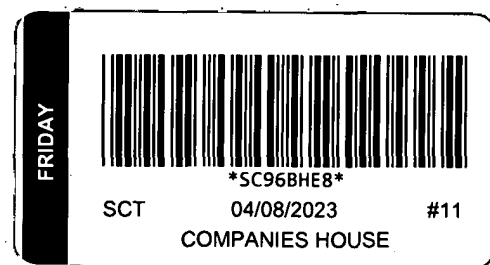


M1 RE Edinburgh Limited

Report and Financial Statements

31 December 2022



Company number: SC394769

Company information

Directors

S F Lenze
D N Müller
A Rödel
M Wiessler

Secretary

S F Lenze

Auditors

Ernst & Young LLP
G1, 5 George Square
Glasgow
G2 1DY

Registered Office

Motel One - Edinburgh Royal
18 - 21 Market Street
Edinburgh
EH1 1BL

M1 RE Edinburgh Limited

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Strategic report

The directors present their strategic report for the year ended 31 December 2022.

Principal activities and review of the business

During the year the company owned and operated the Motel One hotel on Market Street, Edinburgh.

Following the first quarter of 2022, which still reflected the full impact of coronavirus restrictions, the company managed to return to its high 2019 performance levels as travel restrictions and other constraints were lifted in the second quarter of 2022. Compared to FY 2021, despite inflation-related price adjustments of the room rates of annualized 4.0%, the occupancy reached 77.9% for the full year 2022, which is an increase of 159.7%. Higher prices and occupancy, both increased the EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation) by 175.7% to £2,860,206.

The company's key financial and other performance indicators during the year were as follows:

	2022	2021	Change
Turnover	£6,590,757	£2,400,651	174.5%
Occupancy Rate	77.9%	30.0%	159.7%
Yield per room	£101.91	£98.03	4.0%
EBITDA	£2,860,206	£1,037,268	175.7%

Principal risks and uncertainties

As the company is active in hotel operations it is exposed to a number of inherent risks. These risks are mitigated by way of extensive controls.

In order to identify risks and unfavourable development at an early stage, the company has a comprehensive controlling and reporting system in place, which provides up-to-date financial information with earnings development of the hotels in addition to information concerning the quality from guest surveys, online ratings and benchmark analyses.

The company's principal risks and uncertainties are set out below:

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulties in meeting obligations associated with financial liabilities. The company aims to mitigate the liquidity risk by means of short-term and medium-term financial planning, maintaining cash and cash equivalents in the Motel One Group. During the COVID-19 pandemic and during the subsequent financial periods when the company recovers from the damages caused by the COVID-19 pandemic, cash needs, including those for the settlement of liabilities, loan repayments, payment of tax and other commitments are covered by Motel One Group internal resources, as described in the going concern disclosures in the Directors' Report.

Default risk

There is a low risk to the company relating to default risk. Due to the nature of the business, the company is only exposed to default risks relating to trade receivables to a minor extent.

Registered No. SC394769.

Strategic report (*continued*)

Principal risks and uncertainties (*continued*)

Industry risk

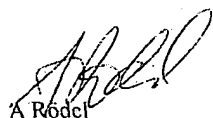
The company faces risks customary for the industry. The COVID-19 pandemic crisis and the related international travelling warnings and restrictions were risks that had a direct negative impact on travel activities and so to the entity's business. Pandemic-induced travelling restrictions are not expected to return in the foreseeable future.

Risks with negative impact on travel activities of the customers and on the purchasing activities of the company could arise from geopolitical conflicts like the Ukrainian war, although its impact on the hotel industry so far was rather limited, any impacts from future escalations could not be precisely estimated.

Whereas the short-term impact of Brexit on domestic growth rates was not very strong, the long-term impact must be closely observed.

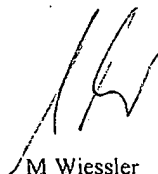
Apart from the aforementioned risks and their economic influences, political constraints and measures, which may have an impact on the economy in the future, there are currently no apparent significant risks that could affect the Company's development or ability to continue as a going concern.

On behalf of the Board



A Rödel

24 July 2023



M Wiessler

24 July 2023

Registered No. SC394769

Directors' report

The directors present their report for the year ended 31 December 2022.

Directors

The directors who served the company during the year were as follows:

S F Lenze
D N Müller
A Rödel
M Wiessler

Results and dividends

The profit for the year, after taxation amounted to £1,536,880 (2021: loss for the year £501,976). During the period no dividend was paid (2021: £nil), leaving a credit to reserves of £1,536,880 (2021: debit to reserves of £501,976).

