

Company Registration No. 1244907

Accor UK Economy Hotels Limited

Report and Financial Statements

31 December 2008

FRIDAY



L1A9ZCS8

LD8

28/08/2009

155

COMPANIES HOUSE

Accor UK Economy Hotels Limited

Report and financial statements 2008

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	6
Independent auditors' report	7
Profit and loss account	8
Balance sheet	9
Notes to the accounts	10

Accor UK Economy Hotels limited

Report and financial statements 2008

Officers and professional advisers

Directors

J-J Dessors	(French)	Chairman
A R Hislop	(British)	(Resigned 1 August 2008)
C Rousseau	(French)	
H Deligny	(French)	
F Fontaine	(French)	(Appointed 1 August 2008)

Secretary

J J Schmitt (French)

Registered office

1 Shortlands
Hammersmith
London
W6 8DR

Bankers

HSBC Bank Plc
Regional Service Centre Europe
PO Box 61004
2nd Floor
London SE1 9RX

Solicitors

Stephenson Harwood
One St Paul's Churchyard
London
EC4M 8SH

Morton Fraser Commercial
18 York Place
Edinburgh
EH1 3EP

Auditors

Deloitte LLP
Chartered Accountants
London
United Kingdom

Accor UK Economy Hotels Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activities

The company's principal activities are the ownership and operation of hotels trading under the Ibis, Etap and F1 brand names in the UK and Ireland.

Business review

The company made a profit after taxation of £14,859,000 (2007: £58,477,000). The directors do not recommend payment of a dividend (2007: £nil). Overall occupancy at the company's hotels was 72.2% in 2008 (2007: 77.4%). The average room rate was £47.39 in 2008 (2007: £52.81). Revenue per available room (Revpar) was £34.20 in 2008 (2007: £40.87).

On 11 January 2008 the company opened the 124 bedroom Etap Southampton hotel. This hotel is owned by the company. On 28 February 2008 the company opened the 122 bedroom Ibis London Borehamwood; the hotel is owned by an external third party and operated by the company under a 23 year lease. On 14 May 2008 the 103 bedroom Etap Newport opened. The company operate this hotel under a 20 year management contract. On 16 June an 86 bedroom Etap hotel opened in Bradford. The hotel is owned by a subsidiary company and operated by the company. On 23 August 2008 the company opened the 141 bedroom Ibis Bristol Temple Meads hotel; the hotel is owned by an external third party and operated by the company under a 15 year lease. On 1 September 2008 the company opened the 210 bedroom Etap Manchester West; the hotel is owned by an external third party and operated by the company under a 22 year lease. On 19 September 2008 the company opened the 162 bedroom Ibis Birmingham International Airport and the 120 bedroom Etap Birmingham International Airport; both hotels are owned by an external third party and are operated by the company under a 30 year lease. On 29 September 2008 the company opened the 73 bedroom Etap Leicester hotel, and on 1 December 2008 the 77 bedroom Etap Derby hotel; both hotels are owned by an external third party and operated by the company under a 15 year lease. On 27 October 2008 the company opened the 148 bedroom Etap London Hounslow; the hotel is owned by an external third party and operated by the company under a 20 year lease. On 5 December 2008 the company opened the 120 bedroom Etap Portsmouth hotel; the hotel is owned by an external third party and operated by the company under a 20 year lease.

On 17 January 2008 the company sold the Ibis Swindon hotel to an external third party. This property no longer trades under an Accor brand name.

A number of dormant subsidiary companies have been dissolved during the period. Arcade (UK) Properties Limited was dissolved on 15 April 2008, Arcade Hotel Management Limited and Arcade (Midlands) Properties Limited were both dissolved on 6 May 2008, Finotel Limited on 19 August 2008, Formule 1 (UK) Limited on 28 August 2008 and Ibis Hotels Limited on 28 October 2008.

As at 31 December 2008, the company operates, either directly, via subsidiary companies, or under management contracts, in the UK and Ireland a total of 72 hotels (2007: 61) with 9,467 bedrooms (2007: 8,101).

The company is committed to a further expansion of Accor hotels brand in the UK. Accor (UK) Limited, the parent company, has indicated that it intends to continue to support and expand the operations of the company and to ensure that such finance as is required by the company is made available.

