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easyHotel UK Limited

Directors' Report and Financial Statements

For the year ended 30 September 2014

Registered Number 05018910

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easyHotel UK Limited

Company Information

Directors

Simon Champion
Marc Vieilledent

Registered office

80 Old Street
London
EC1V 9AZ

Registered number

05018910

Independent auditor

BDO LLP
55 Baker Street
London
W1U 7EU

easyHotel UK Limited

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easyHotel UK Limited

Directors' Report for the year ended 30 September 2014

The directors present their report together with the audited financial statements for the year ended 30 September 2014.

Results and dividends

The profit and loss account is set out on page 6 and shows a profit for the year of £920,416 (2013 - £1,014,609).

No dividends are proposed for the financial year ended 30 September 2014 (2013 - £Nil).

Directors

The directors who served during the year were:

Sir Stelios Haji-Ioannou	(resigned 26 June 2014)
Simon Champion	
Darren Mee	(appointed 24 June 2014; resigned 29 January 2015)
Marc Vieilledent	(appointed 5 May 2015)

Principal activities

easyHotel is an international owner, developer, operator and franchisor of "easyHotel" branded hotels. easyHotel targets the "super budget" segment of the hotel industry by marketing "clean, comfortable and safe" hotel rooms to its guests. The Company primarily generates revenue from the provision of hotel accommodation and fees charged to franchisees. The Company had an estate of 19 hotels at 30 September 2014, 2 owned (Old Street and Glasgow) and 17 franchised. Its third owned hotel, in Croydon, opened in November 2014 while a further franchised hotel opened in January 2015 in Frankfurt. On 16 April 2015, the Company acquired a freehold building in Liverpool and plan to convert the four upper floors into a 68-bedroom easyHotel, expected to open in Spring 2016. On 4 June 2015, the Company acquired a freehold building in Manchester (subject to planning permission) and plan to convert the building into a 114-bedroom easyHotel, expected to open in Summer 2016.

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 requirements of 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.

easyHotel UK Limited

Directors' Report *(continued)* for the year ended 30 September 2014

Provision of information to auditor

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 auditor is unaware; and
- that director has taken all steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

BDO LLP have been reappointed as auditors via a resolution at the AGM held on 29 January 2015 in accordance with section 485 of the Companies Act 2006.

The directors' report has been prepared in accordance with the small companies regime (Companies Act 2006). As such, the Company is exempt from preparing a strategic report under Section 414B of the Companies Act 2006 Regulations 2013.

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

Director



M. VIEILLEDENT

Date

19/6/2015

easyHotel UK Limited

Independent auditor's report

TO THE MEMBERS OF EASYHOTEL UK LIMITED

We have audited the financial statements of easyHotel UK Limited for the year ended 30 September 2014 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

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 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 2014 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 year for which the financial statements are prepared is consistent with the financial statements.

easyHotel UK Limited

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; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime.



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

Date 22/6/2015

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

easyHotel UK Limited

Profit and loss account for the year ended 30 September 2014

	Note	2014 £	2013 £
System sales	1	17,327,350	15,198,682
Turnover	2	3,543,948	2,643,498
Cost of sales		(1,158,444)	(352,217)
Gross profit		2,385,504	2,291,281
Administrative expenses		(1,044,806)	(925,425)
Operating Profit	3	1,340,698	1,365,856
Analysed as:			
Adjusted EBITDA*		1,837,602	1,732,371
Depreciation		(410,771)	(366,515)
Exceptional items	4	(86,133)	
		1,340,698	1,365,856
Interest receivable and similar income	6	16,640	-
Interest payable and similar charges	7	(127,716)	-
Profit on ordinary activities before taxation		1,229,622	1,365,856
Tax on profit on ordinary activities	8	(309,206)	(351,247)
Profit for the financial year		920,416	1,014,609

*Adjusted EBITDA represents Earnings before Interest, Taxation and Depreciation adjusted for exceptional items.

All amounts relate to continuing operations.