Future developments

After a somewhat slow start in January 2023, demand has already stabilised in the first and second quarter and we expect a good development for the year as a whole, particularly driven by a continued increase in business and leisure demand. Financial year 2023 is expected to bring an increase in revenues mainly induced by no more Covid restrictions.

However, with high inflation and geopolitical tensions, especially the effects of the Ukraine war, there are still risks that could have a negative impact on the business development.

Registered No. SC394769

Directors' report (*continued*)

Going concern

The Company's business activities and the principal risks impacting these activities are set out on pages 3 and 4. The Company's financial position is set out on page 12.

In line with the FRC guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis and have concluded that it is appropriate.

While the company returned to its pre COVID-19 trading levels since the second half of fiscal year 2022, the positive net current assets balance per 31 December 2022 shows its ability to again generate a significant liquidity surplus from the hotel operations.

Because it will take some time for the company to recover from the damages caused by the COVID-19 crisis, the Company will likely require support from the parent company, Motel One Real Estate GmbH, with regards to cash needs, including those for the settlement of liabilities, loan payments, payment of tax and other commitments. In order to support the continued use of the going concern basis of preparation the directors have therefore received written confirmation from the parent company that it will provide the support necessary to ensure the Company meets its liabilities as they fall due until 31 July 2024.

The directors have assessed the ability of Motel One Real Estate GmbH to provide the support, should it be required, until 31 July 2024 and having reviewed the financial position and made suitable enquiries, are satisfied the financial statements should be prepared on a going concern basis.

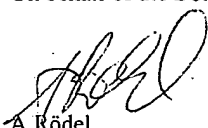
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



A Rödel

24 July 2023



M Wiessler

24 July 2023

Registered No. SC394769

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 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;
- state whether 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.

On behalf of the Board



A. Rodel

24 July 2023



M Wiessler

24 July 2023

Independent auditor's report

to the members of M1 RE Edinburgh Limited.

Opinion

We have audited the financial statements of M1RE Edinburgh Limited for the year ended 31 December 2022 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern until 31 July 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report (*continued*)

to the members of M1 RE Edinburgh Limited.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent auditor's report (*continued*)

to the members of M1 RE Edinburgh Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (*continued*)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102) and the Companies Act 2006. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees, GDPR and anti-bribery and corruption.
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities, such as HMRC.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue recognition in relation to manipulation of receipts to be a fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. We incorporated unpredictability in our testing, and a data analytics approach to look at the entire populations in our testing of manual journals and revenue recognition. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Janie McMinn (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow

24 July 2023

Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	2	6,590,757	2,400,651
Cost of sales		(2,144,306)	(886,951)
Gross profit		4,446,451	1,513,700
Other operating income		-	106,117
Administration expenses		(2,486,457)	(1,509,286)
Operating profit	3	1,959,994	110,531
Net interest payable	4	(389,499)	(270,186)
Profit / (loss) on ordinary activities before taxation		1,570,495	(159,655)
Taxation	6	(33,615)	(342,321)
Profit / (loss) for the financial year		<u>1,536,880</u>	<u>(501,976)</u>
Other comprehensive income for the year			
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the year		<u>1,536,880</u>	<u>(501,976)</u>

All amounts relate to continuing operations.

Total comprehensive profit (prior year: loss) is wholly attributable to the owners of the parent company.

The notes on pages 14 to 22 form part of these financial statements.

M1 RE Edinburgh Limited

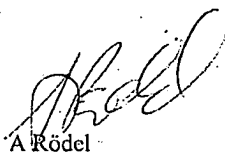
Registered No. SC394769

Statement of Financial Position

As at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets		-	655
Tangible assets	7	19,956,387	20,846,786
		<u>19,956,387</u>	<u>20,847,441</u>
Current assets			
Stock		28,136	24,009
Debtors	8	241,880	283,247
Cash at bank and in hand		1,686,976	1,006,454
		<u>1,956,992</u>	<u>1,313,710</u>
Creditors: amounts falling due within one year	9	<u>(1,409,701)</u>	<u>(2,618,510)</u>
Net current assets / (liabilities)		<u>547,291</u>	<u>(1,304,800)</u>
Total assets		<u>20,503,678</u>	<u>19,542,641</u>
Creditors: amounts falling due more than one year	10	<u>(10,530,000)</u>	<u>(10,935,000)</u>
Provision for liabilities	11	<u>(1,189,364)</u>	<u>(1,360,207)</u>
Net assets		<u>8,784,314</u>	<u>7,247,434</u>
Capital and reserves			
Called up share capital	12	1	1
Capital reserves		5,500,000	5,500,000
Profit and loss account		3,284,313	1,747,433
Shareholders' funds		<u>8,784,314</u>	<u>7,247,434</u>

The financial statements of M1 RE Edinburgh Limited were approved and authorised for issue by the board and were signed on its behalf on:



A Rödel
24 July 2023



M Wiessler
24 July 2023

The notes on pages 14 to 22 form part of these financial statements.