Accor UK Economy Hotels Limited

Directors' report

Financial Risk Management Objectives and Policies

The economy hotel market is an extremely competitive market-place where the quality of service and competitive prices offered to the company's guests are of paramount importance. Although the current economic conditions give rise to some uncertainty with regard to the future performance of the business, the company is confident that the excellent reputations of its hotels, the strength of the company's brands and the support of the Accor group, together with an appropriate spend each year on the maintenance and improvement of the company's hotels will ensure that any risk of losing sales to competitors is minimised.

All of the company's business is transacted in Sterling and accordingly the company is not exposed to any exchange rate fluctuations. The company has a strong cash position and is not reliant on any external debt and accordingly the company is not exposed to any liquidity risk.

Wherever possible the company transacts with clients on a cash basis. The company only grants credit terms to customers after making appropriate checks with credit reference agencies, and actively pursues customers who default on credit terms granted to them.

The company has a strong cash position, no external loans and has a track record of generating strong positive cash flows. Given this, and the other factors set out above, the directors have concluded that the business is in a very strong position to trade through the current economic uncertainty, accordingly these accounts have been prepared on the going concern basis.

Environment

The Accor Group in the UK recognise that its activities impact upon the environment through its routine operations, its infrastructural development, and through its influence and effects on the wider community. The Group acknowledges a responsibility for, and a commitment to, protection of the environment at all levels. Accor will comply fully with environmental legislation and is committed to promoting environmental management policies and practices such as ISO 14001 and 'Green Globe', a benchmarking and certification scheme dedicated to all sectors of the tourism industry. Energy saving innovations introduced to the Group's hotels in recent years have included the installation of plant and machinery time controls and low energy lamps to minimise waste and pollution and reduce CO2 emission and the fitting of new shower heads and flow regulators to reduce water consumption. Accor aims to increase the awareness of environmental responsibilities among staff and guests through its environment charter, by incorporating long term strategies for energy efficiency into the planning and development of hotels, by promoting a purchasing policy which will give preference, as far as practicable, to those products and services which cause the least harm to the environment and by working with local communities and agencies as appropriate to promote environmental policies.

Directors

The directors who served throughout the year, except as noted, are shown on page 1.

Provision of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Accor UK Economy Hotels Limited

Directors' report

Supplier payment policy

The company agrees payment terms with all of its main suppliers and abides by these terms subject to satisfactory performance by the supplier. Amounts owed to other suppliers are settled on or before the end of the month following receipt of a valid invoice. Trade creditor days of the company for the year ended 31 December 2008 were 13 days (2007 – 11 days), calculated in accordance with the requirements set down in the Companies Act 1985.

Employee consultation

The company places considerable value on the involvement of its employees and keeping them informed on matters affecting them as employees and the performance of the company through formal or informal meetings, regular newsletters and the Accor Group website.

Disabled Persons

The obligation towards the employment of disabled persons is recognised by the company and opportunities to employ such persons are actively examined. Opportunities also exist for employees of the company who become disabled to continue their employment.

Auditors

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



H Deligny
Director

27 August 2009

Accor UK Economy Hotels Limited

Statement of directors' responsibilities

The directors are responsible for preparing 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). The financial statements are required by law to 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 proper accounting records that 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 1985. 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.

Independent auditors' report to the members of Accor UK Economy Hotels Limited

We have audited the financial statements of Accor UK Economy Hotels Limited for the year ended 31 December 2008 which comprise the Profit and Loss account, the Balance Sheet and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Accor UK Economy Hotels Limited – (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

28 August 2009

Accor UK Economy Hotels Limited

Profit and loss account Year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Turnover	2	121,849	111,330
Cost of sales		(29,789)	(27,149)
Gross profit		<u>92,060</u>	<u>84,181</u>
Administrative expenses		(78,606)	(71,819)
Operating profit	3	13,454	12,362
Profit on sale of tangible fixed assets	4	2,791	53,700
Profit on ordinary activities before financing		<u>16,245</u>	<u>66,062</u>
Interest receivable and similar income	6	4,936	3,474
Interest payable and similar charges	7	(1)	(708)
Profit on ordinary activities before taxation		<u>21,180</u>	<u>68,828</u>
Tax charge on profit on ordinary activities	8	(6,321)	(10,351)
Profit for the financial year		<u>14,859</u>	<u>58,477</u>
Retained profit for the year	15	<u>14,859</u>	<u>58,477</u>

All activities derive from continuing operations.

