

Morethanhotels Limited

Report and Financial Statements

Year Ended

30 June 2013

Company Number 2567988



Morethanhotels Limited

Report and financial statements for the year ended 30 June 2013

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Directors

D Noble
D Myers
R Stockton

Secretary and registered office

Howard Kennedy FSI LLP, 179 Great Portland Street, London W1W 5LS

Company number

2567988

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

Morethanhotels Limited

Report of the directors for the year ended 30 June 2013

The directors present their report together with the audited financial statements for the year ended 30 June 2013

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year

No dividends were paid or declared during the current or prior period

Principal activities, review of business and future developments.

The company leases its properties to a fellow group company Morethanhotels Trading Limited which operates hotels branded as Holiday Inn Express under license from Intercontinental Hotels Group Inc

A review of the business and future developments of the group is included in the consolidated accounts of the ultimate parent undertaking, Morethan Equity Limited, together with a summary of the group's financial risk management policies

Directors

The directors of the company during the year were

D Noble
D Myers
R Stockton

Going concern

In determining the appropriate basis of preparation of the financial statements the Directors are required to consider whether the company can continue in operational existence for the next 12 months

The company is a member of the group headed by Morethan Equity Limited, and is subject to certain cross-guarantees in respect of a term loan within the group. The term loan was extended to and becomes due for repayment on 1 May 2014 and is currently £92.3m. There have been a number of breaches of the covenant conditions attached to the loan, and it is forecast that further breaches may occur in the period to 1 May 2014. The lenders have reserved their rights to take enforcement action in respect of the breaches, so there is a risk that the lenders may seek to call for repayment of some or all of such liabilities. If this were to occur the company may be unable to realise its assets and discharge its liabilities in the normal course of business. These circumstances would represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

However following discussion with the lenders and shareholders the Directors consider that the lenders' present intention is not to exercise any of their enforcement rights with respect to existing breaches within the period to 1 May 2014 at which point the term loan will be reviewed. Therefore the Directors consider it appropriate that the financial statements have been prepared on the going concern basis. Accordingly these financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Morethanhotels Limited

Report of the directors for the year ended 30 June 2013 (continued)

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The directors are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 show and explain the company's transactions, 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.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office. Under the Companies Act 2006 section 487 (2) they will automatically be reappointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their reappointment.

By order of the board



R Stockton
Director

Date 31 October 2013

Morethanhotels Limited

Independent auditor's report

TO THE MEMBERS OF MORETHANHOTELS LIMITED

We have audited the financial statements of Morethanhotels Limited for the year ended 30 June 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 30 June 2013 and of its result 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.

Emphasis of matter - going concern

In forming our opinion, on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. There exists a material uncertainty in respect of the continued availability of the term loan within the group headed by Morethan Equity Limited due to ongoing covenant breaches. This material uncertainty 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.

Morethanhotels Limited

Independent auditor's report (*continued*)

Opinion on other matters 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

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 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



James Fearon (*senior statutory auditor*)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

Date 31 October 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Morethanhotels Limited

Profit and loss account for the year ended 30 June 2013

	Note	2013 £	2012 £
Turnover	2	3,622,000	3,622,000
Cost of sales		1,031,698	1,237,016
Gross profit		2,590,302	2,384,984
Administrative expenses		3,746,315	3,282,762
Operating loss	3	(1,156,013)	(897,778)
Other interest receivable and similar income	4	1,122,538	866,232
Interest payable and similar charges	5	(143,471)	(129,302)
Loss on ordinary activities before taxation		(176,946)	(160,848)
Taxation on loss on ordinary activities	6	(357,977)	437,537
(Loss)/profit on ordinary activities after taxation		(534,923)	276,689
All amounts relate to continuing activities			

The notes on pages 8 to 13 form part of these financial statements

Morethanhotels Limited

Statement of total recognised gains and losses and note of historical cost profits and losses for the year ended 30 June 2013

Statement of total recognised gains and losses

	2013 £	2012 £
(Loss)/profit for the financial year	(534,923)	276,689
Unrealised deficit on revaluation of hotels in operation	-	(12,027,256)
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	(534,923)	(11,750,567)
	<hr/>	<hr/>

