

Armagh City Hotel Limited

Directors' report and financial statements

For the year ended 31 July 2011

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COMPANIES HOUSE

Armagh City Hotel Limited

Company Information

Directors

Kieran McAnallen
Brian McCormack
Ernest Fisher
Felix Mooney

Company secretary

Anne Millar

Registered number

NI030708

Registered office

Friary Road
Armagh
Co Armagh
BT60 4FR

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
32 Linen Green
Dungannon
Co Tyrone
BT71 7HB

Bankers

First Trust Bank
18 Scotch Street
Dungannon
Co Tyrone
BT70 1AR

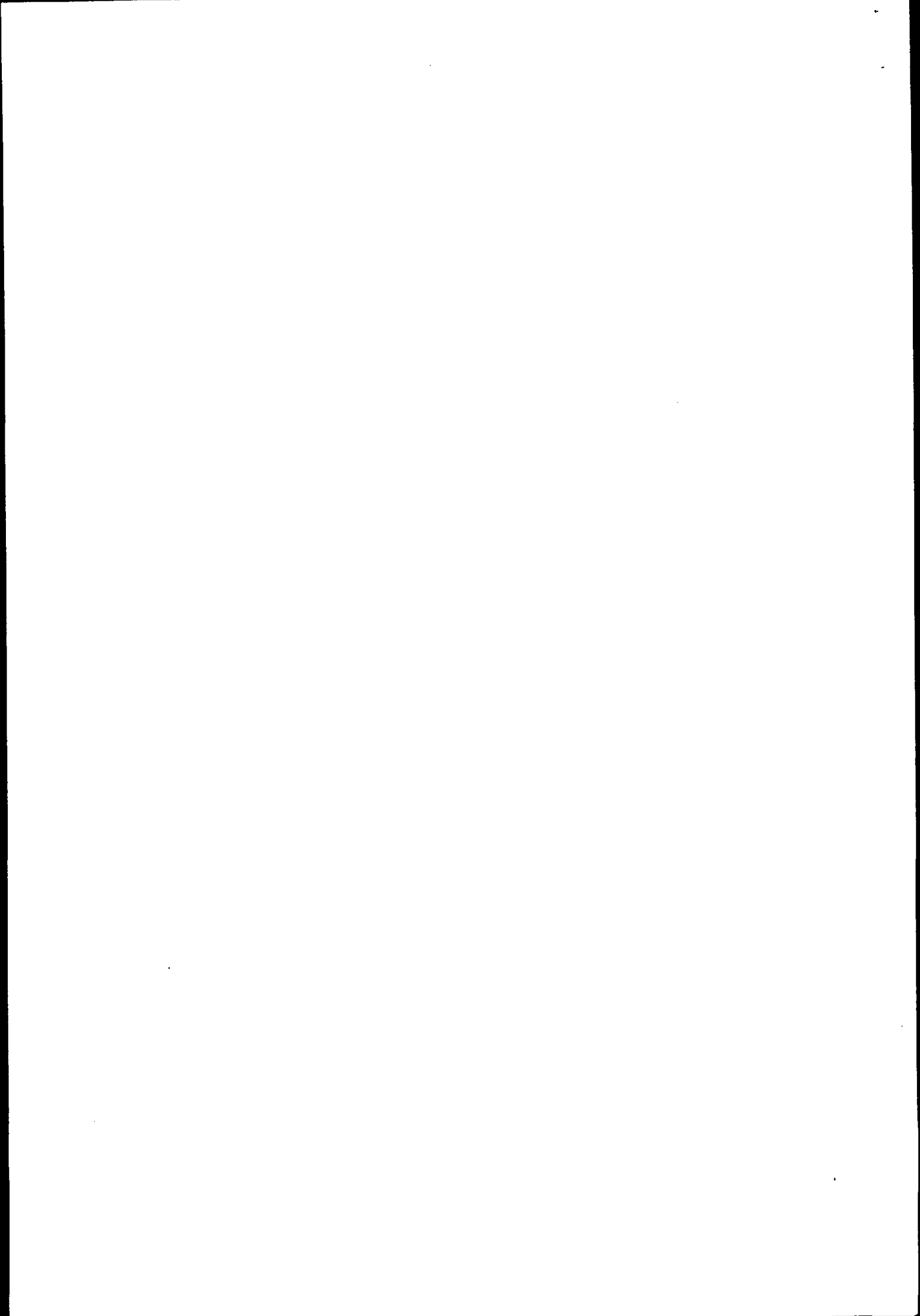
Allied Irish Bank
The Diamond
Monaghan
Co Monaghan

Solicitors

McGrigors Belfast LLP
Arnott House
12 - 16 Bridge Street
Belfast
Co Antrim
BT1 1LS

John J Taylor
1 Mallview Terrace
Armagh
Co Armagh
BT61 9AN

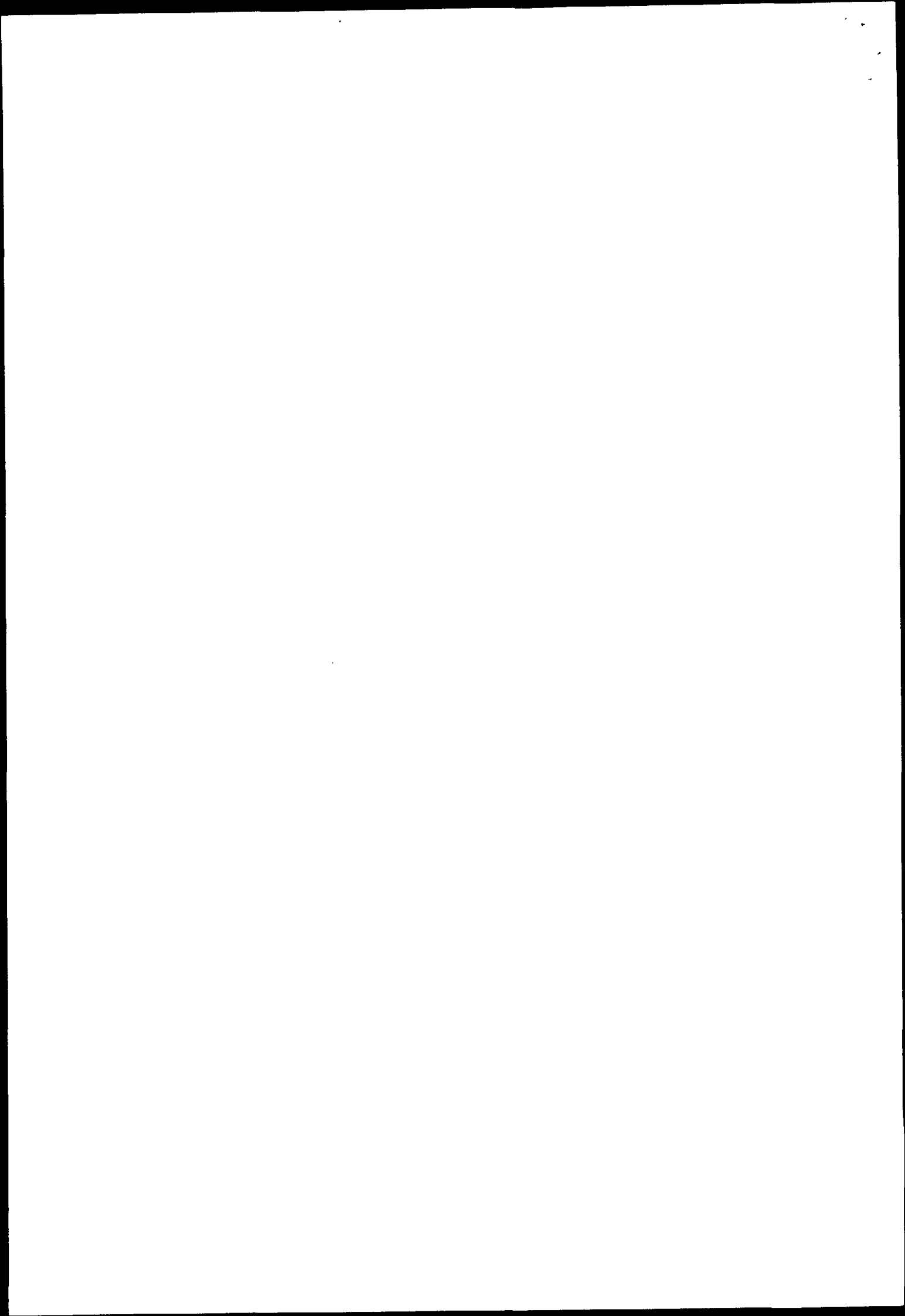
J G O'Hare & Co
37-41 High Street
Belfast
Co Antrim
BT1 2AB



Armagh City Hotel Limited

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Armagh City Hotel Limited

Directors' report For the year ended 31 July 2011

The directors present their report and the audited financial statements of the company for the year ended 31 July 2011.

Principal activity

The company's principal activity during the year was that of the operation of a hotel complex.

Business review

Development and performance

The directors consider the results for the year and the position of the company at the year end to be satisfactory.

The directors are committed to long term creation of shareholder value by increasing the company's market share through organic growth. While the incoming year is likely to be very challenging both because of increased competition and the general economic climate, early results are satisfactory and the directors will closely monitor current performance.

Principal risks and uncertainties

Performance in the sector is affected by general economic conditions leading to a general decline in disposable income. The management of the business and the execution of the company's strategy are also subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to competitor activity, market trends and forecasts and customer behaviour.