There are no recognised gains or losses other than the profit for the current and preceding financial years. Accordingly no statement of total recognised gains and losses is given.

There are no movements in shareholders' funds other than the profit for the current and preceding years. Accordingly no statement of movement in shareholders' funds is given.

The notes on pages 10 to 23 form part of these financial statements.

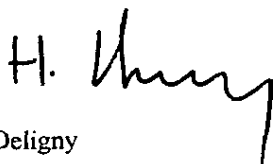
Accor UK Economy Hotels Limited

Balance sheet 31 December 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	47,294	38,292
Investments	11	23,798	52,541
		<u>71,092</u>	<u>90,833</u>
Current assets			
Stocks		70	82
Debtors: amounts falling due within one year	12	62,282	12,133
Cash at bank and in hand		39,027	83,502
		<u>101,379</u>	<u>95,717</u>
Creditors: amounts falling due within one year	13	<u>(64,838)</u>	<u>(93,964)</u>
Net current assets/(liabilities)		<u>36,541</u>	<u>1,753</u>
Total assets less current liabilities		<u>107,633</u>	<u>92,586</u>
Provisions for liabilities	8	<u>(2,461)</u>	<u>(2,273)</u>
		<u>105,172</u>	<u>90,313</u>
Capital and reserves			
Called up share capital	14	23,124	23,124
Profit and loss account	15	82,048	67,189
Total equity shareholders' funds		<u>105,172</u>	<u>90,313</u>

These financial statements were approved by the Board of Directors on 27 August 2009.

Signed on behalf of the Board of Directors



H Deligny
Director

The notes on page 10 to 23 form part of these financial statements.

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and accordance with applicable law and United Kingdom accounting standards and law and have been applied consistently in the current and prior year.

The company has a strong cash position, no external loans and has a track record of generating strong positive cash flows. Given this, and the other factors set out in the directors' report, the directors have concluded that the business is in a very strong position to trade through the current economic uncertainty, and accordingly these accounts have been prepared on the going concern basis.

Goodwill and intangible fixed assets

Goodwill is capitalised in the year in which it arises and amortised over the estimated useful life of 40 years with a full year's charge in the year of acquisition. The directors regard forty years as a reasonable estimate of the useful life given that the goodwill bearing asset is principally a hotel building. Annual reviews are performed to determine whether there has been any impairment of goodwill.

Franchise and brand affiliation fees are written off in equal instalments over three years commencing in the first year of operations.

Tangible fixed assets

Tangible fixed assets are included in the financial statements at cost net of depreciation and any provision for impairment. The cost of replacing hotel equipment, such as crockery, linen, glass and utensils, is charged to the profit and loss account as incurred. Interest incurred on financing the construction of new hotels is capitalised and written off over the life of the hotel assets.

Depreciation

No depreciation is provided on land or assets in the course of construction. Other tangible fixed assets are depreciated by equal instalments over their expected useful lives as follows:

Traditional brick construction hotel buildings	50 years
Pre-fabricated modular construction hotel buildings	35 years
Fixed plant (air conditioning, heating, plumbing etc.)	10-20 years
Fixtures, fittings, furniture, equipment, vehicles	3-10 years
Leasehold property	Over the shorter of the lease term or the estimated useful life

Leased assets

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the company are classified as finance leases and are included in tangible fixed assets and depreciated accordingly. Future instalments net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account as interest and the capital element, which reduces the outstanding obligation for future instalments. The cost of operating leases is charged to the profit and loss account as incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value and represent consumables for use by the hotels.

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured and accounted for on a non-discounted basis.

Investments

Investments are stated at cost, unless, in the opinion of the directors, there is an impairment in the value of the investments. Dividend income is accounted for when received.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. All monetary assets and liabilities in foreign currencies are expressed in sterling at the year end rates. Gains and losses arising from the movements in exchange rates during the year are dealt with in the profit and loss account.

