

Company Registration Number SC199079

EURO HOSTELS LIMITED
ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED
1 JANUARY 2012

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EURO HOSTELS LIMITED
ABBREVIATED ACCOUNTS
PERIOD FROM 27 DECEMBER 2010 TO 1 JANUARY 2012

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EURO HOSTELS LIMITED

INDEPENDENT AUDITOR'S REPORT TO EURO HOSTELS LIMITED

UNDER SECTION 449 OF THE COMPANIES ACT 2006

We have examined the abbreviated accounts which comprise the Balance Sheet and the related notes, together with the financial statements of Euro Hostels Limited for the period from 27 December 2010 to 1 January 2012 prepared under Section 396 of the Companies Act 2006.

This report is made solely to the company, in accordance with Section 449 of the Companies Act 2006. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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 for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

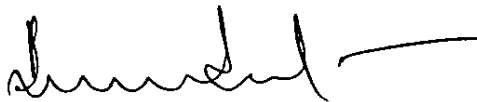
The directors are responsible for preparing the abbreviated accounts in accordance with Section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2008/4 issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 444(3) of the Companies Act 2006, and the abbreviated accounts have been properly prepared in accordance with the regulations made under that section.



KENNETH McDOWELL CA (Senior Statutory Auditor)
For and on behalf of
CHIENE + TAIT
Chartered Accountants & Statutory Auditor

61 Dublin Street
Edinburgh
EH3 6NL

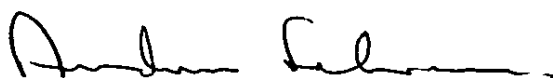
23 July 2012

EURO HOSTELS LIMITED
ABBREVIATED BALANCE SHEET
1 JANUARY 2012

	Note	£	1 Jan 12 £	26 Dec 10 £
Fixed assets	2			
Tangible assets			9,458,709	7,812,105
Investments			1	1
			<u>9,458,710</u>	<u>7,812,106</u>
Current assets				
Stocks		20,678		11,983
Debtors		148,199		194,761
Cash at bank and in hand		87,364		885,101
		256,241		1,091,845
Creditors: amounts falling due within one year		7,158,554		5,693,263
Net current liabilities			(6,902,313)	(4,601,418)
Total assets less current liabilities			2,556,397	3,210,688
Creditors: amounts falling due after more than one year			1,637,973	2,622,286
Provisions for liabilities			960,719	859,872
			<u>(42,295)</u>	<u>(271,470)</u>
Capital and reserves				
Called-up equity share capital	4		1,215,618	715,618
Share premium account			81,237	81,237
Revaluation reserve			1,729,090	1,729,090
Profit and loss account			(3,068,240)	(2,797,415)
Deficit			<u>(42,295)</u>	<u>(271,470)</u>

These abbreviated accounts have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

These abbreviated accounts were approved by the directors and authorised for issue on 13th July 2012, and are signed on their behalf by:



A C Salvesen - Chairman

Company Registration Number: SC199079

EURO HOSTELS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

PERIOD FROM 27 DECEMBER 2010 TO 1 JANUARY 2012

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Going concern

The financial statements have been prepared on a going concern basis. The directors have assessed the company's ability to continue as a going concern and have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details on going concern are at note 5.

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group. The company has therefore taken advantage of the exemption provided by Section 398 of the Companies Act 2006 not to prepare group accounts.

Cash flow statement

The company is a small company as defined by S382 of the Companies Act 2006 and is entitled to exemption from the preparation of a cash flow statement as required by FRS 1 (revised). Consequently a cash flow statement has not been prepared.

Turnover

Turnover represents the amounts derived from hostel accommodation. All turnover is stated net of value added tax and is generated from within the United Kingdom.

Turnover is recognised on the date of occupancy.

Fixed assets

All fixed assets, except for freehold property, are recorded at cost. Freehold property has been revalued in accordance with FRSE 2008 and is not subject to depreciation (note 7). Leasehold assets under construction are carried at cost less provision for impairment. The valuation of the property is considered on an annual basis by the directors for indications of a material change in value.

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:

Buildings	- 2% straight line
Fixtures, fittings and equipment	- 10%, 15%, 25% and 33% straight line
Computer equipment	- 33% straight line

FRSE 2008 requires all assets to be depreciated over their estimated economic life, taking account of any residual value of the assets. Buildings are considered to have a high residual value. The depreciation charge of 2% straight line is therefore immaterial and no charge has been made. Land is not depreciated.

In accordance with FRSE 2008, an impairment review is carried out on an annual basis for Land and Buildings.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

EURO HOSTELS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
PERIOD FROM 27 DECEMBER 2010 TO 1 JANUARY 2012

1. Accounting policies

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRSSE 2008. Deferred tax is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences that have originated but not reversed at the balance sheet date, with the exception of deferred tax assets which are only recognised to the extent that they are regarded as recoverable.

The company has not adopted a policy of discounting deferred tax assets and liabilities.

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.

