

easyHotel Limited

Directors' report and financial
statements

30 September 2013

Registered number 05018910

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easvHotel Limited
Directors' report and financial statements
30 September 2013

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Directors

Sir Stelios Haji-Ioannou
Simon Champion

Registered Office

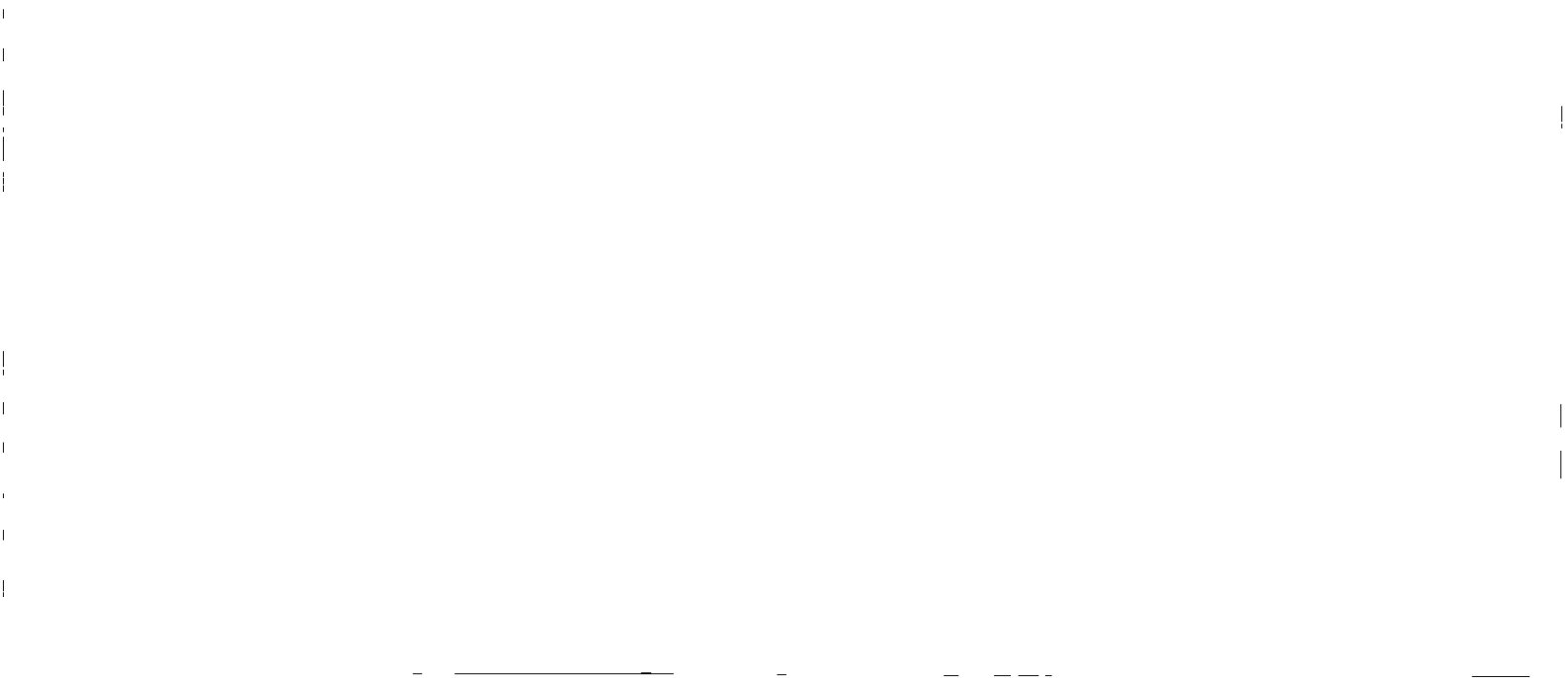
80 Old Street London EC1V 9AZ

Company Number

05018910

Auditor

BDO LLP 55 Baker Street London W1U 7EU



Directors' report

The directors present their report together with the audited financial statements for the year ended 30 September 2013. The comparative period is the nine months ended 30 September 2012.

Results and dividends

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

The directors do not recommend payment of an ordinary dividend (2012 - £nil).

Principal activities and review of the business

The principal activity of the company is the exploitation of the easy brand within the hotel sector.