Key performance indicators (KPI)

The company's key performance indicators are as follows:

	2011	2010
Growth in sales	6.2%	(8.3%)
Gross profit margin	20.5%	17.6%
Growth in operating profit	67.5%	(47.9%)

Environment

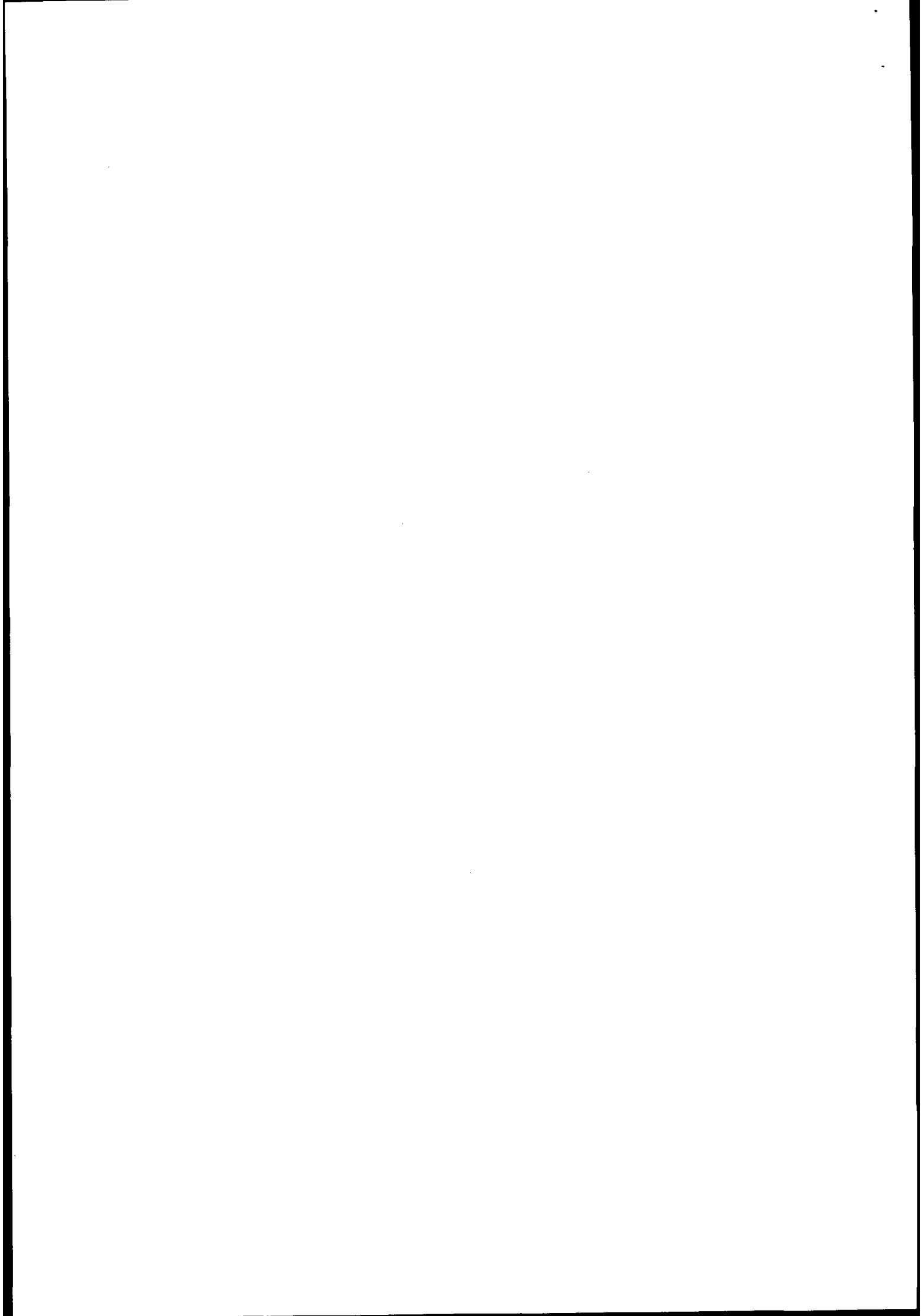
The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all areas of the hotel safe environments for employees and customers alike.

Human resources

Management of the company recognise that its most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements.



Armagh City Hotel Limited

Directors' report For the year ended 31 July 2011

Financial risk management

The company's operations expose it to some financial risks which include the effects of foreign exchange interest risk, liquidity risk and interest rate risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Foreign exchange risk

While the greater part of the company's revenues and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business, principally on payments received in Euro. While the company has not used financial instruments to date to hedge foreign exchange exposure, this position is kept constantly under review.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The company has interest bearing liabilities. The company has a policy of maintaining debt at a competitive rate to ensure a reasonable degree of certainty over future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Results and dividends

The profit for the financial year, after taxation, amounted to £435,802 (2010: £239,222).

The directors do not recommend the payment of a dividend (2010: £nil).

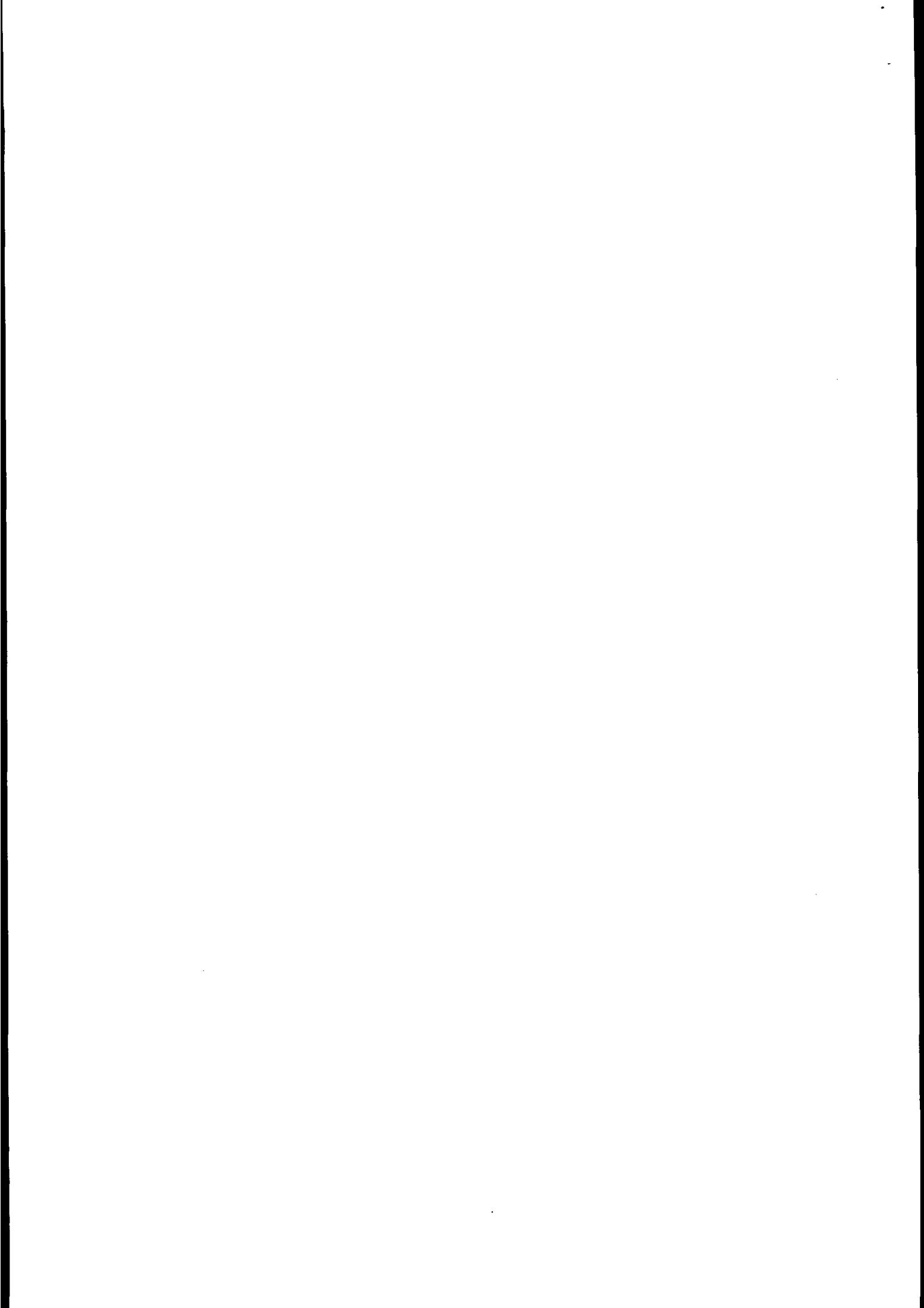
Directors

The directors who held office during the year, and up to the date of signing the financial statements, are given below:

Kieran McAnallen
Brian McCormack
Ernest Fisher
Felix Mooney

Political and charitable contributions

The company made charitable donations amounting to £40 (2010: £nil) during the year for the benefit of local communities in which the company operates. No donations for political purposes were made during the year (2010: £nil).



Armagh City Hotel Limited

Directors' report For the year ended 31 July 2011

Directors' responsibilities statement

The directors are responsible for preparing the Directors' report 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 that law the directors have prepared 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 estimates that are reasonable and prudent;
- 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.

Statement of disclosure of information to auditors

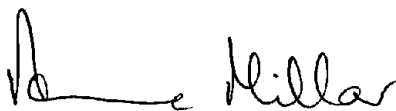
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Independent auditors

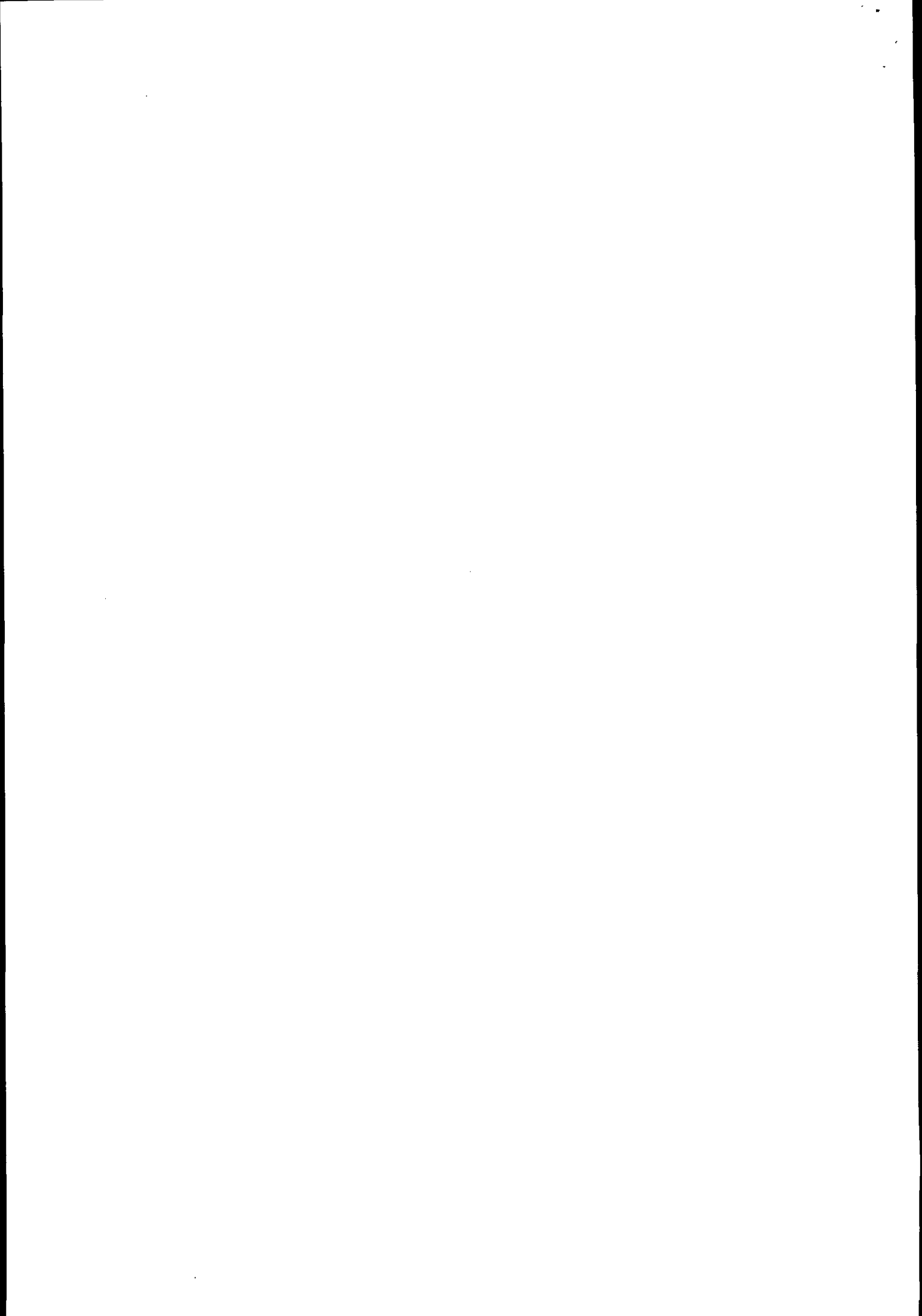
The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Anne Millar
Company secretary