There were no recognised gains or losses other than those included in the profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.

easyHotel UK Limited
Registered number 05018910
Balance sheet as at 30 September 2014

	Note	2014 £	2014 £	2013 £	2013 £
Assets					
Fixed assets					
Tangible assets	9		18,795,738		11,770,333
Current assets					
Debtors	10	819,133		27,359	
Cash at bank and in hand		23,071,683		851,751	
		<u>23,890,816</u>		<u>879,110</u>	
Creditors: amounts falling due within one year	11	(30,716,973)		(8,769,107)	
Net current assets/(liabilities)			<u>(6,826,157)</u>		<u>(7,889,997)</u>
Total assets less current liabilities			<u>11,969,581</u>		<u>3,880,336</u>
Creditors: amounts falling due after one year	12		<u>(7,635,196)</u>		<u>(466,367)</u>
Total net assets			<u>4,334,385</u>		<u>3,413,969</u>
Capital and reserves					
Called up share capital	14		2		2
Profit and loss account	15		1,334,384		413,968
Share Premium account	15		2,999,999		2,999,999
Shareholders' funds	16		<u>4,334,385</u>		<u>3,413,969</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 and authorised for issue by the Board of Directors on 19/6/15 and were signed on its behalf by:

Director



M. VIEILLEDENT

The notes on pages 8 to 17 form part of these financial statements.

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Going concern

In considering the going concern basis for preparing the financial statements, the Directors have considered the Company's objectives and strategy, the risks and uncertainties to achieving these objectives, and have reviewed business performance.

Accordingly, after reviewing the Company's expenditure commitments, current financial projections and expected future cash flows, together with available cash resources and undrawn committed borrowing facilities, the Directors consider that there are no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. On this basis, the Directors continue to adopt the going concern basis in preparing the financial statements.

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.

Turnover

Turnover arises from the provision of services where these activities give rise to economic benefits received and receivable by the Company on its own account and result in increases in equity. Revenue is the full amount that the customer pays for owned and operated hotels, plus fees charged to franchisees (excluding VAT and similar taxes).

Provided the amount, if applicable, can be measured reliably and it is probable that the Company will receive the consideration, revenue for services is recognised as follows:

Owned - primarily derived from hotel operations, including the rental of rooms and ad hoc utility services, this relates to sales from owned hotels operated under the "easy" brand name. Revenue is recognised when rooms are occupied and ad hoc utility services are sold.

Franchise fees - received in connection with the license of the Company's brand name, usually under long-term contracts with the hotel owner. The Company charges franchise royalty fees and processing fees as a percentage of room revenue and in some cases receives an upfront fee on the grant of a franchise. Revenue is earned and recognised when the customer has occupied the room at the franchisee's operated hotel accommodation and, for upfront fees, revenue is recognised evenly over the term of the franchise or exclusivity period.

System Sales – the full amount that the customer pays for occupying a room at the hotel, including at the franchised hotels.

Turnover – the full amount that the customer pays for our owned and operated hotels, plus fees charged to franchisees.

Consideration received in advance for which the revenue recognition criteria above have not been satisfied are deferred until such time as the revenue recognition criteria have been satisfied.

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014 (*continued*)

1 Accounting policies (*continued*)

Tangible fixed assets

Tangible fixed assets are initially recognised at cost and subsequently stated at cost less accumulated depreciation and, where appropriate, provision for impairment in value or estimated loss on disposal.

Freehold land is not depreciated. Depreciation is provided on all other tangible fixed assets so as to write off their carrying value, less its residual value, over their expected useful economic lives. It is provided at the following rates:

Freehold building core	-	over 50 years
Freehold building surface finishes and services	-	over 20 years
Plant and machinery	-	over 5 years (2013 - over 20 years)
Furniture and equipment	-	over 3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

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 interest of the company after deducting all of its liabilities.

Deferred taxation

Deferred tax assets and liabilities are 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.

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014 (continued)

2 Turnover

Turnover is wholly attributable to the principal activity of the company and is analysed by geographical market below:

	2014 £	2013 £
United Kingdom	2,808,832	2,187,253
Europe	548,754	354,660
Rest of the World	186,362	101,585
	<u>3,543,948</u>	<u>2,643,498</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2014 £	2013 £
Foreign exchange translation differences	5,913	(70,192)
Auditors remuneration		
Company audit fees	25,000	20,000
Fees for other services	-	-
	<u>25,000</u>	<u>20,000</u>

4 Exceptional items

	2014 £	2013 £
Balance sheet write-offs	45,633	-
Other exceptional costs	30,000	-
Director recruitment expenses	10,500	-
	<u>86,133</u>	<u>-</u>

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014 (continued)

5 Staff and key management

The aggregate amounts payable to people employed by the Company (including Directors) during the year was as follows:

	2014 £	2013 £
Wages and salaries	365,299	228,279
Social security costs	33,819	22,015
	<u>399,118</u>	<u>250,294</u>

The average number of employees during the year was 11 (2013 - 10).