There are now 21 properties on the easyHotel system. The company owns the freehold of 80 Old Street, London and 1 Hill Street, Glasgow. It also owns c1600sqm of offices at 22 Addiscombe Road, Croydon.

The Glasgow and Croydon acquisitions occurred post the 30 September 2013 year end, with 80 Old Street, London owned throughout the year.

Directors

The directors who served the company during the period were:

Sir Stelios Haji-Ioannou

Simon Champion

(Appointed 1st July 2013)



Directors' report *(continued)*

Statement of directors' responsibilities

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 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 judgements and accounting estimates that are reasonable and prudent

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.

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 and a resolution to re-appoint them will be proposed at the company's next general meeting.

In preparing the directors' report advantage has been taken of the small companies exemption under the Companies Act 2006.

By order of the board

 20 MAR 14

Sir Stelios Hapi-Ioannou

Director



Independent auditor's report

TO THE MEMBERS OF EASYHOTEL LIMITED

We have audited the financial statements of easyHotel Limited for the year ended 30 September 2013 which comprise the profit and loss account, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC'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 September 2013 and of its profit 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report (continued)
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
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime

BDO LLP

Marc Reinecke (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom 20/3/2014

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

Profit and loss account
for the year ended 30 September 2013

	Note	Year to 30 Sep 13 £	9 months to 30 Sep 12 £
System Sales		15 198 682	10 326 230
Payments to Franchisees		(12 555 184)	(9 001 676)
Turnover	2	2 643 498	1 324 554
Cost of sales		(352 217)	(365 268)
Gross profit		2 291 281	959 286
Administrative expenses		(925 425)	(639,091)
Operating profit	4	1 365 856	320 195
Interest payable and similar charges		-	(35 997)
Profit on ordinary activities before taxation		1 365 856	284 198
Tax on profit on ordinary activities	5	(351 247)	107 713
Profit for the period		1 014 609	391 911

All amounts relate to continuing activities

The company has no recognised gains or losses other than the profit for the period

The notes on pages 7 to 14 form part of these financial statements

easyHotel Limited
Directors' report and financial statements
30 September 2013

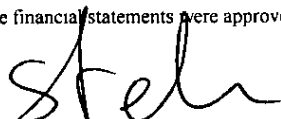
Balance sheet
as at 30 September 2013

Company Number 05018910

	Note	30 Sep 13 £	30 Sep 12 £
Fixed assets			
Tangible assets	6	11,770,333	12,136,218
		<u>11,770,333</u>	<u>12,136,218</u>
Current assets			
Debtors	7	27,359	2,421,882
Cash at bank & in hand		851,751	1,185,666
		<u>879,110</u>	<u>3,607,548</u>
Creditors amounts falling due within one year	8	(8,769,107)	(12,790,586)
Net current liabilities		<u>(7,889,997)</u>	<u>(9,183,038)</u>
Total assets less current liabilities		<u>3,880,336</u>	<u>2,953,180</u>
Creditors amounts falling due after one year	9	(466,367)	(553,820)
Net assets		<u><u>3,413,969</u></u>	<u><u>2,399,360</u></u>
Capital and reserves			
Called up share capital	10	2	2
Profit and loss account	11	413,968	(600,641)
Share Premium account	11	2,999,999	2,999,999
Shareholders' funds	12	<u><u>3,413,969</u></u>	<u><u>2,399,360</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The financial statements were approved by the Board of Directors and authorised for issue on _____ 2014

 20 MAR 14

Sir Stelios Haji-Ioannou
 Director

The notes on pages 7 to 14 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The account period is for the year to 30 September 2013. Comparative figures are for a nine month period from 1 January 2012 to 30 September 2012.

Going concern

The directors have prepared the financial statements on a going concern basis which they deem to be appropriate based on forecasted future trading and the availability of funding from the companies bankers and the parent company easyGroup Holdings Limited and its subsidiaries. See note 15 for further details.

easyGroup Holdings Limited has informed the company that it has undertaken not to call the shareholder loan if it prevents the company from meeting its liabilities as they fall due.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is small.

System Sales is the full amount that the customer pays for occupying a room at the hotel including at our franchisees' hotels.

Turnover is the full amount that the customer pays for our owned and operated hotels plus fees that we charge to our franchisees.