Date: 5 January 2012



Armagh City Hotel Limited

Independent auditors' report to the members of Armagh City Hotel Limited

We have audited the financial statements of Armagh City Hotel Limited for the year ended 31 July 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are 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 and express an opinion on 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 company'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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

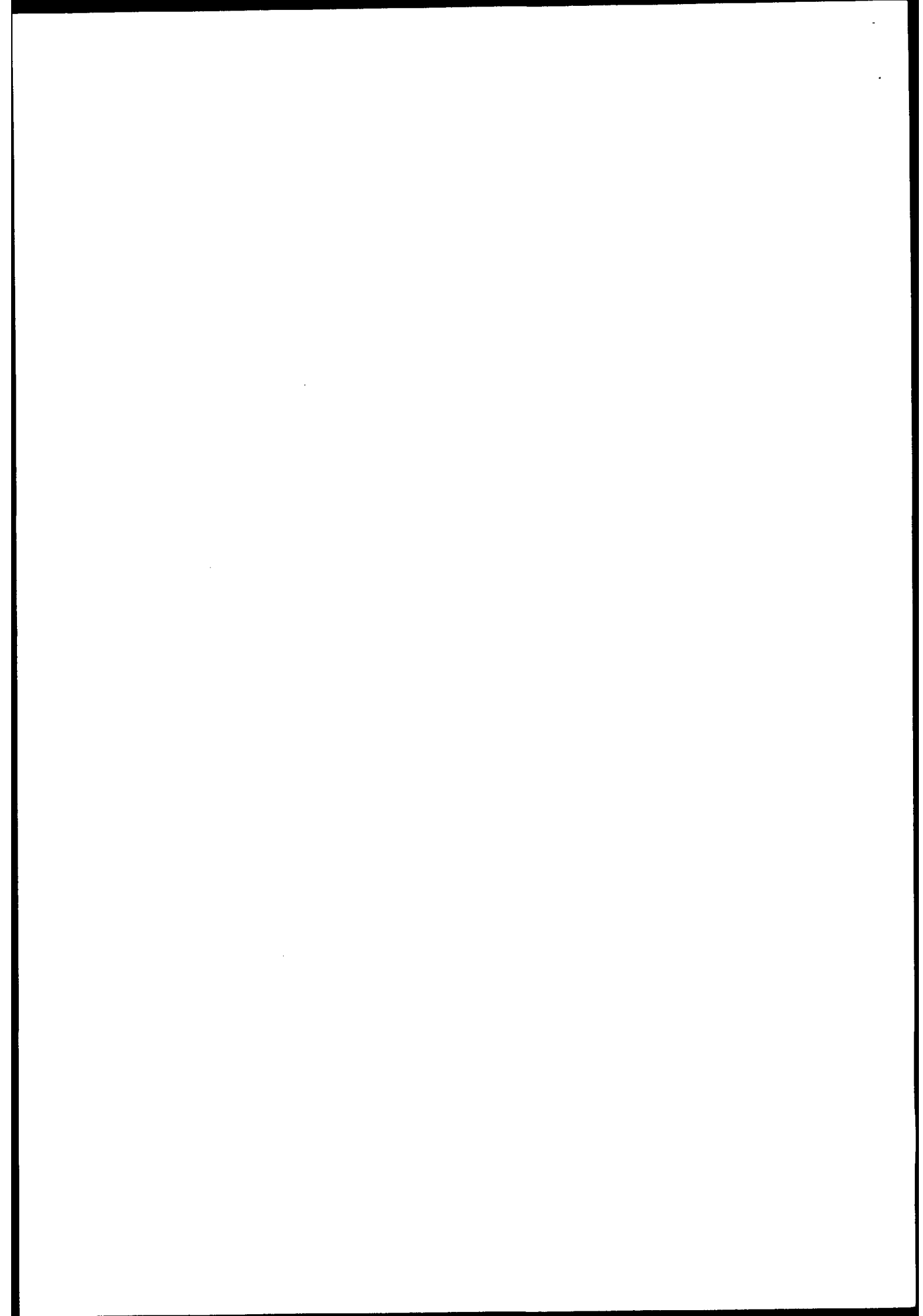
Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 July 2011 and of its profit and cash flows 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.