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, and are considered to be directors of the Company.

	2014 £	2013 £
Aggregate emoluments	76,815	29,423

The remuneration to the highest paid director amounted to £76,815 (2013 - £29,423).

6 Interest receivable and similar income

Recognised in profit or loss:

	2014 £	2013 £
Interest received	16,640	-

7 Interest payable and similar charges

Recognised in profit or loss:

	2014 £	2013 £
Loan interest payable	122,684	-
Bank interest payable	5,032	-
	<u>127,716</u>	<u>-</u>

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014 (continued)

8 Income tax

	2014 £	2013 £
Current tax expense		
Current tax on income for the year	251,422	34,802
	<hr/>	<hr/>
Total current tax	251,422	34,802
Deferred tax expense		
Deferred tax charge for the year (note 13)	57,784	316,445
	<hr/>	<hr/>
Total income tax expense	309,206	351,247
	<hr/>	<hr/>

The reasons for the difference between the current tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2014 £	2013 £
Profit on ordinary activities before tax	1,229,622	1,365,856
Current tax at 22% (2013 - 23.50%)	270,517	320,976
Effects of:		
Movements on provisions	-	(7,827)
Expenses not deductible for tax purposes	33,092	3,586
Depreciation in excess of capital allowances	(50,521)	40,172
Tax losses carried forward	(1,666)	-
Utilisation of losses brought forward	-	(322,105)
	<hr/>	<hr/>
	251,422	34,802
	<hr/>	<hr/>

Factors affecting the future tax charge

The Finance Act 2013 reduced the main rate of corporation tax by 2% to 21% from 1 April 2014 and by a further 1% to 20% from 1 April 2015

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014 (continued)

9 Tangible fixed assets

	Freehold land and building core £	Freehold building surface finishes and services £	Plant and machinery £	Furniture and equipment £	Total £
Cost					
At 1 October 2013	10,417,902	1,479,353	197,136	108,511	12,202,902
Additions	5,745,754	1,123,415	399,058	167,949	7,436,176
Disposals	-	-	(197,136)	-	(197,136)
At 30 September 2014	16,163,656	2,602,768	399,058	276,460	19,441,942
Accumulated depreciation					
At 1 October 2013	(175,494)	(184,489)	(11,500)	(61,086)	(432,569)
Charge for the year	(102,837)	(82,506)	(202,169)	(23,259)	(410,771)
Disposals	-	-	197,136	-	197,136
At 30 September 2014	(278,331)	(266,995)	(16,533)	(84,345)	(646,204)
Net book value At 30 September 2014	15,885,325	2,335,773	382,525	192,115	18,795,738
At 30 September 2013	10,242,408	1,294,864	185,636	47,425	11,770,333

10 Debtors

	2014 £	2013 £
Trade debtors	661,535	-
Other debtors	60,284	-
Prepayments and accrued income	97,314	27,359
	819,133	27,359

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014 (continued)

11 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	246,225	338,627
Amounts owed to group undertakings	27,220,768	6,122,279
Other taxation and social security	509,276	77,530
Other creditors	19,027	6,020
Amounts payable to franchisees in future	525,422	667,855
Bookings in advance	1,651,843	1,201,882
Accruals and deferred income	234,473	264,141
Corporation taxation	196,224	34,802
Deferred tax liability	113,715	55,971
	<u>30,716,973</u>	<u>8,769,107</u>

The amount owed to group undertakings comprises a loan, granted by the parent company, easyHotel Plc. The loan is unsecured, interest free and no fixed terms for repayment have been set.

12 Creditors: amounts falling due after more than one year

	2014 £	2013 £
Deferred royalty income	435,196	466,367
Bank Loan	7,200,000	-
	<u>7,635,196</u>	<u>466,367</u>

The bank borrowings bear interest at a rate of UK Base rate +1.92%. The total facility amounts to £8.7 million and is repayable by December 2016. The bank facilities are secured by a fixed charge over all of easyHotel UK Limited's tangible fixed assets, as well as a floating charge over all other assets of easyHotel UK Limited.