Note of historical cost profits and losses

	2013 £	2012 £
Reported loss on ordinary activities before taxation	(176,946)	(160,848)
Difference between actual and historical cost depreciation charge	327,961	533,278
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	151,015	372,430
	<hr/>	<hr/>
Historical cost (loss)/profit for the year after taxation	(206,962)	809,967
	<hr/>	<hr/>

The notes on pages 8 to 13 form part of these financial statements

Morethanhotels Limited

Balance sheet at 30 June 2013

Company number 2567988	Note	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Tangible assets	7		32,346,187		33,377,885
Current assets					
Debtors due within one year	8	22,294		149,329	
Debtors due after more than one year	8	20,934,536		20,174,312	
Net current assets			20,956,830		20,323,641
Total assets			53,303,017		53,701,526
Creditors: amounts falling due after more than one year	9		(13,694,392)		(13,557,978)
			39,608,625		40,143,548
Capital and reserves					
Called up share capital	10		13,568,154		13,568,154
Revaluation reserve	11		15,085,310		15,413,271
Profit and loss account	11		10,955,161		11,162,123
Shareholders' funds	12		39,608,625		40,143,548

The financial statements were approved by the board of directors and authorised for issue on 31 October 2013



R Stockton
Director

The notes on pages 8 to 13 form part of these financial statements

Morethanhotels Limited

Notes forming part of the financial statements for the year ended 30 June 2013

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of hotels in operation and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Going concern

In determining the appropriate basis of preparation of the financial statements the Directors are required to consider whether the company can continue in operational existence for the next 12 months

The company is a member of the group headed by Morethan Equity Limited, and is subject to certain cross-guarantees in respect of a term loan within the group. The term loan was extended to and becomes due for repayment on 1 May 2014 and is currently £92.3m. There have been a number of breaches of the covenant conditions attached to the loan, and it is forecast that further breaches may occur in the period to 1 May 2014. The lenders have reserved their rights to take enforcement action in respect of the breaches, so there is a risk that the lenders may seek to call for repayment of some or all of such liabilities. If this were to occur the company may be unable to realise its assets and discharge its liabilities in the normal course of business. These circumstances would represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

However following discussion with the lenders and shareholders the Directors consider that the lenders' present intention is not to exercise any of their enforcement rights with respect to existing breaches within the period to 1 May 2014 at which point the term loan will be reviewed. Therefore the Directors consider it appropriate that the financial statements have been prepared on the going concern basis. Accordingly these financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that 100% of the voting rights in the company are controlled within the group headed by Morethan Equity Limited and the company is included in consolidated financial statements.

Turnover

Turnover represents rental charges made to group companies.

Land and buildings

FRS 15 requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this land and buildings are subject to a full valuation every five years with an interim valuation carried out in the third year of this cycle.

The profit or loss on disposal of revalued properties is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves.

Morethanhotels Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (continued)

1 Accounting policies (continued)

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates

Hotels in operation - leasehold land	-	Over the period of the lease
Hotels in operation - buildings	-	50 years
Hotels in operation - fixed plant and surfaces	-	20 years

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief

Deferred tax balances are not discounted

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom

3 Operating (loss)/profit

	2013 £	2012 £
This is arrived at after charging		
Depreciation of tangible fixed assets	1,031,698	1,237,016
Provision against intercompany debtors	3,746,315	3,282,762

Auditor's remuneration is borne by a fellow group company

There are no staff other than the directors (2012 - Nil). The directors are remunerated by a fellow group company

4 Other interest receivable and similar income

	2013 £	2012 £
Loans to group companies	1,122,538	866,232

Morethanhotels Limited

Notes forming part of the financial statements
for the year ended 30 June 2013 (*continued*)

5 Interest payable and similar charges

	2013 £	2012 £
Interest payable to group companies	143,471	129,302

6 Taxation on profit on ordinary activities

	2013 £	2012 £
<i>Deferred tax</i>		
Origination and reversal of timing differences	(357,977)	437,537

The tax assessed for the year is lower than the standard rate of corporation tax in the UK The differences are explained below

	2013 £	2012 £
Loss on ordinary activities before tax	(176,946)	(160,848)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 23 75% (2012 - 25 5%)	(42,025)	(41,016)
Effect of		
Expenses not deductible for tax purposes	1,115,662	1,094,648
Depreciation for year in excess of capital allowances	18,475	(334,061)
Group relief	(1,092,112)	(719,571)
Tax losses utilised	-	-
Current tax charge for year	-	-