Pensions

Contributions to defined contribution pension schemes are charged to the profit and loss account on an accruals basis.

Turnover

Turnover comprises amounts receivable, excluding VAT, for services provided and goods sold in hotels owned by the company. All turnover and profits derive from operations in the United Kingdom. All revenue is recognised on an accruals basis. Revenue is measured at the fair value of the consideration received or receivable.

Group accounts

As permitted by section 228 of the Companies Act 1985, group accounts have not been prepared as the results of this company are included in the consolidated financial statements of Accor SA.

Assets under construction

Assets under construction represent expenditure on future hotel developments and are not depreciated.

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

2. Turnover

	2008 £'000	2007 £'000
Provision of hotel services	121,771	111,185
Other income	78	145
	<u>121,849</u>	<u>111,330</u>

3. Operating profit

	2008 £'000	2007 £'000
Operating profit is stated after charging:		
Depreciation on owned tangible fixed assets	5,328	4,447
Depreciation on leased tangible fixed assets	57	298
Provision for impairment in investment in subsidiary company	3,474	-
Rentals under operating leases:		
Plant and machinery	1,307	693
Other	28,126	23,615
	<u>28,126</u>	<u>23,615</u>

Audit fees of £76,000 (2007: £76,000) have been borne by a fellow group company.

4. Profit on sale of tangible fixed assets

	2008 £'000	2007 £'000
The profit on the sale of tangible fixed assets comprises:		
Proceeds received from the sale of tangible fixed assets	5,054	138,094
Net book value of tangible fixed assets sold	(2,184)	(62,920)
Payment to terminate finance lease	-	(10,653)
Related transaction costs	(79)	(1,495)
Write-off of historic goodwill	-	(9,326)
	<u>2,791</u>	<u>53,700</u>

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

5. Staff costs and numbers

	2008 £'000	2007 £'000
Wages and salaries including directors	14,759	13,379
Social security costs	967	1,070
Other pension costs	200	141
	<u>15,926</u>	<u>14,590</u>

The average number of persons, including directors, employed by the company during the year was as follows:

	2008 No.	2007 No.
Average number of employees on the payroll	1040	990
Number of full time equivalent employees	889	911

The number of full time equivalent employees is calculated by dividing the total number of hours worked by the company's employees during the year by 169 (the number of hours worked by a full time employee in a month) and then by 12 (the number of months in a year).

All the employees have the opportunity to become members of the company's pension schemes. The schemes operate on a defined contributions basis and the employer's contribution is charged to profit and loss account on an accruals basis.

None of the directors received any emoluments during the year for services as directors of the company (2007: £nil). The remuneration of the directors in respect of other group companies is disclosed in the accounts of those companies.

6. Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest received	4,184	2,891
Interest on loan to subsidiary undertaking	566	458
Foreign exchange gains	186	125
	<u>4,936</u>	<u>3,474</u>

7. Interest payable and similar charges

	2008 £'000	2007 £'000
Finance lease charges	-	673
Interest on loan to parent undertaking	-	28
External interest paid	1	7
	<u>1</u>	<u>708</u>

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

8. Tax charge on profit and ordinary activities

(a) The tax charge for the year comprises:

	2008 £'000	2007 £'000
Corporation tax;		
Corporation tax at 28.5% (2007: 30%)	5,672	9,944
Adjustment in respect of prior years	461	-
	<u>6,133</u>	<u>9,944</u>
Current tax charge for the year		
Deferred taxation		
Movement on deferred taxation balance in the year	188	407
	<u>6,321</u>	<u>10,351</u>

(b) Factors affecting tax charge for year:

The tax assessed for the period is higher (2007: higher) than the pro-rated prevailing rate of corporation tax in the UK of 28.5% (2007: 30 per cent). The differences are explained below:

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	<u>21,180</u>	<u>68,828</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007: 30%)	6,036	20,648
Effects of:		
Expenses not deductible for tax purposes	895	7,323
Capital allowances for period in excess of depreciation	(191)	(633)
Movement in short term timing differences	(184)	(133)
Permanent differences	(411)	-
Capital allowances on finance lease assets	-	(56)
Capital gain	(473)	(17,205)
Adjustments to tax charge in respect of prior periods	461	-
	<u>6,133</u>	<u>9,944</u>