Opinion on other matter prescribed by the Companies Act 2006

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



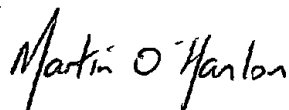
Armagh City Hotel Limited

Independent auditors' report to the members of Armagh City Hotel Limited

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

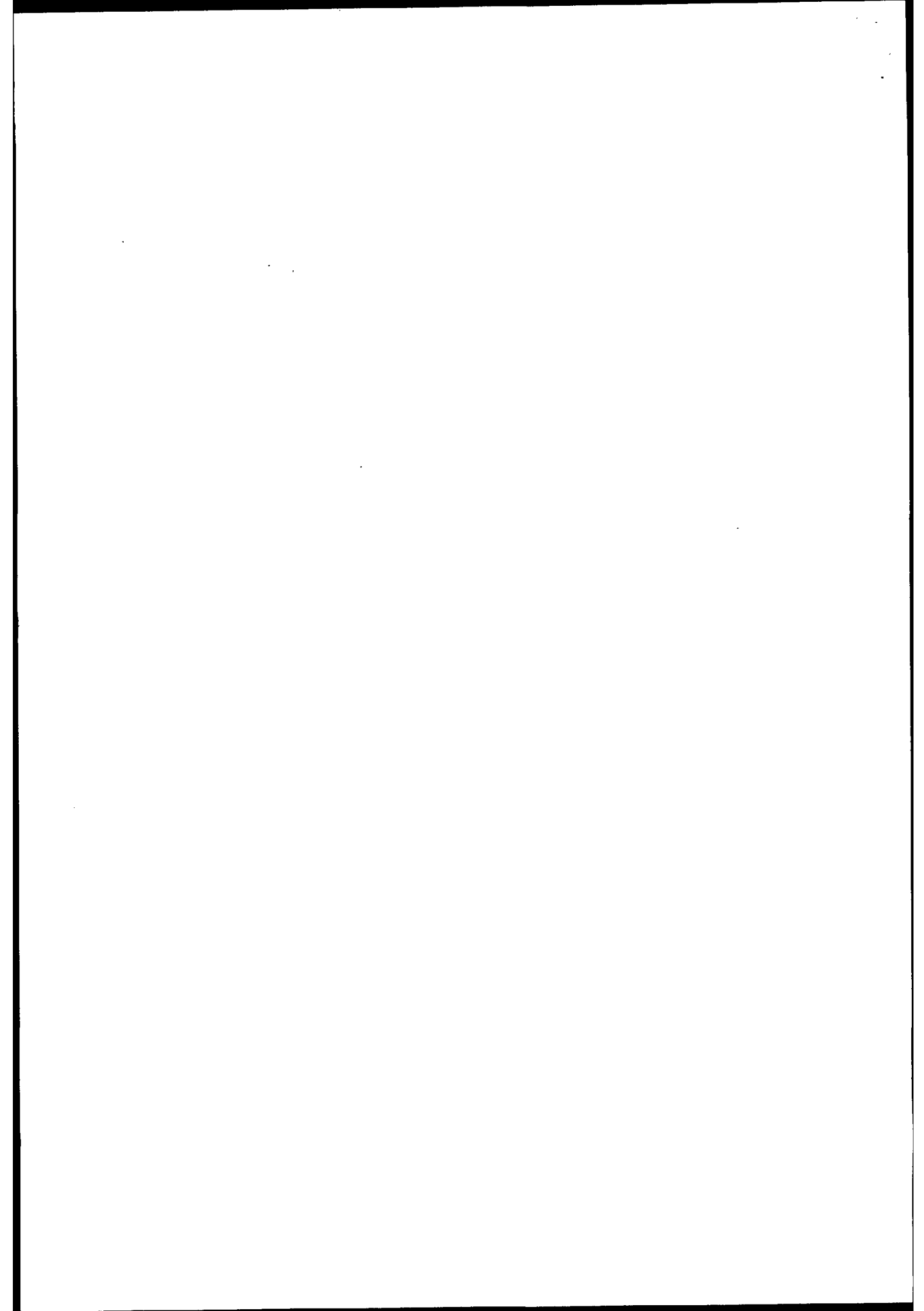


Martin O'Hanlon (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

32 Linen Green
Dungannon
Co Tyrone
BT71 7HB

5 January 2012



Armagh City Hotel Limited

**Profit and loss account
For the year ended 31 July 2011**

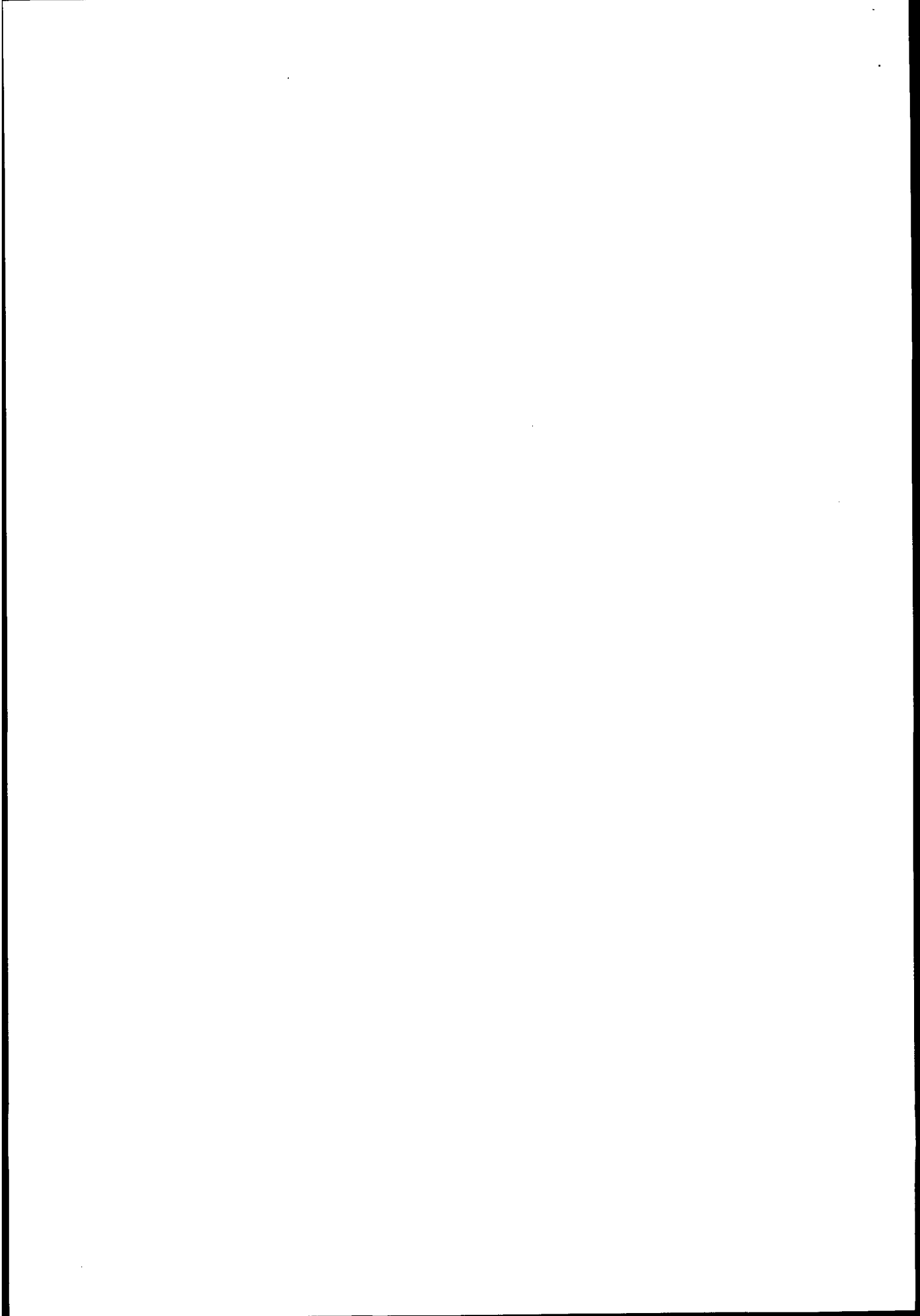
	Note	2011 £	2010 £
Turnover	1,2	4,718,528	4,442,765
Cost of sales		(3,749,244)	(3,661,411)
Gross profit		969,284	781,354
Administrative expenses		(496,672)	(499,195)
Operating profit	3	472,612	282,159
Interest payable and similar charges	5	(36,810)	(42,937)
Profit on ordinary activities before taxation		435,802	239,222
Tax on profit on ordinary activities	6	-	-
Profit for the financial year	15	435,802	239,222

All amounts above relate to continuing operations of the company.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above, and their historical cost equivalents.

The notes on pages 9 to 19 form part of these financial statements.



Armagh City Hotel Limited
Registered number: NI030708

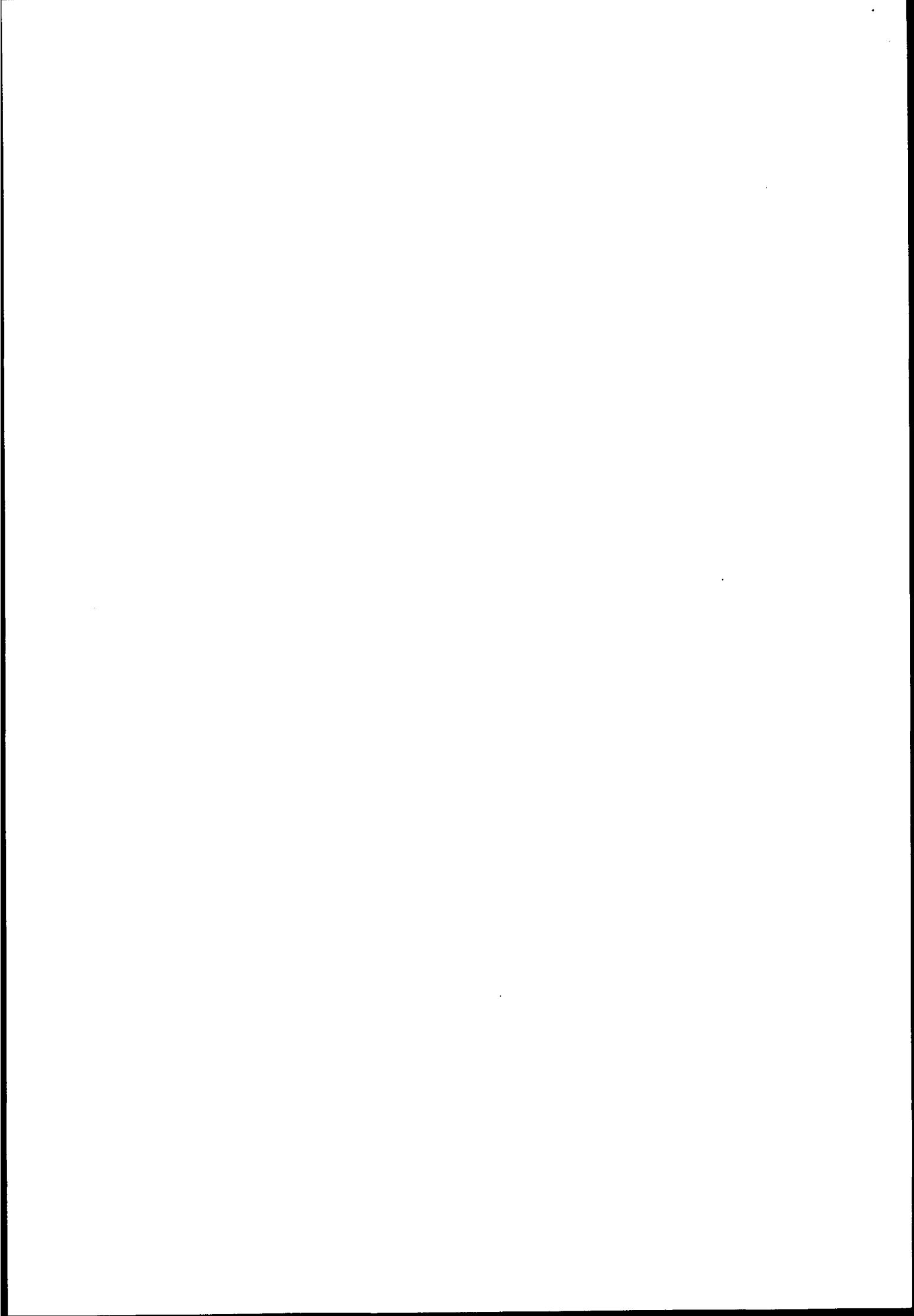
Balance sheet
As at 31 July 2011

	Note	£	31 July 2011 £	£	1 August 2010 £
Fixed assets					
Tangible assets	7		6,101,942		6,328,407
Current assets					
Stocks	8	115,760		101,950	
Debtors	9	292,476		247,739	
Cash at bank and in hand		109,888		183,999	
		<u>518,124</u>		<u>533,688</u>	
Creditors: amounts falling due within one year	10	<u>(1,230,449)</u>		<u>(1,137,656)</u>	
Net current liabilities			<u>(712,325)</u>		<u>(603,968)</u>
Total assets less current liabilities			<u>5,389,617</u>		<u>5,724,439</u>
Creditors: amounts falling due after more than one year	11		<u>(1,782,538)</u>		<u>(2,511,248)</u>
Accruals and deferred income	13		<u>(1,841,692)</u>		<u>(1,883,606)</u>
Net assets			<u><u>1,765,387</u></u>		<u><u>1,329,585</u></u>
Capital and reserves					
Called up share capital	14		1,539,700		1,539,700
Share premium account	15		1,013,302		1,013,302
Profit and loss account	15		<u>(787,615)</u>		<u>(1,223,417)</u>
Total shareholders' funds	16		<u><u>1,765,387</u></u>		<u><u>1,329,585</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 5 January 2012.


Kieran McAnallen
Director

The notes on pages 9 to 19 form part of these financial statements.



Armagh City Hotel Limited

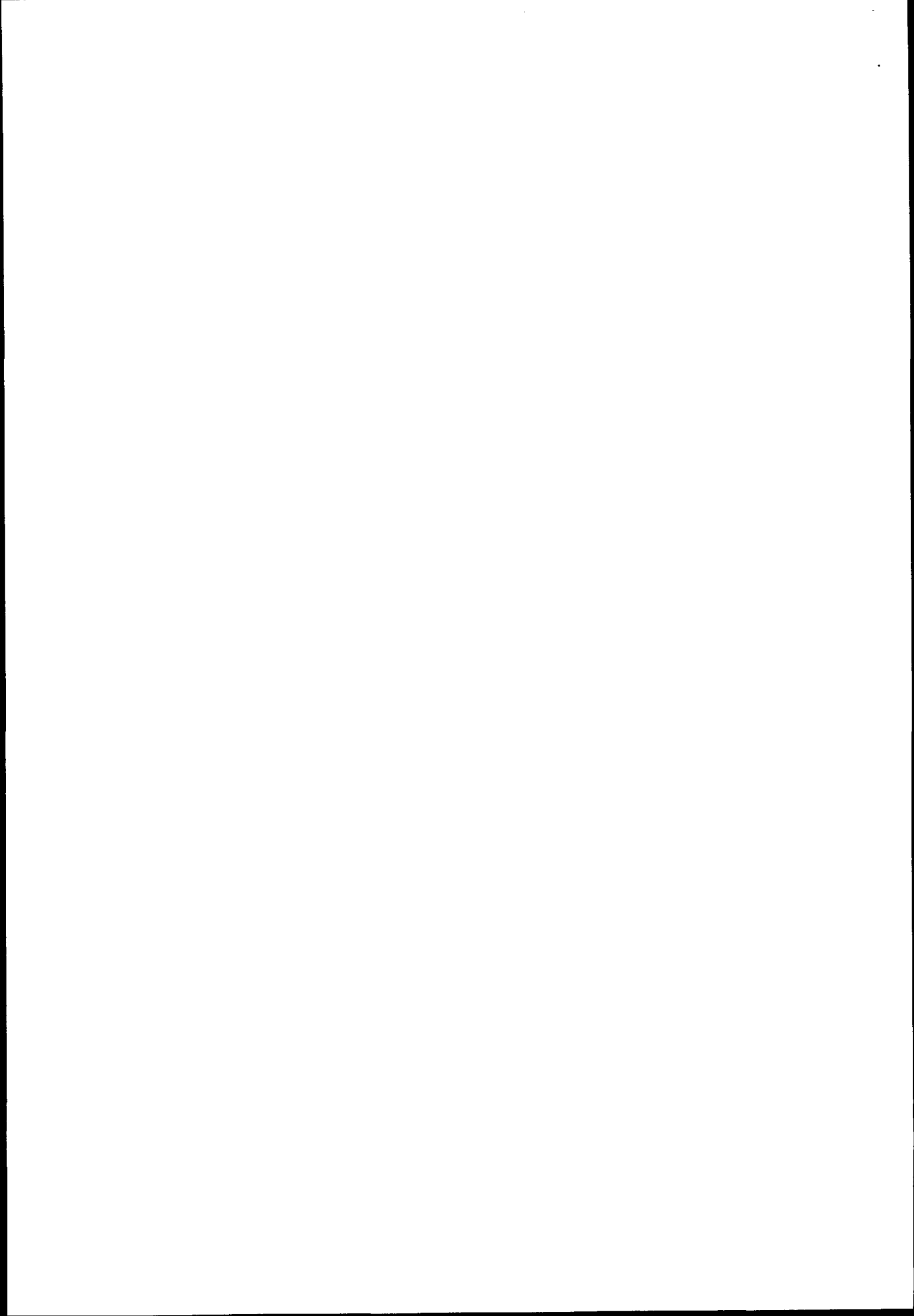
Cash flow statement For the year ended 31 July 2011