2. Fixed assets

	Tangible Assets £	Investments £	Total £
Cost or valuation			
At 27 December 2010	10,821,856	1	10,821,857
Additions	1,818,967	–	1,818,967
Disposals	(99,921)	–	(99,921)
At 1 January 2012	<u>12,540,902</u>	<u>1</u>	<u>12,540,903</u>
Depreciation			
At 27 December 2010	3,009,751	–	3,009,751
Charge for period	106,207	–	106,207
On disposals	(33,765)	–	(33,765)
At 1 January 2012	<u>3,082,193</u>	<u>–</u>	<u>3,082,193</u>
Net book value			
At 1 January 2012	<u>9,458,709</u>	<u>1</u>	<u>9,458,710</u>
At 26 December 2010	<u>7,812,105</u>	<u>1</u>	<u>7,812,106</u>

EURO HOSTELS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

PERIOD FROM 27 DECEMBER 2010 TO 1 JANUARY 2012

2. Fixed assets (*continued*)

Premier Hostels Limited is owned 100% by Euro Hostels Limited. The subsidiary did not trade during the year. Premier Hostels Limited is incorporated in the UK and has the same registered office as Euro Hostels Limited. As at 31 May 2011 the company had share capital and reserves of £1.

3. Related party transactions and ultimate controlling party

During the period a management fee of £48,000 was paid to Findrack (Hostels) Limited, the parent company of Euro Hostels Limited. An arrangement fee of £56,250 was also paid to Findrack (Hostels) Limited. During the year, the company received additional loan facilities from Findrack (Hostels) Limited totalling £3,750,000 and at the year end an amount was due to Findrack (Hostels) Limited of £6,272,271 (2010: £2,173,454). Interest was payable on this loan of £173,954 (2010: £70,383), which is charged on specific amounts at LIBOR plus 5.5% and other amounts bear interest at 4.5% above base rate.

Findrack (Hostels) Limited, a company registered in Scotland, is the ultimate controlling company with Mr A C Salvesen being the ultimate controlling party.

During the year, Findrack (Hostels) Limited sold 3,578,092 ordinary shares to M W S McClelland, a director of the company.

4. Share capital

Authorised share capital:

	1 Jan 12 £	26 Dec 10 £
70,642,700 Ordinary shares of £0.01 each	706,427	706,427
4,325,000 Ordinary Class 2 shares of £0.01 each	43,250	43,250
1,615,323 Preference shares of £1 each	1,615,323	1,615,323
500,000 Deferred shares of £1 each	500,000	-
	<u>2,865,000</u>	<u>2,365,000</u>

EURO HOSTELS LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
PERIOD FROM 27 DECEMBER 2010 TO 1 JANUARY 2012

4. Share capital (continued)

Allotted, called up and fully paid:

	1 Jan 12		26 Dec 10	
	No	£	No	£
67,500,000 Ordinary shares of £0.01 each	67,500,000	675,000	67,500,000	675,000
4,061,842 Ordinary Class 2 shares of £0.01 each	4,061,842	40,618	4,061,842	40,618
1,615,323 Preference shares of £1 each	1,615,323	1,615,323	1,615,323	1,615,323
500,000 Deferred shares of £1 each	500,000	500,000	-	-
	73,677,165	2,830,941	73,177,165	2,330,941
Amounts presented in equity:				
			1 Jan 12	26 Dec 10
			£	£
67,500,000 Ordinary shares of £0.01 each			675,000	675,000
4,061,842 Ordinary Class 2 shares of £0.01 each			40,618	40,618
500,000 Deferred shares of £1 each			500,000	-
			1,215,618	715,618
Amounts presented in liabilities:				
1,615,323 Preference shares of £1 each			1,615,323	1,615,323
			1,615,323	1,615,323

The Preference shareholders are entitled to receive a net fixed cumulative preferential dividend of 5% of the paid up amount of their Preference shares 'the preference dividend'. In the event that any preference dividend is not paid on the due date then such sum shall accrue with interest from that date until payment is made in full. Subject to payment in full of the Preference dividend, the balance of the distributable profits in respect of any financial period shall be distributed amongst the holders of Ordinary shares according to the number of shares held.

Ordinary shareholders and Preference shareholders shall have one vote for each Ordinary share and each Preference share held by them. Preference shares may be converted at any time into a like number of Ordinary shares, which shall rank from the date of conversion *pari passu* in all respects with the other Ordinary shares in the capital of the Company.

Deferred shareholders are not entitled to vote at company meetings nor do they have a right to a dividend. On a return of assets upon liquidation, deferred shareholders are entitled to first payment in the sum of £1 for each deferred share held.

Under FRSSE 2008, preference shares have been re-classified within long term liabilities.

EURO HOSTELS LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

PERIOD FROM 27 DECEMBER 2010 TO 1 JANUARY 2012

5. Going concern

The financial statements have been prepared on a going concern basis.

The company continues to rely on funding provided by its ultimate controlling party for operational working capital. The company received further development and operational funding during the year. The parent company has confirmed that repayment of these facilities will not be sought for a period of 12 months from the date of approving these financial statements.

The directors have considered company cashflow projections and its prospective obligations and are satisfied that there is sufficient funding available to the company to allow Euro Hostels Limited to meet its working capital requirements for the foreseeable future.