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

8. Tax charge on profit on ordinary activities (continued)

(c) Movement on deferred taxation balance in the year:

	2008 £'000	2007 £'000
Opening balance	2,273	1,866
Charge to profit and loss account	188	407
	<u>2,461</u>	<u>2,273</u>
Closing balance	<u>2,461</u>	<u>2,273</u>

(d) Analysis of deferred tax balance:

	2008 £'000	2007 £'000
Capital allowances in excess of depreciation	2,044	1,914
Capitalised interest	417	359
	<u>2,461</u>	<u>2,273</u>

The rate of UK corporation tax reduced from 30% to 28% as of 1 April 2008. This change was substantively enacted at the balance sheet date. The impact of this rate change is £nil on the deferred tax balance.

(e) Factors that may affect future tax charges:

The company's tax charge is expected to increase in future years as a consequence of changes in the capital allowances available to the company on its hotel properties.

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

9. Intangible fixed assets

	Franchise fees £'000	Total £'000
Cost		
At 1 January 2008	235	235
Additions	-	-
Write-off	-	-
	<u>235</u>	<u>235</u>
At 31 December 2008	<u>235</u>	<u>235</u>
Amortisation		
At 1 January 2008	235	235
Additions	-	-
Write-off	-	-
	<u>235</u>	<u>235</u>
At 31 December 2008	<u>235</u>	<u>235</u>
Net book		
At 31 December 2008	<u>-</u>	<u>-</u>
At 31 December 2007	<u>-</u>	<u>-</u>

10. Tangible fixed assets

	Land and buildings			Fixtures fittings furniture equipment	Hotels under construction	Total
	Freehold	Long leasehold	Fixed plant			
Cost						
At 1 January 2008	6,313	14,088	8,708	23,922	6,517	59,548
Additions	-	2,801	2,293	11,095	381	16,570
Disposals	-	(2,656)	(273)	(1,268)	-	(4,197)
Write-off	-	(102)	(314)	(3,668)	-	(4,084)
Transfer	-	5,438	349	-	(5,787)	-
	<u>6,313</u>	<u>19,569</u>	<u>10,763</u>	<u>30,081</u>	<u>1,111</u>	<u>67,837</u>
At 31 December 2008	<u>6,313</u>	<u>19,569</u>	<u>10,763</u>	<u>30,081</u>	<u>1,111</u>	<u>67,837</u>
Depreciation						
At 1 January 2008	1,193	4,093	4,123	11,847	-	21,256
Charge for the year	153	335	918	3,978	-	5,384
Disposals	-	(808)	(86)	(1,119)	-	(2,013)
Write-off	-	(102)	(314)	(3,668)	-	(4,084)
	<u>1,346</u>	<u>3,518</u>	<u>4,641</u>	<u>11,038</u>	<u>-</u>	<u>20,543</u>
At 31 December 2008	<u>1,346</u>	<u>3,518</u>	<u>4,641</u>	<u>11,038</u>	<u>-</u>	<u>20,543</u>
Net book amount						
At 31 December 2008	<u>4,967</u>	<u>16,051</u>	<u>6,122</u>	<u>19,043</u>	<u>1,111</u>	<u>47,294</u>
At 31 December 2007	<u>5,120</u>	<u>9,995</u>	<u>4,585</u>	<u>12,075</u>	<u>6,517</u>	<u>38,292</u>

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

10. Tangible fixed assets (continued)

Disposals represent the gross and net book value of one of the company's hotels which was sold to an external third party during the year, and no longer trade under an Accor brand name.

Write-off relates to fully depreciated assets no longer in use at the company's hotels. Transfer relates to assets acquired for five of the company's hotels which opened during the year.

Hotels under construction included £5,000 (2007: £153,000) of capitalised interest. The interest capitalised is charged at 0.6% over the one month average LIBOR on specific funding for the hotels' construction.

The net book value of assets subject to finance leases at 31 December 2008 was £1,787,925 (2007: £1,787,925).

