| | | ----- | ----- |
| Increase/(decrease) in cash in the period | 19 | 141,460 | (366,517) |
| | | ===== | ===== |

The notes on pages 11 to 19 form part of these accounts.

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

**STATEMENT OF TOTAL RECOGNISED GAINS AND
LOSSES FOR THE YEAR ENDED 31st DECEMBER 2011**

| | 2011 | 2010 |
|--|-------------------------|---------------------------|
| | £ | £ |
| Realised deficit for the year | (262,084) | (291,642) |
| Unrealised deficit on revaluation of investment property | (250,000) | (1,084,993) |
| Realised surplus on disposal of investment property | 0 | (194,522) |
| | <u>(512,084)</u> | <u>(1,571,157)</u> |

**RECONCILIATION OF MOVEMENT
IN SHAREHOLDER'S FUNDS**

| | 2011 | 2010 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Opening balance on shareholder's funds | (154,309) | 1,416,848 |
| Realised deficit for the year | (262,084) | (291,642) |
| Unrealised deficit on revaluation of investment property | (250,000) | (1,084,993) |
| Realised surplus on disposal of investment property | 0 | (194,522) |
| | <u>(666,393)</u> | <u>(154,309)</u> |

The notes on pages 11 to 19 form part of these accounts.

GRAFFAN PROPERTIES LIMITED AND SUBSIDIARY COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2011

1. Accounting policies

Going concern

At 31st December 2011 the Group had incurred a loss during the year of £262,084, had a deficiency in shareholder's funds of £666,393 and continues to be dependent on the long term support of the Bank and certain creditors. The Director believes that this long term support will continue to be available.

The Director has prepared budgets for the year ahead and expects the trading position to continue to improve. She considers therefore that it is appropriate to apply the Going Concern basis of accounting.

Basis of accounting

The accounts are prepared on the historical cost basis of accounting modified by the revaluation of investment properties and in accordance with United Kingdom Generally Accepted Accounting Practice.

Turnover

Turnover represents goods and services sold during the accounting period excluding value added tax.

Other income

Income comprises rents and other income received and receivable during the accounting period excluding value added tax.

Intangible assets

Intangible assets comprise costs incurred to acquire a liquor licence. Amortisation is not provided on the licence as its value to the hotel does not depreciate.

Investment properties

Investment properties are stated at market valuation at the balance sheet date. Any surplus or deficit arising from revaluation is transferred to revaluation reserve except that any shortfall against original cost will be transferred to the profit and loss account when it is identified.

Capitalised finance costs

Finance costs which are directly attributable to the construction of tangible fixed assets by the Group, are capitalised as part of the cost incurred.

GRAFFAN PROPERTIES LIMITED AND SUBSIDIARY COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Depreciation

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:

| | |
|-----------------------|-----------------|
| Hotel building | Nil |
| Office equipment | 10%, 20% & 33⅓% |
| Fixtures and fittings | 10% & 20% |
| Plant and machinery | 10% & 20% |

No depreciation has been charged on the hotel building as the Company has a policy and practice of regular maintenance and repair, the charges for which are recognised in the profit and loss account, so that the building is kept in its original condition. No depreciation is charged on the investment property.

Stock

Stock is valued at the lower of cost or net realisable value. Provision is made, where necessary, for obsolete items.

Deferred tax

Deferred tax is accounted for on all material differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Provision is only made in respect of tax liabilities arising on a disposal of the investment properties if such an event is likely to arise in the foreseeable future.

2. Basis of consolidation

The financial statements deal with the state of affairs of Graffan Properties Limited and its Subsidiary Company as at 31st December 2011.

| 3. Intangible fixed assets - liquor licence | 2011 | 2010 |
|--|---------------|---------------|
| | £ | £ |
| Cost 31st December 2011 | 27,885 | 27,885 |

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Investment property

Freehold and long leasehold
land and buildings

| | 2011 | 2010 |
|-------------------------------------|----------------|------------------|
| | £ | £ |
| Valuation 1st January 2011 | 1,100,000 | 1,500,000 |
| Disposals | 0 | (325,000) |
| Deficit on revaluation | (250,000) | (75,000) |
| Valuation 31st December 2011 | 850,000 | 1,100,000 |

These properties are included at market value (as estimated by the Director).

No provision is required to be made for corporation tax on the revaluation surplus on investment properties (2010: Nil).