Morethanhotels Limited

Notes forming part of the financial statements
for the year ended 30 June 2013 (*continued*)

7 Tangible fixed assets

	Hotel freehold land and buildings £	Hotel leasehold land and buildings £	Hotel fixed plant and surfaces £	Total £
<i>Cost or valuation</i>				
At 1 July 2012 and 30 June 2013	22,231,599	7,538,639	3,607,647	33,377,885
<i>Depreciation</i>				
At 1 July 2012	-	-	-	-
Provided for the year	438,625	160,607	432,466	1,031,698
At 30 June 2013	438,625	160,607	432,466	1,031,698
<i>Net book value</i>				
At 30 June 2013	21,792,974	7,378,032	3,175,181	32,346,187
At 30 June 2012	22,231,599	7,538,639	3,607,647	33,377,885

On fixed plant a reclassification has been performed within the fixed asset table between cost brought forward and depreciation brought forward of £1,081,165 to reflect the revaluation performed in the prior year. There is no impact on the net book value.

Included in hotels in operation is freehold land amounting to £5,557,900 (2012 - £5,557,900) which is not depreciated.

The group's hotels in operation were subject to an external revaluation on 30 April 2012 by Christie & Co at existing use value and updated at 30 June 2012 for the purposes of the financial statements. In the directors' opinion there has been no material change that would impact the value at the year end.

The historical cost of hotels in operation is

	2013 £	2012 £
Cost	26,921,548	26,921,548
Accumulated depreciation based on historical cost	9,660,670	8,956,933
Historical cost net book value	17,260,878	17,964,615

Morethanhotels Limited

Notes forming part of the financial statements for the year ended 30 June 2013 (*continued*)

8 Debtors	2013 £	2012 £
<i>Amounts receivable within one year</i>		
Other debtors	22,294	149,329
	<hr/>	<hr/>
<i>Amounts receivable after more than one year</i>		
Amounts owed by group undertakings	19,384,332	18,266,131
Deferred taxation (see below)	1,550,204	1,908,181
	<hr/>	<hr/>
	20,934,536	20,174,312
	<hr/>	<hr/>
Total debtors	20,956,830	20,323,641
	<hr/>	<hr/>

Deferred taxation

The deferred tax asset related to depreciation charged in excess of capital allowances claimed and the movement during the year was as follows

	£
At 1 July 2012	1,908,181
Change in the year	(357,977)
	<hr/>
At 30 June 2013	1,550,204
	<hr/>

The amount of the deferred tax asset recognised has been restricted to the extent there is considered to be sufficient evidence as to its recoverability

9 Creditors: amounts falling due after more than one year	2013 £	2012 £
Amounts owed to group undertakings	13,694,392	13,557,978
	<hr/>	<hr/>
10 Share capital	2013 £	2012 £
<i>Allotted, called up and fully paid</i>		
1,356,815,418 Ordinary shares of £0.01 each	13,568,154	13,568,154
	<hr/>	<hr/>

Morethanhotels Limited

Notes forming part of the financial statements
for the year ended 30 June 2013 (continued)

11 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 July 2012	15,413,271	11,162,123
Loss for the year	-	(534,923)
Transfer	(327,961)	327,961
At 30 June 2013	15,085,310	10,955,161

12 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
(Loss)/profit for the year	(534,923)	276,689
Other net recognised gains and losses relating to the year	-	(12,027,256)
Net deductions to shareholders' funds	(534,923)	(11,750,567)
Opening shareholders' funds	40,143,548	51,894,115
Closing shareholders' funds	39,608,625	40,143,548

13 Contingent liabilities

The company is a guarantor of the bank borrowings in its intermediate parent undertaking Morethan Bidco Limited. At the year end the bank borrowings amounted to £92,301,959 (2012 - £90,604,262)

14 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Morethan Equity Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements

15 Ultimate parent company and parent undertaking of larger group

The intermediate parent company of Morethanhotels Limited is Morethanhotels Properties Limited. The ultimate parent company is Morethan Equity Limited

The largest and smallest group in which the results of the company are consolidated is that headed by Morethan Equity Limited. No other group accounts include the results of the company. The consolidated accounts of Morethan Equity Limited are available to the public and may be obtained from Howard Kennedy FSI LLP, 179 Portland Street, London W1W 5LS