Statement of Changes in Equity

As at 31 December 2022

	<i>Called-up share capital</i> £	<i>Capital Reserves</i> £	<i>Profit and Loss Account</i> £	<i>Total Equity</i> £
At 1 January 2022	1	5,500,000	1,747,433	7,247,434
<i>Comprehensive loss for the year</i>				
Profit for the year	-	-	1,536,880	1,536,880
<i>Total comprehensive profit for the year</i>	-	-	1,536,880	1,536,880
<i>At 31 December 2022</i>	1	5,500,000	3,284,313	8,784,314

As at 31 December 2021

	<i>Called-up share capital</i> £	<i>Capital Reserves</i> £	<i>Profit and Loss Account</i> £	<i>Total Equity</i> £
At 1 January 2021	1	5,500,000	2,249,409	7,749,410
<i>Comprehensive loss for the year</i>				
Loss for the year	-	-	(501,976)	(501,976)
<i>Total comprehensive loss for the year</i>	-	-	(501,976)	(501,976)
<i>At 31 December 2021</i>	1	5,500,000	1,747,433	7,247,434

The notes on pages 14 to 22 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies

1.1 Basis of preparation of the financial statements

M1 RE Edinburgh Limited (the "Company") is a company limited by shares and incorporated and domiciled in Scotland. The registered office is 18-21 Market Street, Edinburgh, EH1 1BL.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The financial statements of M1 RE Edinburgh Limited were authorised for issue by the Board of Directors on 30 June 2023. The financial statements have been prepared in sterling which is the functional currency of the company.

1.2 Financial reporting standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- The requirements of Section 4 Statement of Financial Position paragraph 4.12(1)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 11 Financial Instruments paragraphs 11.41 to 11.48A;
- The requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Motel One GmbH as at 31 December 2022 and these financial statements are publicly available.

1.3 Going concern

In line with the FRC guidance on going concern, the directors have undertaken an exercise to review the appropriateness of the continued use of the going concern basis and have concluded that it is appropriate.

While the company returned to its pre COVID-19 trading levels since the second half of fiscal year 2022, the positive net current assets balance per 31 December 2022 shows its ability to again generate a significant liquidity surplus from the hotel operations.

Because it will take some time for the company to recover from the damages caused by the COVID-19 crisis, the Company will likely require support from the parent company, Motel One Real Estate GmbH, with regards to cash needs, including those for the settlement of liabilities, loan payments, payment of tax and other commitments. In order to support the continued use of the going concern basis of preparation the directors have therefore received written confirmation from the parent company that it will provide the support necessary to ensure the Company meets its liabilities as they fall due until 31 July 2024.

The directors have assessed the ability of Motel One Real Estate GmbH to provide the support, should it be required, until 31 July 2024 and having reviewed the financial position and made suitable enquiries, are satisfied the financial statements should be prepared on a going concern basis.

Notes to the financial statements (*continued*)

For the year ended 31 December 2022

1. Accounting policies (*continued*)

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue includes the rental of rooms and food and beverage sales. Revenue is recognised when rooms are occupied and food and beverages at the point of sale.

1.5 Cost of Sales

Cost of Sales represent those costs incurred by the business which are directly attributable to the Revenue earned. Cost of Sales in respect occupancy revenue is recognised when the rooms are occupied, and food and beverage costs are recognised at the point of sale.

1.6 Administration Expenses

Administration Expenses are other expenses in the course of doing business and are recognised as they are incurred, in the period they relate to.

1.7 Government grants

Receipts from government for furloughed employees are accounted for under the accrual model. These government grants are recorded as other operating income in the same period in which the related wage expenses are incurred.

1.8 Tangible fixed assets

All fixed assets are initially recorded at cost. Finance costs directly attributable to the construction of tangible fixed assets are capitalised as part of the costs of those assets.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1.9 Depreciation

Depreciation is provided on all tangible assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition or revaluation of each asset over its expected useful life as follows:

Buildings – over 33 years straight line

Fixtures and Fittings – over 4 - 10 years straight line

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings and not depreciated.

Low value assets with a value up to £800 are immediately expensed in their first year of use.

1.10 Stocks

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and low moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

1.11 Financial Assets

The Company's financial assets include trade and other debtors and cash and short term deposits.