11. Fixed asset investments

	Total £'000
Shares in subsidiary undertakings at cost:	
Shares at 1 January 2008	52,541
Dissolution of subsidiary companies	(25,269)
Provision for impairment	(3,474)
	<hr/>
As at 31 December 2008	<u>23,798</u>

At 31 December 2008 the company owned directly or via subsidiaries the following percentages of the issued ordinary share capital of:

Subsidiaries	Company holding	Subsidiary holding	Voting rights	Country of registration/operation	Activity
Accor Ireland Hotels Limited	100%	-	100%	Republic of Ireland	Hotel Operation
Etap Birmingham Limited	100%	-	100%	England and Wales	Hotel Ownership
Ibis Hull Limited	100%	-	100%	England and Wales	Hotel Leasing
Clondalkin Hotels Limited	-	100%	100%	Republic of Ireland	Hotel Ownership
Etap Bradford Limited	100%	-	100%	England and Wales	Hotel Development
Eco Accor 4 Limited	100%	-	100%	England and Wales	Dormant
Ibis UK Limited	100%	-	100%	England and Wales	Dormant
Sibi Packs Limited	100%	-	100%	Jersey	Dormant

In the opinion of the director the aggregate value of the shares in and amounts owing from the subsidiary undertakings is not less than the aggregate of the amounts at which they are stated in the company's balance sheet.

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

11. Fixed asset investments (continued)

Accor Ireland Hotels Limited has operated three Ibis hotels in Cork, Dublin and Galway since July 1997. Although the Dublin hotel has historically traded profitably, the performance of the Cork and Galway hotels was less than satisfactory, and in September 2007 these two hotels were closed. Although, the directors are confident that in the longer term this action will boost the profitability of Accor Ireland Hotels Limited they are of the opinion that in the current economic climate it would be prudent to provide for a full impairment in the value of the investment in this company.

A number of dormant subsidiary companies have been dissolved during the year. Arcade (UK) Properties Limited was dissolved on 15 April 2008, Arcade Hotel Management Limited and Arcade (Midlands) Properties Limited were both dissolved on 6 May 2008, Finotel Limited on 19 August 2008, Formule 1 (UK) Limited on 28 August 2008 and Ibis Hotels Limited on 28 October 2008.

12. Debtors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade debtors	1,099	1,268
Amounts owed by group undertakings	50,194	8,513
Amounts owed by subsidiary undertakings	7,998	-
Other debtors	320	80
Prepayments and accrued income	2,671	2,272
	<u>62,282</u>	<u>12,133</u>

13. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	2,776	2,186
Amounts owed to parent undertaking	84	-
Amounts owed to other group undertakings	27,842	26,878
Amount owed to subsidiary undertakings	24,493	50,069
Value added tax	3,342	3,577
Corporation tax payable	676	5,018
Other creditors	998	954
Accruals	4,627	5,282
	<u>64,838</u>	<u>93,964</u>

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

14. Called up share capital

	2008 £'000	2007 £'000
Authorised:		
25,000,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
Called up, allotted and fully paid		
23,123,746 ordinary shares of £1 each	<u>23,124</u>	<u>23,124</u>

15. Reserves

	Profit and loss account £'000
At 1 January 2008	67,189
Profit for the year	<u>14,859</u>
	<u>82,048</u>

16. Cash flow statement

In accordance with paragraph 5(a) Financial Reporting Standard No. 1 (revised) "Cash flow statements" the company is not required to prepare a cash flow statement.

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

17. Financial commitments

Operating leases

At 31 December 2008 the company was committed to make the following payments during the next year in respect of operating leases:

	Land and buildings		Plant, machinery, fixtures and fittings	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Leases which expire:				
Within one year	-	-	87	145
Between two and five years	-	-	1,069	445
After five years	18,524	17,001	282	779
	<u>18,524</u>	<u>17,001</u>	<u>1,438</u>	<u>1,369</u>

On 29 August 2000, the company acquired leases on eight hotels. The term of the leases is for 25 years, with an option to extend for a further 10 year period. The hotels, previously operated by an external third party, have all been re-branded and now operate under the Ibis brand name.

On 26 April 2001, a sale and leaseback agreement was entered into, whereby the company disposed of 12 hotels. These hotels continued to be managed by Accor UK Economy Hotels Limited and operate under the Ibis and Etap brand names. The term of the leases is for 25 years.