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014 (continued)

13 Deferred taxation

	2014 £	2013 £
Balance brought forward	55,971	(260,474)
Charged to profit and loss account	57,784	316,445

Balance carried forward	113,755	55,971
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The deferred taxation balance is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	119,821	57,486
Sundry timing differences	(4,400)	-
Tax losses carried forward and other deductions	(1,666)	(1,515)
	113,755	55,971

14 Called up share capital

	2014 £	2013 £
Allotted		
Ordinary shares of £1 each		
Balance brought forward	2	2
Issue of shares for cash during period	-	-
Balance carried forward	2	2

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014 (continued)

15 Reserves

	Share premium account £	Profit and loss account £
Balance as at 1 October 2013	2,999,999	413,968
Profit for the financial year	-	920,416
	<hr/>	<hr/>
Balance as at 30 September 2014	2,999,999	1,334,384
	<hr/>	<hr/>

No dividends are proposed for the financial year ended 30 September 2014 (2013 - £Nil).

16 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	3,413,969	2,399,360
Profit for the financial year	920,416	1,014,609
Issue of ordinary share capital	-	-
	<hr/>	<hr/>
Closing shareholders' funds	4,334,385	3,413,969
	<hr/>	<hr/>

17 Related party transactions and controlling party

Trading transactions

During the year the Group entered into various transactions with related parties in the normal course of its business. Prices and terms of payment are approved by the Group's management. All significant related party transactions and balances are listed below. Amounts recognised in profit or loss in 2014 were as a result of transactions with easyGroup Limited (formerly easyGroup IP Limited prior to change of name). The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with entities which are part of the same group, being a wholly owned subsidiary of easyHotel Plc.

easyHotel UK Limited

Notes forming part of the financial statements for the year ended 30 September 2014 (continued)

17 Related party transactions and controlling party (continued)

	2014 £	2013 £
Amounts recognised in profit or loss		
Interest income	-	(28,307)
Royalties paid	163,546	167,815
Management fees paid	-	28,199
Rent received	(20,030)	(200,752)
Outstanding balance at year end		
Amount owed to related parties	-	(6,122,279)

Services between related parties were made at market related prices.

The Group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2014 and 2013 regarding related party transactions.

On 24 June 2014 easyHotel entered into the Brand Licence Agreement with easyGroup Limited.

In December 2013 easyGroup Limited granted easyHotel a lease of the Croydon property for a term of 999 years. The lease was granted to easyHotel upon payment of a premium of £1,626,000 by easyHotel to easyGroup Limited and provides for a nominal initial rent of £25 per annum.

Further detail on remuneration paid to directors is available in note 5.

18 Contingencies and commitments

A contingent liability exists in relation to a section 106 planning contribution levy, the possible outcome and amount of which cannot be reliably estimated at this point in time. The amount payable (if any) will be capitalised as a cost of bringing the asset into use.

19 Post balance sheet events

On 2 October 2014, the Group deposited €3.3m with a Belgian notary to secure an easyHotel property in Brussels which is intended to be a franchised hotel. Interest on this deposit is payable to easyHotel at a rate of 10% per annum from 2 April 2015.

On 16 April 2015, the Company acquired a freehold building at 47 Castle Street, Liverpool. Subject to obtaining planning consent, the Company plans to convert the four upper floors of the building into a 68-bedroom easyHotel, expected to open in Spring 2016. The ground floor of the property will remain a restaurant operated by a third party. In total, the purchase of the building and conversion project is expected to cost around £3m.

On 4 June 2015, the Company acquired (subject to planning permission) a freehold building in Manchester and plan to convert the building into a 114-bedroom easyHotel, expected to open in Summer 2016. Total cost of the purchase and conversion of the building is estimated at £6 million.

20 Ultimate parent undertaking of the company

The immediate and ultimate parent undertaking is easyHotel Plc, a public limited company whose shares are listed on the AIM exchange under the ticker symbol EZH and is incorporated and domiciled in the United Kingdom. The address of the registered office is 80 Old Street, London, EC1V 9AZ.