Trade and other receivables

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Notes to the financial statements (*continued*)

For the year ended 31 December 2022

1. Accounting policies (*continued*)

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

1.12 Financial liabilities

The Company's financial liabilities include loans and borrowings, and trade and other payables.

Interest-bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance costs in respect of the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Trade and other payables

Trade and other payables are initially measured at fair value. Trade and other payables are non-interest bearing.

1.13 Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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, or a right to pay less, tax in the future have occurred at the balance sheet date, excluding the effect of any trading losses carried forward where there is insufficient evidence that suitable taxable profits will be generated in future.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.14 Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

1.15 Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the Company's key sources of estimation uncertainty:

Tangible fixed assets

If there are indicators that the residual value or useful life of a tangible fixed asset has changed since the most recent annual reporting period previous estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Impairment of financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset.

Notes to the financial statements (*continued*)

For the year ended 31 December 2022

2. Turnover

Turnover, which is stated net of value added tax, represents the invoiced amount of goods sold and the services provided during the year.

Turnover and pre-tax profit is attributable to one continuing activity, the trading of hotels. The turnover is wholly generated within the UK.

	2022	2021
	£	£
Rendering of services	5,942,405	2,166,425
Sale of goods	648,352	234,226
	<u>6,590,757</u>	<u>2,400,651</u>

3. Operating profit

This is stated after charging:

	2022	2021
	£	£
Depreciation on tangible fixed assets	899,556	924,771
Cost of inventories recognised as an expense	241,342	83,589
Auditors remuneration – Audit of financial statements	12,500	11,700
Auditors remuneration – Other services	955	900

Government grants received for furloughed employees of £nil (2021: £106,117) are recorded in other operating income.

4. Net interest payable

	2022	2021
	£	£
Interest payable on current bank balances	-	1,606
Interest payable on loans from group companies	21,907	32,286
Interest payable on bank loans	367,592	236,294
	<u>389,499</u>	<u>270,186</u>

Notes to the financial statements (*continued*)

For the year ended 31 December 2022

5. Staff costs

The aggregate payroll costs were as follows:

	2022	2021
	£	£
Wages and salaries	806,680	445,109
Furlough grants for wages and salaries (other operating income)	-	(106,117)
Social security costs and pension costs	87,940	30,449
	<u>894,620</u>	<u>369,441</u>

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

	2022	2021
	No.	No.
Operations	<u>27</u>	<u>20</u>

No remuneration is paid by M1 RE Edinburgh to its directors (2021: £nil). All directors are remunerated by other group companies and it is not possible to accurately apportion the remuneration received in respect of qualifying services to M1 RE Edinburgh.

6. Taxation

Tax charged

	2022	2021
	£	£
<i>Deferred tax</i>		
Origination and reversal of timing differences	94,434	66,382
Adjustment in respect of prior years	(90,640)	-
Effect of changes in tax rate	29,821	275,939
<i>Total deferred tax</i>	<u>33,615</u>	<u>342,321</u>
<i>Taxation on loss on ordinary activities</i>	<u>33,615</u>	<u>342,321</u>

Notes to the financial statements (*continued*)

For the year ended 31 December 2022

6. Taxation (*continued*)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 – higher than) the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022 £	2021 £
Profit (Loss) on ordinary activities before tax	1,570,495	(159,655)
Profit (Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 – 19%)	298,394	(30,334)
<i>Effects of:</i>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	27,632	96,958
Income not taxable	(522)	(242)
Effects of group relief	(231,071)	-
Adjustments in respect of prior periods	(90,640)	-
Tax rate changes	29,822	275,939
Total tax charge for the year	33,615	342,321

Factors that may affect future tax charges

The Finance Act 2021 (enacted on 10 June 2021) increases the main rate of UK corporation tax to 25%, effective from 1 April 2023. As the future increase in the corporation tax rate was substantively enacted at the balance sheet date, deferred taxes on the balance sheet reflect the 25% tax rate as they have been measured at the tax rate expected to apply in the period when the temporary differences reverse or unwind.