On 1 May 2002 the company acquired a 25 year lease for a hotel property which is operating under the Ibis brand name. During 2003 sale and leaseback agreements were entered into whereby the company disposed of two hotels. On 6 August 2003 the company acquired a 25 year lease for a hotel property which is operating under the Ibis brand name.

On 22 December 2004, a sale and leaseback agreement was entered into, whereby through the sale of subsidiary or fellow group companies, the company disposed of the assets of two hotel properties. Both hotels continue to trade under the Ibis brand name.

On 17 June 2005 the company acquired a 25 year lease on a newly constructed hotel in London Aldgate. The hotel trades under the Ibis brand name.

On 19 April 2007 the company entered into a 17 year lease for an existing hotel in York. The hotel has been re-branded and operates under the Ibis brand name. On 1 June 2007 the company acquired a 25 year lease on a newly constructed hotel in Bristol, and on 4 September 2007 the company acquired a 25 year lease on a newly constructed hotel in Reading. Both hotels trade under the Ibis brand name.

On 4 May 2007 the company entered into an agreement for lease for a period of 22 years a 142 bedroom hotel in Nottingham. The hotel opened on 15 October 2007 and trades under the Ibis brand name. On 28 July 2007 the company entered into a 25 year lease for a hotel property in Leeds. The hotel opened on 5 March 2007 and trades under the Etap brand name. In 2007 the company entered into 22 year lease agreements for newly constructed hotels in Sheffield and Cardiff. Both hotels opened in the year and trade under the Etap brand name. On 29 August 2007 the company entered into a 25 year lease agreement for a newly constructed hotel in Glasgow. The hotel opened on 20 September 2007 and trades under the Etap brand name.

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

17. Financial commitments (continued)

On 1 March 2007, the company, whilst retaining a reversionary interest, granted to a new lessor a leasehold interest in 13 hotel properties, in each case subject to an inferior operating lease in favour of itself. All these hotels continue to trade under the Ibis brand name. The rental under these leases is turnover based and there is therefore no fixed rental commitment arising.

In February 2008 the company entered into a lease for a period of 23 years for a newly built hotel in Borehamwood which operates under the Ibis brand name. In August 2008 the company entered into a lease for a period of 15 years for a newly built hotel in Bristol which operates under the Ibis brand name. In September 2008 the company entered into a lease for a period of 22 years for a newly built hotel in Salford, Greater Manchester which operates under the Etap brand name. In September 2008 the company entered into 30 year lease agreements for two hotels at Birmingham International Airport, one operates under the Ibis brand name and one under the Etap brand name. In September 2008 the company entered into a 15 year lease agreement for a hotel in Leicester, and in December 2008 the company entered into a 15 year lease agreement for a hotel in Derby. Both hotels operate under the Etap brand name. In October 2008 the company entered into a 20 year lease agreement for a hotel in Hounslow, West London which operates under the Etap brand name. In December 2008 the company entered into a 20 year lease agreement for a hotel in Portsmouth which operates under the Etap brand name.

18. Capital commitments

At 31 December 2008 the company had capital commitments authorised or contracted of £453,000 (2007: £433,000) not provided for in these accounts. These costs relate to retention monies owed for the construction of new hotels.

19. Related party transactions

In accordance with Financial Reporting Standard No. 8 "Related Party Disclosures" transactions with other undertakings within the Accor SA group have not been disclosed in these financial statements.

20. Directors' emoluments

No directors received any emoluments for their services to the company during the year (2007: £nil). Remuneration of the directors from other group companies is disclosed in the accounts of those companies. The number of directors who are members of a defined contribution pension scheme is £nil (2007: £nil).

Accor UK Economy Hotels Limited

Notes to the accounts Year ended 31 December 2008

21. Ultimate and immediate parent company

The ultimate parent company and controlling party is Accor SA, registered in France at 2 rue de la Mare-Neuve, 91000 Evry Cedex, France. This is both the smallest and largest group for which consolidated accounts are prepared. Copies of the group accounts are available from:

Accor S A Shareholder Relations Department
Immeuble Odyssey
110 avenue de France
75210 PARIS CEDEX 13
France

The immediate parent company is Accor UK Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of these accounts are available from:

Accor UK Hotels Finance Department
1 Shortlands
Hammersmith
London W6 8DR