	Note	2011 £	2010 £
Net cash flow from operating activities	17	550,474	547,810
Returns on investments and servicing of finance	18	(38,118)	(43,709)
Capital expenditure and financial investment	18	(23,937)	(64,114)
Net cash inflow before financing		488,419	439,987
Financing	18	(562,530)	(415,445)
(Decrease)/increase in net cash in the year		(74,111)	24,542

Reconciliation of net cash flow to movement in net debt For the year ended 31 July 2011

	2011 £	2010 £
(Decrease)/increase in net cash in the year	(74,111)	24,542
Cash outflow from decrease in debt and lease financing	562,530	415,445
Movement in net debt in the year	488,419	439,987
Net debt at 2 August 2010	(1,999,158)	(2,439,145)
Net debt at 31 July 2011	(1,510,739)	(1,999,158)

The notes on pages 9 to 19 form part of these financial statements.



**Notes to the financial statements
For the year ended 31 July 2011**

1. Accounting policies

1.1 Basis of preparation of financial statements

These financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 Turnover

Turnover represents net sales to customers and excludes value added tax. Turnover is recognised when, and to the extent that, the company obtains the right to consideration in exchange for its performance.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working conditions for its intended use.

Depreciation is calculated so as to write off the cost, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

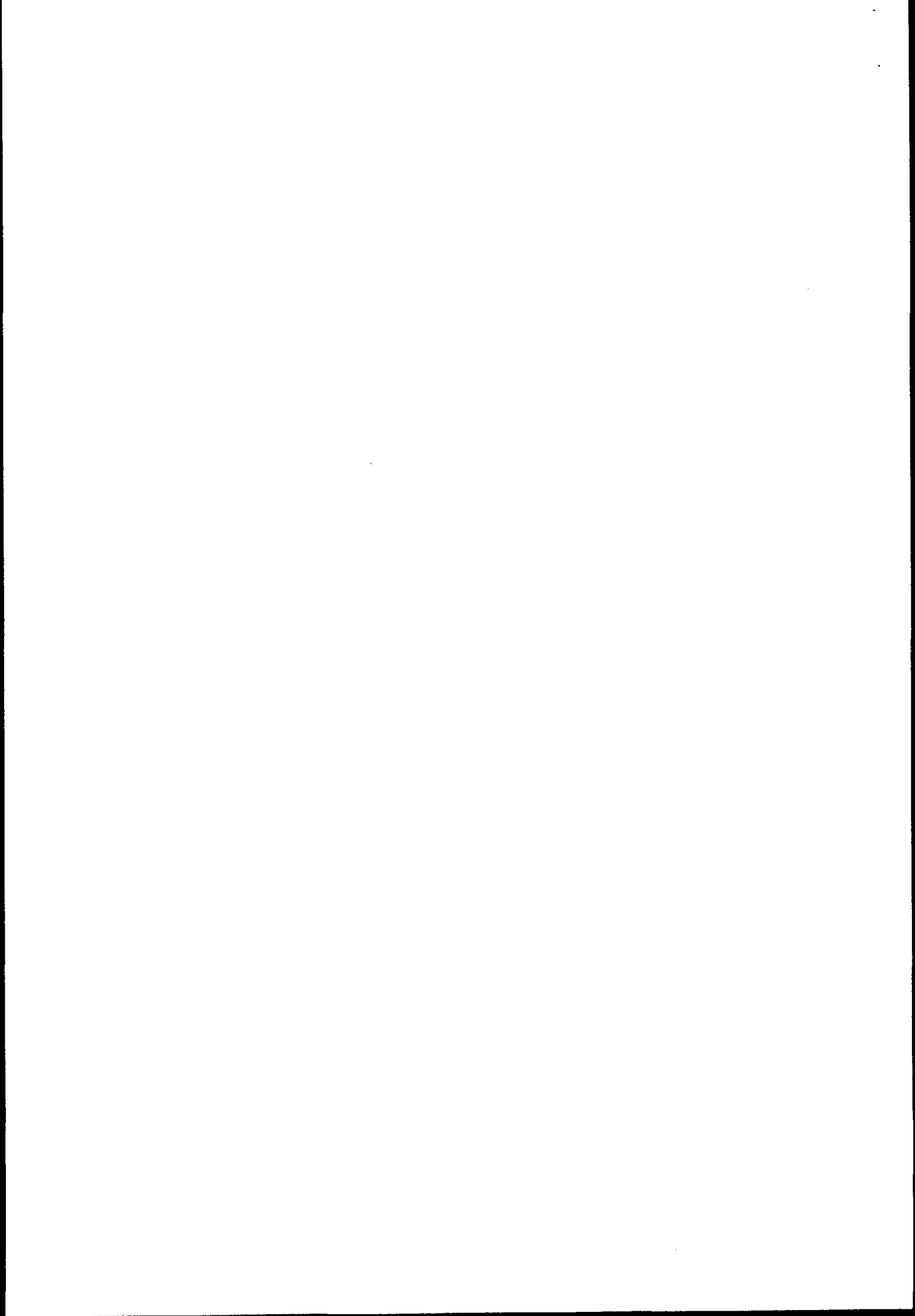
Freehold land and buildings	-	2% straight line
Plant and equipment	-	12.5% straight line
Motor vehicles	-	25% straight line
Hotel equipment	-	25% straight line
Furniture	-	25% straight line
Administration and IT equipment	-	25% straight line
Soft furnishings and original art	-	20-25% straight line

1.4 Finance leases and hire purchase contracts

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost is determined on a first in first out basis.



**Notes to the financial statements
For the year ended 31 July 2011**

1. Accounting policies (continued)

1.6 Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.8 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred.

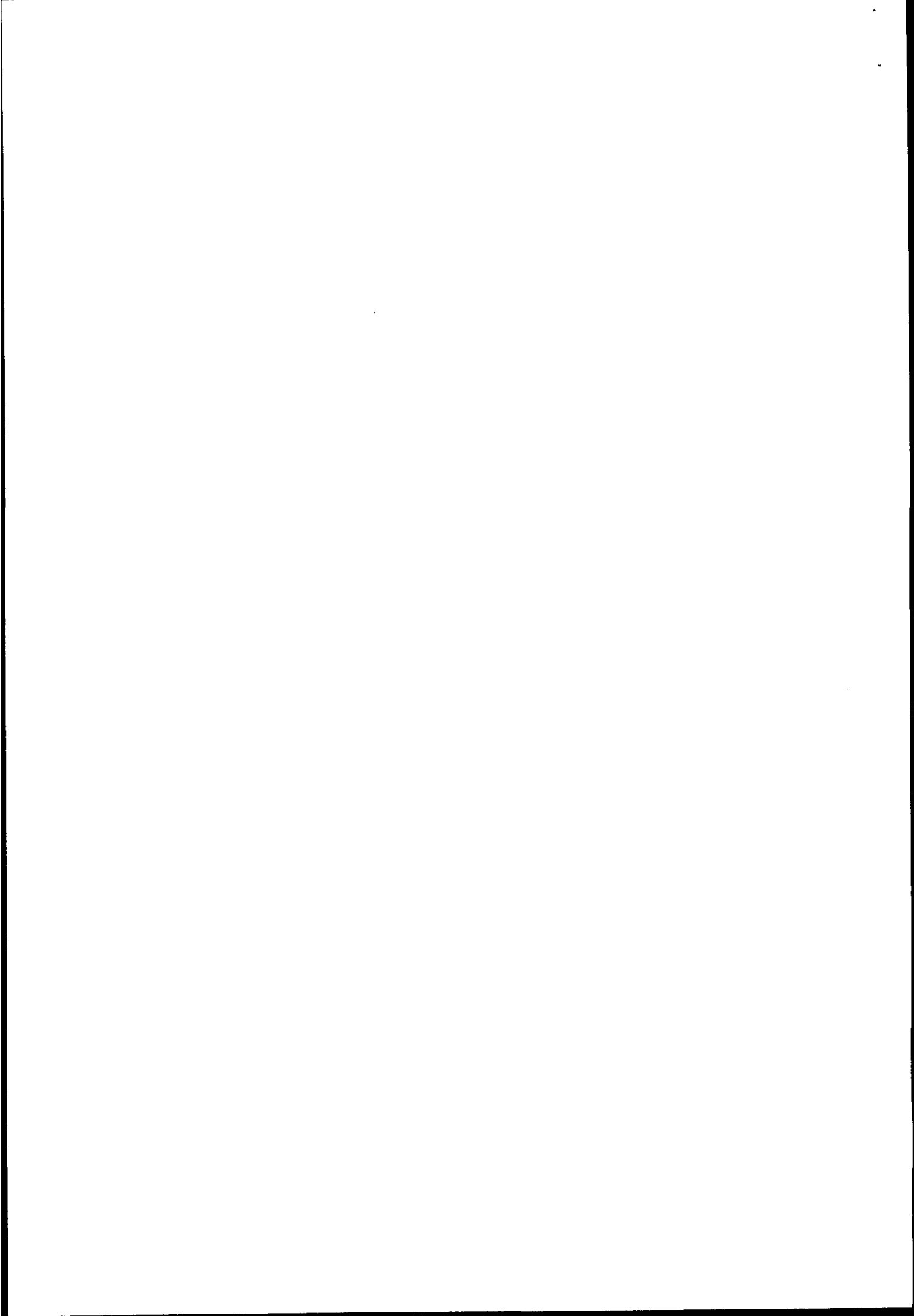
1.9 Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

2. Turnover

The whole of the turnover is attributable to the company's principal activity.