Where the company is entitled to receive upfront fees in relation to franchise agreements these are recognised as revenue when the contractual services are estimated to have been provided in accordance with the terms of the contract or over the term of the license. Where the terms of exclusivity contracts are breached the related deferred revenue is recognised in the year in which the breach occurs.

Fixed assets

All fixed assets are recorded at cost less provision for depreciation.

Depreciation

Depreciation is calculated so as to write off the cost of an asset less its estimated residual value over the useful economic life of that asset as follows:

Freehold Land and Building Core	- over 50 years
Freehold Building Surface Finishes and Services	- over 20 years
Plant and machinery	- over 20 years
Furniture and equipment	- over 3 - 5 years

Notes (continued)

1 Accounting policies (continued)

Gains and losses on disposal of fixed assets

The profit or loss on the disposal of a tangible fixed asset is accounted for in the profit and loss account in the year in which the disposal occurs as the difference between the net sale proceeds and the carrying amount.

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 have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.



Notes (continued)

2 Turnover

Turnover is wholly attributable to the principal activity of the company and is analysed by geographical market as follows

	Year to 30 Sep 13 £	9 months to 30 Sep 12 £
United Kingdom	2 187 253	1 014 085
Europe	354 660	252 477
Rest of World	101 585	57 992
	<u>2 643 498</u>	<u>1 324 554</u>

3 Directors' emoluments

	Year to 30 Sep 13 £	9 months to 30 Sep 12 £
Aggregate emoluments	<u>29 423</u>	<u>4 080</u>

The total amount payable to the highest paid director in respect of emoluments was £29 423

4 Operating profit

	Year to 30 Sep 13 £	9 months to 30 Sep 12 £
<i>Profit on ordinary activities has been arrived at after charging/ (crediting)</i>		
Depreciation of owned fixed assets	366 515	42 971
Auditors' remuneration - audit	20 000	20 000
- tax services	-	4 000
Foreign exchange differences	(70 192)	3 429
	<u></u>	<u></u>

Notes (continued)

5 Taxation

	Year to 30 Sep 13 £	9 months to 30 Sep 12 £
Current tax on income for the year	34 802	-
Deterred tax charge (note 10)	316 445	(107 713)
	<u>351 247</u>	<u>(107 713)</u>
	Year to 30 Sep 13 £	9 months to 30 Sep 12 £
Current tax reconciliation		
Profit / (loss) on ordinary activities before tax	1 365 856	284 198
Current tax at 23.50% (2012: 24.67%)	320 976	70 112
Effects of		
Movements on provisions	(7 827)	7 600
Disallowed expenses	3 586	3 918
Depreciation in excess of capital allowances	40 172	(29 584)
Utilization of losses brought forward	(322 105)	(52 046)
Losses carried forward not recognised		
	<u>34 802</u>	<u>-</u>

Factors that may affect future tax charges

At 30 September 2013 the company had losses of £Nil (2012 - £1 370 659) to carry forward and set against future trading profits subject to agreement by HM Revenue and Customs.

At 30 September 2013 the company had a potential deferred tax asset of £Nil (2012 - £328 958) in respect of trading losses. Of this £Nil has been recognised (2012 - £260 474).



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Notes (continued)

6 Tangible fixed assets

	Freehold Land and Building Core £	Freehold Building Surface Finishes and Services £	Plant and Machinery £	Furniture and equipment £	Total £
<i>Cost</i>					
At 30 Sep 2012	10 417 903	1 479 353	197 136	107 881	12 202 273
Additions in the period	-	-	-	630	630
At 30 Sep 2013	<u>10 417 903</u>	<u>1 479 353</u>	<u>197 136</u>	<u>108 511</u>	<u>12 202 903</u>
<i>Depreciation</i>					
At 30 Sep 2012	(14 059)	(12 328)	(1 643)	(38 025)	(66 055)
Charged in year	(161 437)	(172 161)	(9 857)	(23 062)	(366 515)
At 30 Sep 2013	<u>(175 496)</u>	<u>(184 489)</u>	<u>(11 500)</u>	<u>(61 087)</u>	<u>(432 570)</u>
<i>Net book value</i>					
At 30 Sep 2013	<u>10 242 407</u>	<u>1 294 864</u>	<u>185 636</u>	<u>47 424</u>	<u>11 770 333</u>
At 30 Sep 2012	<u>10 403 844</u>	<u>1 467 025</u>	<u>195 493</u>	<u>69 856</u>	<u>12 136 218</u>