5a. Tangible assets - the Group

| | Long leasehold land and building | Fixtures fittings and equipment | Plant and machinery | Total |
|--|-------------------------------------|---------------------------------------|------------------------|-------------------|
| | £ | £ | £ | £ |
| Cost 1st January 2011 | 16,245,046 | 1,458,735 | 256,524 | 17,960,305 |
| Additions | 0 | 4,178 | 9,258 | 13,436 |
| Cost 31st December 2011 | 16,245,046 | 1,462,913 | 265,782 | 17,973,741 |
| Depreciation 1st January 2011 | 0 | 366,908 | 56,980 | 423,888 |
| Charge for the year | 0 | 199,800 | 23,612 | 223,412 |
| Depreciation 31st December 2011 | 0 | 566,708 | 80,592 | 647,300 |
| Net book value 31st December 2011 | 16,245,046 | 896,205 | 185,190 | 17,326,441 |
| Net book value 31st December 2010 | 16,245,046 | 1,091,827 | 199,544 | 17,536,417 |

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5b. Tangible assets - the Company

| | Office equipment and fittings | Plant and machinery | Total |
|--|-------------------------------------|------------------------|---------------|
| | £ | £ | £ |
| Cost 1st January 2011 | 21,332 | 19,862 | 41,194 |
| Additions | 905 | 0 | 905 |
| | ----- | ----- | ----- |
| Cost 31st December 2011 | 22,237 | 19,862 | 42,099 |
| | ----- | ----- | ----- |
| Depreciation 1st January 2011 | 21,332 | 19,862 | 41,194 |
| Charge for the year | 181 | 0 | 181 |
| | ----- | ----- | ----- |
| Depreciation 31st December 2011 | 21,513 | 19,862 | 41,375 |
| | ----- | ----- | ----- |
| Net book value 31st December 2011 | 724 | 0 | 724 |
| | ===== | ===== | ===== |
| Net book value 31st December 2010 | 0 | 0 | 0 |
| | ===== | ===== | ===== |

6. Long leasehold property - the Company

| | 2011 | 2010 |
|-----------------------------------|------------------|------------------|
| | £ | £ |
| Cost at 31st December 2010 | 3,412,494 | 3,412,494 |
| | ===== | ===== |

The long leasehold site on which the subsidiary company has built the hotel from which it operates is stated at cost.

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

| 7. Investments | 2011 Group | 2011 Company | 2010 Group | 2010 Company |
|--|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | £ | £ | £ | £ |
| Investment in Subsidiary Company (at cost) | 0 | 12,222,742 | 0 | 12,177,883 |
| | ===== | ===== | ===== | ===== |
| 8. Stock | 2011 Group | 2011 Company | 2010 Group | 2010 Company |
| | £ | £ | £ | £ |
| Goods for resale | 29,091 | 0 | 30,360 | 0 |
| Sundry stocks and consumables | 24,488 | 0 | 31,935 | 0 |
| | ----- | ----- | ----- | ----- |
| | 53,579 | 0 | 62,295 | 0 |
| | ===== | ===== | ===== | ===== |
| 9. Debtors | 2011 Group | 2011 Company | 2010 Group | 2010 Company |
| | £ | £ | £ | £ |
| Trade debtors | 115,329 | 0 | 110,925 | 0 |
| Other debtors | 3,328 | 3,328 | 384 | 384 |
| Tax refund due | 315 | 315 | 20,818 | 442 |
| Prepayments | 119,012 | 758 | 103,652 | 399 |
| | ----- | ----- | ----- | ----- |
| | 237,984 | 4,401 | 235,779 | 1,225 |
| | ===== | ===== | ===== | ===== |

10. Bank overdraft

The bank overdraft is secured by a debenture over the assets and undertakings of the Group, a legal mortgage over investment properties and assignment of rental income.

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

| 11. Other creditors | 2011 Group | 2011 Company | 2010 Group | 2010 Company |
|-------------------------------|-------------------------|-------------------------|-----------------------|-------------------------|
| | £ | £ | £ | £ |
| Social security and other tax | 151,404 | 946 | 125,778 | 7,458 |
| Other creditors | 3,086,319 | 177,962 | 3,123,381 | 251,709 |
| | <u>3,237,723</u> | <u>178,908</u> | <u>3,249,159</u> | <u>259,167</u> |

Included in other creditors is an amount of £122,458 (2010: £205,778) due to the Director Mrs J.C. Burgess.

| 12. Creditors (due after one year) | 2011 Group | 2011 Company | 2010 Group | 2010 Company |
|---|--------------------------|--------------------------|-----------------------|-------------------------|
| | £ | £ | £ | £ |
| Bank loan | 15,085,000 | 15,085,000 | 14,835,000 | 14,835,000 |
| Other loan | 18,880 | 18,880 | 47,200 | 47,200 |
| | <u>15,103,880</u> | <u>15,103,880</u> | <u>14,882,200</u> | <u>14,882,200</u> |

The bank loan is secured by a debenture over the assets and undertakings of the Group, a legal mortgage over investment properties and assignment of rental income.