All turnover arose within the United Kingdom.



Armagh City Hotel Limited

Notes to the financial statements **For the year ended 31 July 2011**

3. Operating profit

The operating profit is stated after charging/(crediting):

	2011 £	2010 £
Depreciation of tangible fixed assets:		
- owned by the company	251,619	536,370
- held under finance leases	3,162	3,162
Auditors' remuneration	8,840	8,840
Difference on foreign exchange	(632)	(219)
Loss on disposal of tangible fixed assets	-	709
Deferred capital grant released	(46,293)	(132,234)
	<u> </u>	<u> </u>

During the year, no director received any emoluments (2010: £nil).

4. Staff costs

Staff costs were as follows:

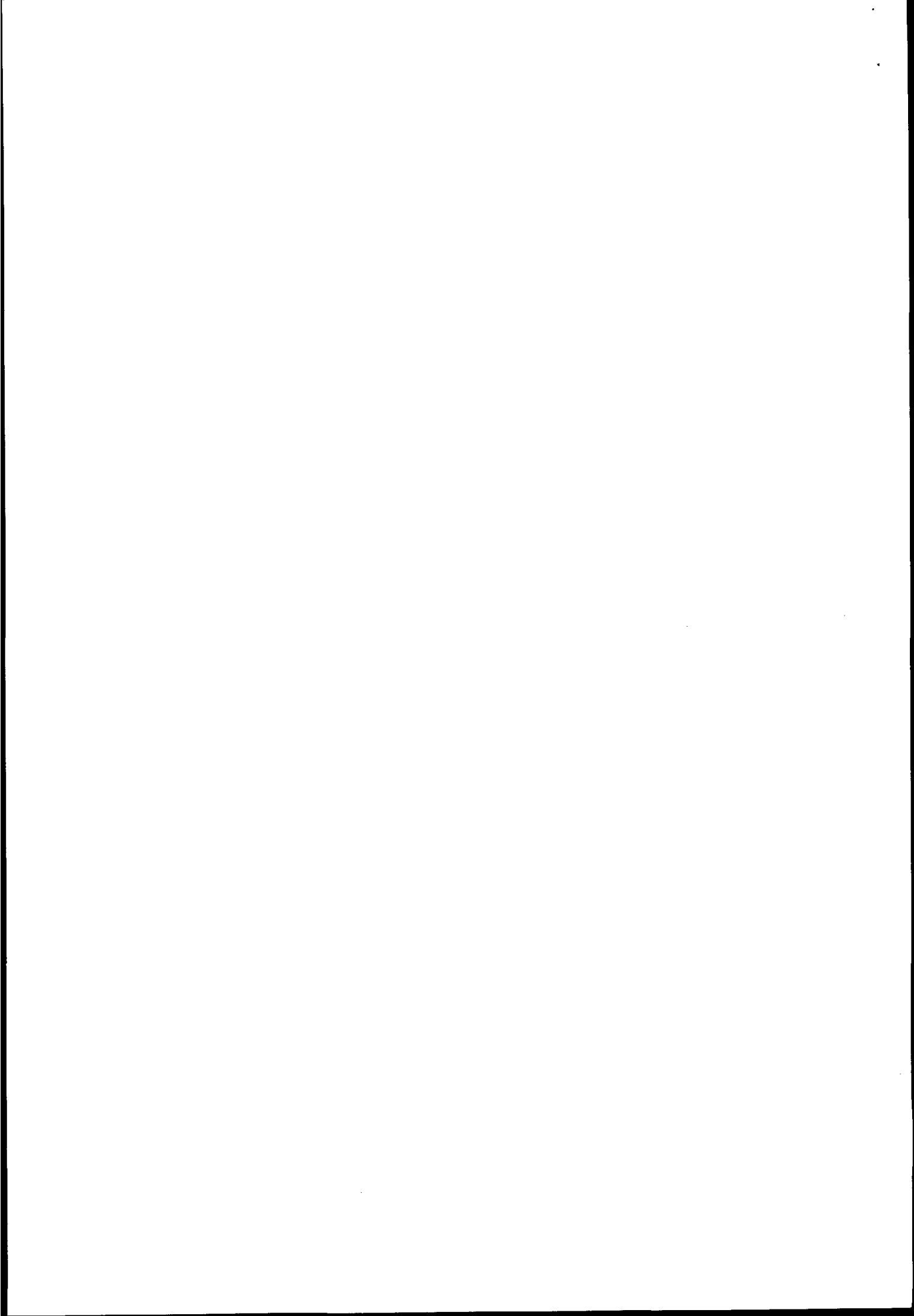
	2011 £	2010 £
Wages and salaries	1,606,621	1,517,318
Social security costs	96,745	87,488
	<u> </u>	<u> </u>
	<u>1,703,366</u>	<u>1,604,806</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2011 Number	2010 Number
Administration	6	6
Others	126	119
	<u> </u>	<u> </u>
	<u>132</u>	<u>125</u>

5. Interest payable and similar charges

	2011 £	2010 £
On bank loans and overdrafts	35,677	42,431
Other interest payable	627	-
On finance leases and hire purchase contracts	506	506
	<u> </u>	<u> </u>
	<u>36,810</u>	<u>42,937</u>



Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2011

6. Tax on profit on ordinary activities

	2011 £	2010 £
UK corporation tax charge on profit for the year	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2010: lower than) the standard rate of corporation tax in the UK of 20% (2010: 21%). The differences are explained below:

	2011 £	2010 £
Profit on ordinary activities before taxation	435,802	239,222
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2010: 21%)	87,160	50,236
Effects of:		
Expenses not deductible for tax purposes	(6,853)	1,318
Non qualifying asset depreciation	22,143	29,110
Movement in deferred tax asset not provided for	(96,514)	(65,070)
Industrial building allowances treated as a permanent difference	(5,936)	(15,594)
Total current tax (see note above)	-	-

Factors that may affect future tax charges

The company has carried forward tax losses totalling £1,152,621 (2010: £1,672,128). These losses have not been recognised in the deferred tax calculation as they may not be utilised in the foreseeable future. However, if taxable profits do arise, these losses will be offset against future trading profits to reduce tax payable in the future by potentially £230,525 (2010: £351,147).

Deferred tax assets have not been discounted.

Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2011

7. Tangible fixed assets

	Freehold land and buildings £	Plant, equipment and motor vehicles £	Hotel equipment and furniture £	Administra- tion and IT equipment £	Soft furnishings and original art £	Total £
Cost						
At 2 August 2010	7,258,607	3,175,801	1,375,631	493,852	318,857	12,622,748
Additions	-	4,000	12,202	12,114	-	28,316
Disposals	-	-	(15,725)	-	(5,718)	(21,443)
At 31 July 2011	<u>7,258,607</u>	<u>3,179,801</u>	<u>1,372,108</u>	<u>505,966</u>	<u>313,139</u>	<u>12,629,621</u>
Accumulated depreciation						
At 2 August 2010	1,162,482	3,122,851	1,271,934	424,144	312,930	6,294,341
Charge for the year	136,788	18,563	62,892	35,168	1,370	254,781
On disposals	-	-	(15,725)	-	(5,718)	(21,443)
At 31 July 2011	<u>1,299,270</u>	<u>3,141,414</u>	<u>1,319,101</u>	<u>459,312</u>	<u>308,582</u>	<u>6,527,679</u>
Net book value						
At 31 July 2011	<u>5,959,337</u>	<u>38,387</u>	<u>53,007</u>	<u>46,654</u>	<u>4,557</u>	<u>6,101,942</u>
At 1 August 2010	<u>6,096,125</u>	<u>52,950</u>	<u>103,697</u>	<u>69,708</u>	<u>5,927</u>	<u>6,328,407</u>

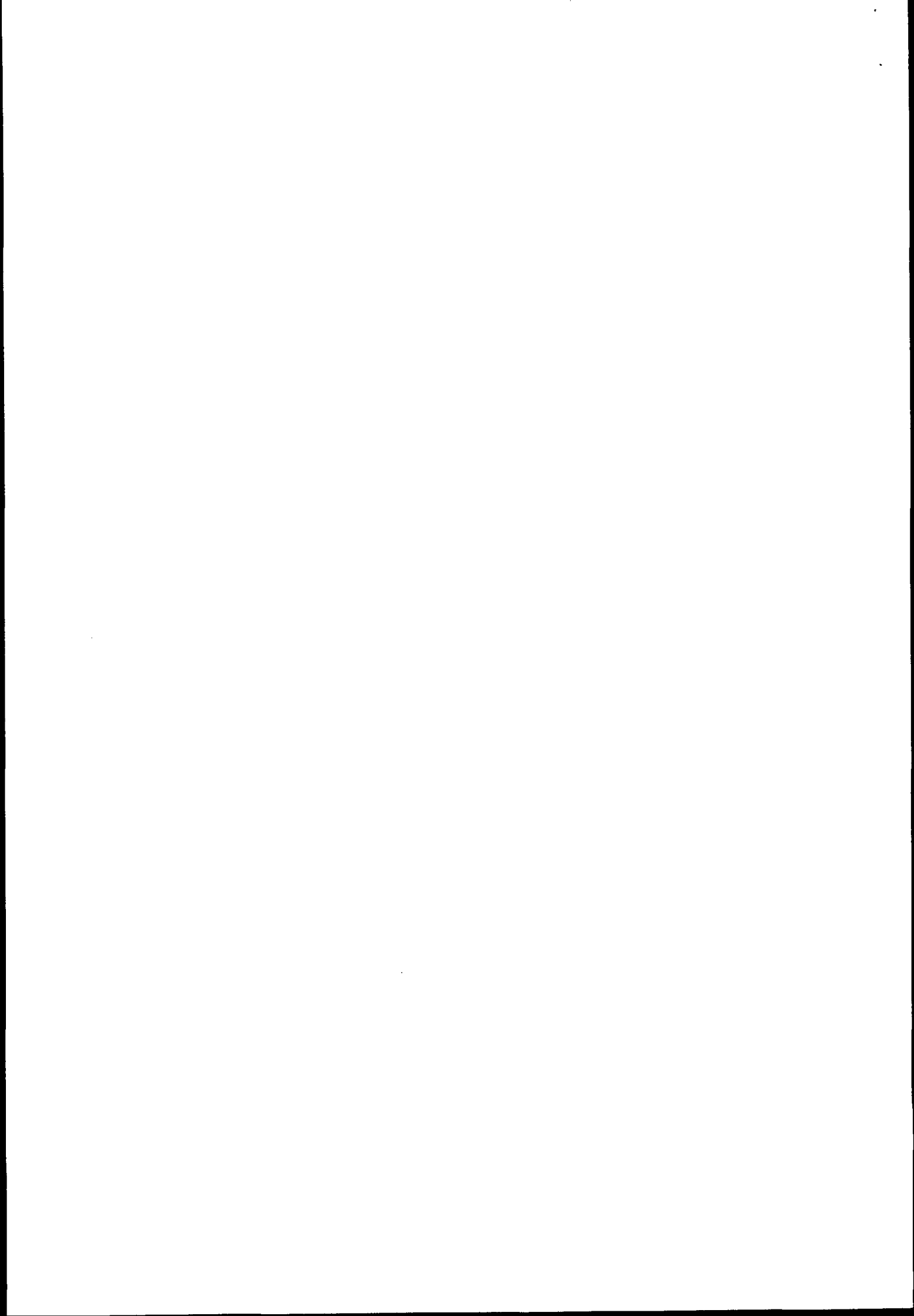
The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2011 £	2010 £
Administration and IT equipment	-	3,162

Included in land and buildings is freehold land at cost of £410,843 (2010: £410,843) which is not depreciated.