7 Debtors

	30 Sep 13 £	30 Sep 12 £
Other debtors	-	2 002 297
Prepayments and accrued income	27 359	159 111
Deferred taxation asset	-	260 474
	<u>27 359</u>	<u>2 421 882</u>

Notes (continued)

8 Creditors amounts falling due within one year

	30 Sep 13 £	30 Sep 12 £
Trade creditors	338,627	479,410
Amounts owed to group undertakings	6,122,279	10,057,919
Other taxation and social security	77,530	6,535
Other creditors	6,020	105,079
Amounts received for bookings and payable to franchisees in the future	667,855	748,492
Amounts received for bookings in advance	1,201,882	1,232,983
Accruals and deferred income	264,141	160,168
Corporation taxation	34,802	-
Deferred taxation	55,971	-
	<u>8,769,107</u>	<u>12,790,586</u>

9 Creditors amounts falling due after more than one year

	30 Sep 13 £	30 Sep 12 £
Deferred royalty income	466,367	553,820
	<u>466,367</u>	<u>553,820</u>

10 Provisions for liabilities

	Deferred taxation (see below) £
At 1 October 2012	(260,474)
Charged to profit and loss account	316,445
At 30 September 2013	<u>55,971</u>

Deferred taxation

	30 Sep 13 £	30 Sep 12 £
Accelerated capital allowances	57,486	32,665
Sundry timing differences	-	(7,661)
Tax losses carried forward and other deductions	(1,515)	(285,478)
	<u>55,971</u>	<u>(260,474)</u>

11 Called up share capital

	30 Sep 13 £	30 Sep 12 £
<i>Allotted</i>		
Ordinary shares of £1 each		
Balance brought forward	2	1
Issue of shares for cash during period	-	1
	<u>2</u>	<u>2</u>
Balance carried forward	<u>2</u>	<u>2</u>



Notes (continued)

12 Reserves	Share Premium account £	Profit and loss account £
Balance brought forward	2,999,999	(600,641)
Profit for the year	-	1,014,609
Premium on share issued during the period	-	-
	<hr/>	<hr/>
Balance carried forward	2,999,999	413,968

13 Reconciliation of movements in shareholders' funds

	30 Sep 13 £	30 Sep 12 £
Profit for the financial year	1,014,609	391,911
Net proceeds of the issue of ordinary share capital	-	3,000,000
Opening shareholders' funds / (deficit)	2,399,360	(992,551)
	<hr/>	<hr/>
Closing shareholders' funds	3,413,969	2,399,360

14 Related party transactions and controlling party

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 easyGroup Holdings Limited on the grounds that it is a wholly owned subsidiary within that group

15 Post balance sheet events

On 6 December 2013 the company acquired the property at 1 Hill Street, Glasgow for £2,300,000. This was funded through a loan from EasyGroup Holdings.

On 18 December 2013 the company acquired c1,600 sqm of offices at 22 Addiscombe Road, Croydon for £1,626,000. This was funded through a loan from EasyGroup IP Licensing Ltd.

On 14 January 2014 the company obtained a bank facility totalling £8,700,000. The term of the facility is 36 months and £7,200,000 has been drawn down to date. The loan is secured over the company's Old Street and Croydon properties and a letter of undertaking from their parent company, easyGroup Holdings Limited.

	30 Sep 13 £	30 Sep 12 £
Contracted but not provided for	-	-
	<hr/>	<hr/>

Notes (continued)

17 Ultimate parent undertaking of the company

The company's immediate and ultimate parent undertaking is easyGroup Holdings Limited, a company incorporated in the Cayman Islands whose ultimate controlling party is the Stelios Trust, a Cayman Islands trust set up for the benefit of Sir Stelios Haji-Ioannou and others and in which he participates in the management of it. The financial statements of easyGroup Holdings Limited are not available to the public. easyGroup Holdings Limited operated from its branch office in Monaco with the following address: 8&9 Le Ruscino 14 Quai Antoine 1er Monaco MC 98000.