Deferred tax

	£
At 1 January 2022	1,149,749
Charged to the profit and loss account	33,615
At 31 December 2022	1,183,364

Notes to the financial statements (*continued*)

For the year ended 31 December 2022

6. Taxation (*continued*)

The deferred tax asset consists of:

	2022 £	2021 £
Short-term timing differences	(6,000)	-
Losses	-	(210,458)
	<u>(6,000)</u>	<u>(210,458)</u>

The deferred tax liability consists of:

	2022 £	2021 £
Fixed asset timing differences	1,189,364	1,360,207
	<u>1,189,364</u>	<u>1,360,207</u>

7. Tangible fixed assets

	Land and building £	Fixtures and Fittings £	Total £
<i>Cost</i>			
At 1 January 2022	22,634,777	4,495,148	27,129,925
Additions	-	9,157	9,157
At 31 December 2022	<u>22,634,777</u>	<u>4,504,305</u>	<u>27,139,082</u>
<i>Depreciation</i>			
At 1 January 2022	(3,797,836)	(2,485,303)	(6,283,139)
Charge for the year	(428,080)	(471,476)	(899,556)
At 31 December 2022	<u>(4,225,916)</u>	<u>(2,956,779)</u>	<u>(7,182,695)</u>
<i>Net book value:</i>			
At 31 December 2022	<u>18,408,861</u>	<u>1,547,526</u>	<u>19,956,387</u>
At 31 December 2021	<u>18,836,941</u>	<u>2,009,845</u>	<u>20,846,786</u>

The cost of land which is not depreciated is £8,552,334. Included in land and building cost is capitalised interest of £986,748 (2021: £986,748) with a net book value of 687,731 (2021: £717,633).

Notes to the financial statements (continued)

For the year ended 31 December 2022

8. Debtors

	2022	2021
	£	£
Trade debtors	98,713	38,021
Other debtors	1,729	-
Deferred tax asset	6,000	210,458
Accounts receivable due from other group companies	-	1,144
Prepayments and accrued income	135,438	33,624
	<u>241,880</u>	<u>283,247</u>

Amounts receivable from other group companies are repayable on demand and incur interest charges of EURIBOR + 2%.

The deferred tax asset is recoverable after 12 months.

9. Creditors: amounts falling due within one year

	2021	2021
	£	£
Trade creditors	123,682	104,052
Other creditors and accruals	501,699	216,314
Other taxes and social security	268,288	110,271
Deferred income	28,782	13,699
Bank loans (note 10)	405,000	303,750
Amounts owed to group companies	82,250	1,870,424
	<u>1,409,701</u>	<u>2,618,510</u>

Amounts owed to group companies are repayable on demand and incur no interest charges.

10. Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Bank loans	10,935,000	11,238,750
Less: repayable within one year (note 9)	(405,000)	(303,750)
	<u>10,530,000</u>	<u>10,935,000</u>

The maturity of debt is as follows:

	2022	2021
	£	£
Within one year	405,000	303,750
In one to two years	10,530,000	10,935,000
	<u>10,935,000</u>	<u>11,238,750</u>

Notes to the financial statements (*continued*)

For the year ended 31 December 2022

10. Creditors: amounts falling due after more than one year (*continued*)

The bank loan above is secured by all of the assets of the company. On 15 January 2014, the bank facility was converted into a 10 year term loan with quarterly capital repayments of £67,500 starting in January 2014 and £101,250 from January 2019 and a final repayment due of £10,125,000 on 15 January, 2024. In 2022, interest was charged at LIBOR plus a margin of 1.945%, which with effect from 31 January 2022 onwards was replaced by the SONIA plus a margin of 1.9683%. On 25 March 2021 a repayment moratorium was agreed until 31 January 2022. During this time only interest will be paid. The reduced repayments until the end of the moratorium amount to £405,000 and will increase the final repayment in 2024 to £10,530,000.

11. Provision for liabilities

	Deferred tax
	£
At 1 January 2022	1,360,207
Reductions during the year	(170,843)
At 31 December 2022	<u>1,189,364</u>

12. Share capital

	2022		2021	
<i>Allotted, called up and fully paid</i>	No.	£	No.	£
Ordinary shares of £1 each	1	<u>1</u>	1	<u>1</u>

13. Reserves

Retained earnings

The retained earnings account includes all current and prior retained profit and losses.

Capital reserves

This reserve records capital contributions received from the holder of the ordinary shares. This reserve is deemed to be a realised profit under the Companies Act 2006 because the reserve was created through a loan waiver from the Motel One GmbH which was deemed to be qualifying consideration.

14. Ultimate parent undertaking and controlling party

The company is controlled by Motel One Real Estate GmbH, a company incorporated in Germany, by virtue of its 100% shareholding in the company. The ultimate controlling party is One Hotels & Resorts AG, a company incorporated in Germany.

The parent undertaking of the smallest group of undertakings of which the company is a member and which prepares group financial statements is Motel One GmbH, a company incorporated in Germany.

The parent undertaking of the largest group of undertakings of which the company is a member and which prepares group financial statements is One Hotels & Resorts AG. Group financial statements are available from the common register portal of the German federal state (www.handelsregister.de)