8. Stocks

	2011 £	2010 £
Consumables	<u>115,760</u>	<u>101,950</u>



Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2011

9. Debtors

	2011 £	2010 £
Trade debtors	68,995	68,873
Amounts owed by related undertakings	7,343	5,369
Other debtors	93,256	43,587
Prepayments and accrued income	122,882	129,910
	<u>292,476</u>	<u>247,739</u>

Amounts owed by related undertakings are unsecured, interest free and recoverable on demand.

10. Creditors: Amounts falling due within one year

	2011 £	2010 £
Bank loans and overdrafts	450,000	450,000
Other loans	20,416	35,000
Net obligations under finance leases and hire purchase contracts	211	2,530
Trade creditors	240,715	215,885
Amounts owed to related undertakings	71,461	-
Other taxation and social security	191,418	169,451
Other creditors	31,709	26,935
Accruals and deferred income	224,519	237,855
	<u>1,230,449</u>	<u>1,137,656</u>

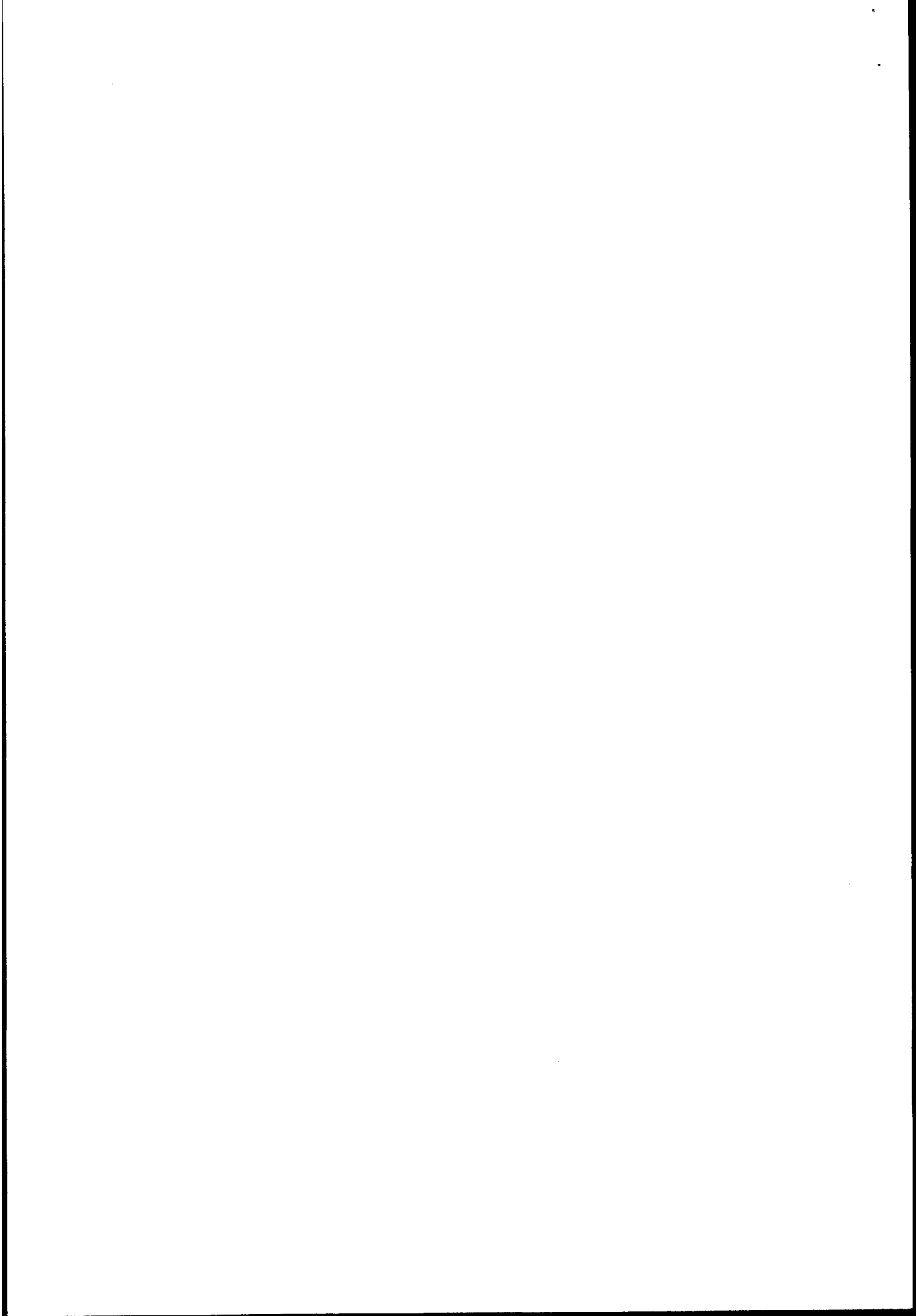
Security

The company's bank loan is secured as follows:

Mortgage debenture incorporating a fixed and floating charge over all company assets present and future including a specific charge over Armagh City Hotel Limited, a legal mortgage over 5.51 acres at Friary Road, Armagh and a counter indemnity in respect of contract/guarantee bond in favour of Bass Ireland Limited in the sum of £380,000.

Directors of the company Mr Kieran McAnallen, Mr Brian McCormack, Mr Ernest Fisher and Duriadry Development Company Limited, have provided letters of undertaking to First Trust Bank.

The amounts owed to related undertakings disclosed as falling due within one year are not secured, are interest free and repayable on demand.



Armagh City Hotel Limited

Notes to the financial statements **For the year ended 31 July 2011**

11. Creditors: **Amounts falling due after more than one year**

	2011 £	2010 £
Bank loans	1,150,000	1,675,000
Other loans	-	20,416
Net obligations under finance leases and hire purchase contracts	-	211
Amounts owed to related undertakings	632,538	815,621
	<u>1,782,538</u>	<u>2,511,248</u>

The amounts owed to related undertakings disclosed as falling due after more than one year are unsecured and interest free. The directors are of the opinion that this debt will fall due after more than one year.

Included within the above are amounts falling due as follows:

	2011 £	2010 £
Between one and two years		
Bank loans	450,000	450,000
Other loans	-	20,416
	<u>450,000</u>	<u>470,416</u>
Between two and five years		
Bank loans	700,000	1,225,000
	<u>700,000</u>	<u>1,225,000</u>
Over five years		
Amounts owed to related undertakings	632,538	815,621
	<u>632,538</u>	<u>815,621</u>

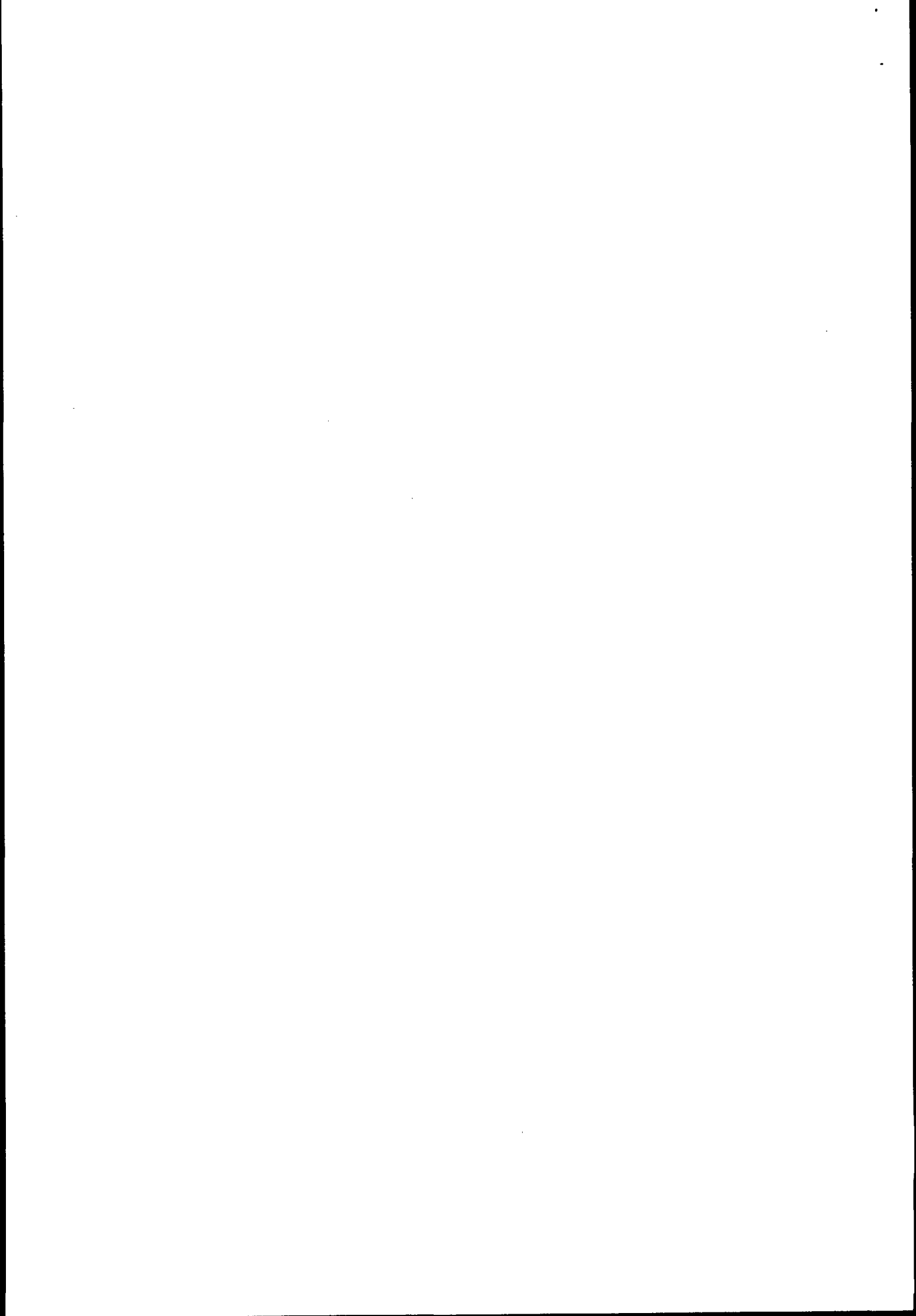
The bank loan is repaid by an annual capital repayment of £450,000. Interest is charged at 1.75% per annum variable being 1.25% above the bank's base rate.