The bank loan is estimated to be due for repayment as follows:

| | 2011 Group | 2011 Company | 2010 Group | 2010 Company |
|-----------------------|--------------------------|--------------------------|-----------------------|-------------------------|
| | £ | £ | £ | £ |
| Between 2 and 5 years | <u>15,085,000</u> | <u>15,085,000</u> | <u>14,835,000</u> | <u>14,835,000</u> |

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

| 13. Called-up share capital | 2011 Group | 2011 Company | 2010 Group | 2010 Company |
|---|---------------------------|-----------------------------|---------------------------|-----------------------------|
| | £ | £ | £ | £ |
| Allotted, called-up and fully paid: 100 ordinary shares of £1 each | 100 | 100 | 100 | 100 |
| | === | === | === | === |
| 14. Revaluation reserve | 2011 Group | 2011 Company | 2010 Group | 2010 Company |
| | £ | £ | £ | £ |
| Balance at 1st January 2011 | 373,259 | 373,259 | 1,652,774 | 1,652,774 |
| Deficit on revaluation | (250,000) | (250,000) | (1,084,993) | (1,084,993) |
| Realised on disposal | 0 | 0 | (194,522) | (194,522) |
| | ----- | ----- | ----- | ----- |
| Balance at 31st December 2011 | 123,259 | 123,259 | 373,259 | 373,259 |
| | ===== | ===== | ===== | ===== |

No provision is required to be made on the revaluation surplus on investment properties at 31st December 2011 (2010: Nil).

| 15. Staff costs | 2011 | 2010 |
|------------------------|------------------|-------------|
| | £ | £ |
| Staff costs comprise: | | |
| Salaries and wages | 1,088,227 | 1,164,598 |
| Social security costs | 89,161 | 106,080 |
| | ----- | ----- |
| | 1,177,388 | 1,270,678 |
| | ===== | ===== |

The average number of persons employed by the Group (including Directors) during the year was 74 (2010: 75) as follows:

| | | |
|----------------|-----------|------|
| Director | 1 | 1 |
| Administration | 8 | 8 |
| Other | 65 | 66 |
| | ---- | ---- |
| | 74 | 75 |
| | == | == |

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

| | | |
|--|----------------|-------------|
| 16. Loss on ordinary activities before taxation | 2011 | 2010 |
| | £ | £ |
| Loss is stated after charging and (crediting): | | |
| Director's emoluments | 7,068 | 5,712 |
| Depreciation | 223,231 | 220,576 |
| Auditors remuneration - audit fees | 20,000 | 20,000 |
| - other services | 12,500 | 7,700 |
| Interest payable | 509,329 | 487,411 |
| Interest receivable | (68) | (1,500) |
| Profit on disposal of investment property | 0 | (194,635) |

17. Depreciation on investment property

The Director has adopted the appropriate accounting standard in departing from the otherwise specific requirement to provide depreciation on any fixed asset which has a limited useful economic life. If depreciation had been charged on the original cost of the investment property at the rate of 4% per year using the straight line method, the charge to the profit and loss account in the period would have been £29,069 (2010: £29,069).

| | | |
|----------------------------|-------------|--------------|
| 18. Taxation credit | 2011 | 2010 |
| | £ | £ |
| UK corporation tax credit | 0 | 20,376 |
| | == | ===== |

**GRAFFAN PROPERTIES LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

| 19. Analysis of changes in cash and cash equivalents | 2011 | 2010 |
|---|------------------|------------------|
| | £ | £ |
| Cash and overdraft balances at 1st January 2011 | (300,473) | 66,044 |
| Net cash inflow/(outflow) | 141,460 | (366,517) |
| | ----- | ----- |
| Cash and overdraft balances at 31st December 2011 | (159,013) | (300,473) |
| | ===== | ===== |

Reconciliation of cash flow to movement in net debt

| | Cash at bank | Overdraft | Loan | Net debt |
|------------------------|-------------------------|------------------|---------------------|---------------------|
| | £ | £ | £ | £ |
| Opening balance | 122,537 | (423,010) | (14,835,000) | (15,135,473) |
| Cash flow | (63,598) | 205,058 | (250,000) | (108,540) |
| | ----- | ----- | ----- | ----- |
| Closing balance | 58,939 | (217,952) | (15,085,000) | (15,244,013) |
| | ===== | ===== | ===== | ===== |

20. Parent Company results

Loss of £5,301 has been dealt with in the accounts of the Parent Company.

21. Capital commitments

There were no capital commitments at the balance sheet date (2010: Nil).