Creditors include amounts not wholly repayable within 5 years as follows:

	2011 £	2010 £
Repayable other than by instalments	632,538	815,621
	<u>632,538</u>	<u>815,621</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2011 £	2010 £
Between one and five years	-	211
	<u>-</u>	<u>211</u>



Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2011

12. Deferred taxation

	2011 £	2010 £
At beginning and end of year	-	-

Deferred tax comprises:

	2011 £	2010 £
Accelerated capital allowances	3,103	14,889
Other	(230,525)	(351,147)
Total	(227,422)	(336,258)

Potential deferred taxation asset:

	2011 £	2010 £
Other	(227,422)	(336,258)

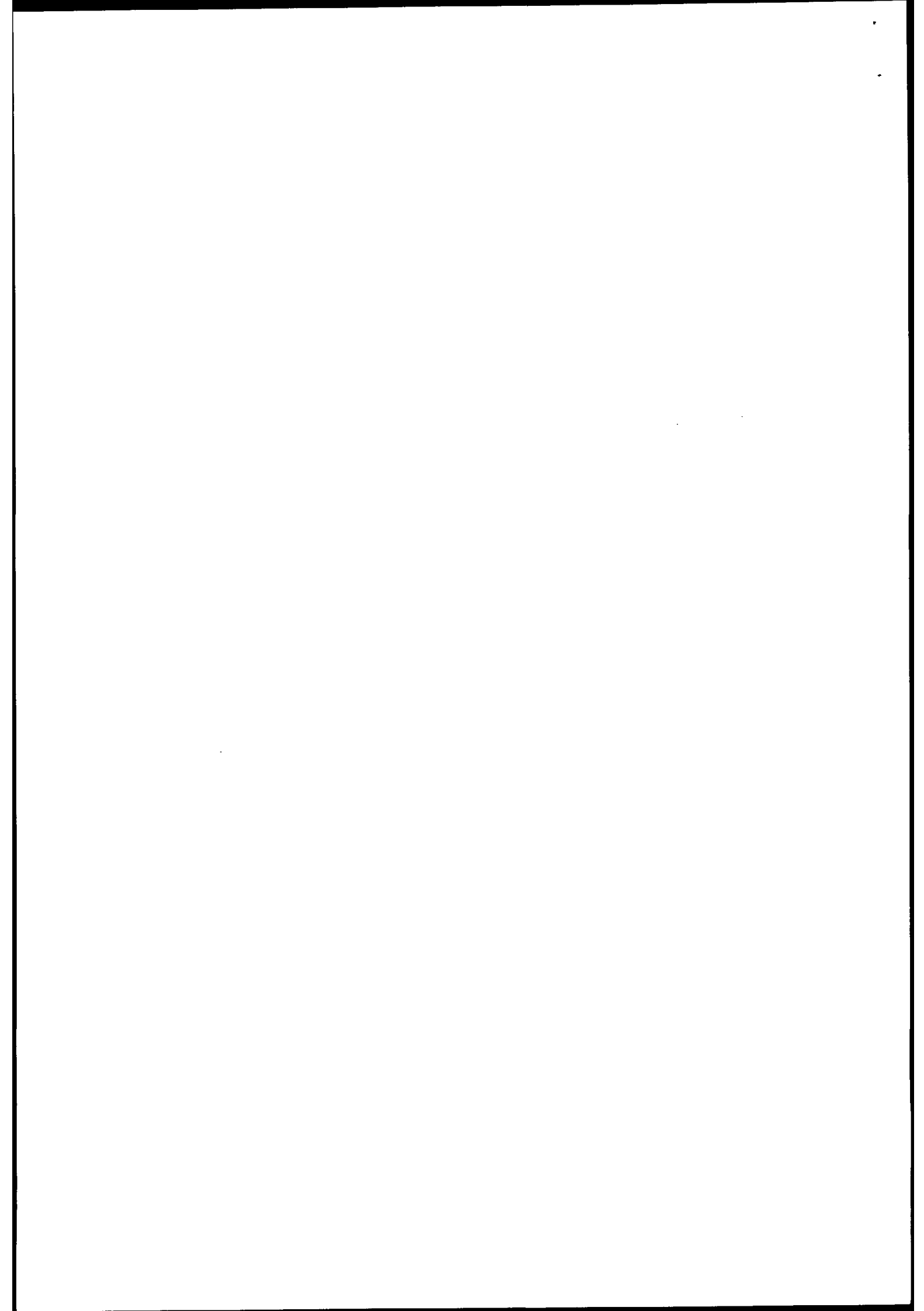
The above asset has not been accounted for as in the opinion of the directors the timing of its recovery in the foreseeable future is not certain. (See note 6).

13. Accruals and deferred income

	Grants £
At 2 August 2010	1,883,606
Additions	4,379
Released to the profit and loss account	(46,293)
At 31 July 2011	1,841,692

14. Called up share capital

	2011 £	2010 £
Allotted, called up and fully paid		
1,154,775 ordinary A shares of £1 each	1,154,775	1,154,775
384,925 ordinary B shares of £1 each	384,925	384,925
Total	1,539,700	1,539,700



Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2011

15. Reserves

	Share premium account £	Profit and loss account £
At 2 August 2010	1,013,302	(1,223,417)
Profit for the financial year		435,802
At 31 July 2011	<u>1,013,302</u>	<u>(787,615)</u>

16. Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Opening shareholders' funds	1,329,585	1,090,363
Profit for the financial year	435,802	239,222
Closing shareholders' funds	<u>1,765,387</u>	<u>1,329,585</u>

17. Net cash flow from operating activities

	2011 £	2010 £
Operating profit	472,612	282,159
Depreciation of tangible fixed assets	254,781	539,532
Loss on disposal of tangible fixed assets	-	709
Deferred capital grant release	(46,293)	(132,234)
Increase in stocks	(13,810)	(9,390)
Increase in debtors	(44,737)	(20,374)
Decrease in creditors	(72,079)	(112,592)
Net cash inflow from operating activities	<u>550,474</u>	<u>547,810</u>

18. Analysis of cash flows for headings netted in cash flow statement

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	-	102
Interest paid	(37,612)	(43,305)
Hire purchase interest	(506)	(506)
Net cash outflow from returns on investments and servicing of finance	<u>(38,118)</u>	<u>(43,709)</u>

Notes to the financial statements
For the year ended 31 July 2011

18. Analysis of cash flows for headings netted in cash flow statement (continued)

	2011 £	2010 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(28,316)	(64,114)
Government grants received	4,379	-
Net cash outflow from capital expenditure	<u>(23,937)</u>	<u>(64,114)</u>
	2011 £	2010 £
Financing		
Repayment of loans	(525,000)	(375,000)
Repayment of other loans	(35,000)	(37,917)
Repayment of finance leases	(2,530)	(2,528)
Net cash outflow from financing	<u>(562,530)</u>	<u>(415,445)</u>

19. Analysis of changes in net debt

	2 August 2010 £	Cash flow £	Other non-cash changes £	31 July 2011 £
Cash at bank and in hand	183,999	(74,111)	-	109,888
Debt:				
Debts due within one year	(487,530)	562,530	(545,627)	(470,627)
Debts falling due after more than one year	(1,695,627)	-	545,627	(1,150,000)
Net debt	<u>(1,999,158)</u>	<u>488,419</u>	<u>-</u>	<u>(1,510,739)</u>

20. Contingent liabilities

There is a contingent liability to repay government grants under the terms of the letter of offer if the company fails to achieve and maintain specified conditions. In the opinion of the directors the terms of the letter of offer have been complied with and no loss is expected.

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Armagh City Hotel Limited

Notes to the financial statements For the year ended 31 July 2011

21. Ultimate controlling party and related party transactions

Each of the shareholders of the company holds an equal number of shares in the company, and therefore there is deemed to be no ultimate controlling party.

The company has identified the following transactions, which must be disclosed under the terms of Financial Reporting Standard 8 "Related Party Disclosures".

(a) Dunadry Development Company Limited, a shareholder in Armagh City Hotel Limited, traded with the company during the year under the same terms as those available to other customers in the ordinary course of business. During the year Dunadry Development Company Limited raised a management charge of £173,924 (2010: £170,471) to Armagh City Hotel Limited.

The amount due to Dunadry Development Company Limited at 31 July 2011 was £13,923 (2010: £10,471).

Dunadry Development Company Limited owns 25% of the issued share capital of Armagh City Hotel Limited. At 31 July 2011, the balance outstanding on a loan made by Dunadry Development Company Limited to the company was £57,538 (2010: £115,075).

(b) Friary Road Enterprises Limited, of which Kieran McAnallen, Ernest Fisher, Brian McCormack and Felix Mooney are directors, traded with Armagh City Hotel Limited under the same terms as those available to other customers in the ordinary course of business.

The amount due from Friary Road Enterprises Limited at 31 July 2011 was £7,343 (2010: £5,102).

Armagh City Hotel Limited has received loans of £575,000 from Friary Road Enterprises Limited during 2005 and 2006, which are unsecured and there are no agreed repayment terms. At 31 July 2011, the amount owed by Armagh City Hotel Limited was £575,000 (2010: £575,000).

(c) Ernest Fisher, a director of Armagh City Hotel Limited is also a director of Fisher Holdings (NI) Limited, which owns 25% of the issued share capital of Armagh City Hotel Limited. At 31 July 2011, the balance outstanding on a loan made by Fisher Holdings (NI) Limited to the company was £57,538 (2010: £115,075).

(d) Directors of the company, Kieran McAnallen, Brian McCormack and Ernest Fisher and shareholder, Dunadry Development Company Limited, have provided letters of undertaking to First Trust Bank.

(e) TYR-ARM Properties Limited of which Kieran McAnallen is a director, traded with Armagh City Hotel Limited under the same terms as those available to other customers in the ordinary course of business.

Total purchases from TYR-ARM Properties Limited amounted to £8,200 (2010: £7,500).

The amount due to TYR-ARM Properties Limited at 31 July 2011 was £nil (2010: £nil).

