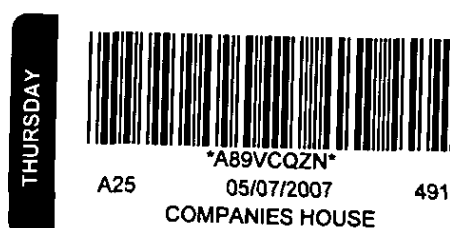


Company Registration No. 4588945

TLLC REGENT PALACE LIMITED

Report and financial statements

Year ended 31 December 2006



TLLC REGENT PALACE LIMITED
REPORT AND FINANCIAL STATEMENTS 2006

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TLLC REGENT PALACE LIMITED
REPORT AND FINANCIAL STATEMENTS 2006
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Paul Harvey
Grant Hearn
Jon Mortimore
Leigh Smith

COMPANY SECRETARIES

Jon Mortimore
A G Secretarial Limited

REGISTERED OFFICE

100 Barbirolli Square
Manchester
M2 3AB

BANKERS

The Royal Bank of Scotland plc
135 Bishopsgate
LONDON
EC2M 3UR

Barclays Bank Plc
5 The North Colonnade
Canary Wharf
LONDON
E14 4BB

SOLICITORS

Addleshaw Goddard
150 Aldersgate Street
LONDON
EC1A 4EJ

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
LONDON

TLLC REGENT PALACE LIMITED
DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2006

PRINCIPAL ACTIVITIES

The Company is principally engaged in the hotel industry

BUSINESS REVIEW

The Company made an operating profit of £2,642,773 for the year ended 31 December 2006 (2005 £3,599,073), and a profit after taxation of £3,204,278 (2005 £3,948,096)

During the year, after a review of the economic efficiency and potential increasing repair cost of the Regent Palace Hotel, the Company reached agreement with Crown Estates (the landlord) to exercise an option in the lease to surrender the property. The hotel was closed on the 1 January 2007 and a payment was made to the landlord of £1.0m on 5 January 2007 and in return all dilapidations liabilities were waived. In addition the Company sold the trade of the Regent Lodge hotel in Luton to Travelodge Hotels Limited on 31 August 2006 for its book value of £39,921. The Directors expect that the Company will not trade in 2007 and accordingly the accounts have been prepared on the basis that the Company is no longer a going concern.

PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend (2005 £nil)

DIRECTORS AND THEIR INTERESTS

The Directors, who served throughout the year, except as noted, were as follows

Paul Harvey (appointed 6 November 2006)
Grant Hearn
Jon Mortimore
Leigh Smith

There were no beneficial interests of the Directors and their immediate families in the Company or any other Companies in the group, other than those disclosed in the parent holding company, Travelodge Limited.

No Director has had a material interest, directly or indirectly, at any time during the period in any contract significant to the business in the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties to which the company is exposed to are as follows

Interest rate risk The Company is subject to an interest charge on its intercompany debt. This charge reflects the cost to the Group of the external debt held. In order to mitigate the risk of changes in interest rates, the Group borrows at fixed and floating rates, and uses interest rate swaps to generate the desired interest profile. It is Group policy to comply with the terms and conditions stated within its loan facilities.

Group risks are discussed within the Annual Report of the ultimate parent company, Travelodge Limited, which does not form part of this report.

TLLC REGENT PALACE LIMITED
DIRECTORS' REPORT (CONTINUED)

AUDITORS

In the case of each of the persons who are Directors of the company at the date when this report is approved


- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware, and
- each of the Directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) 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

ELECTIVE RESOLUTIONS

The Company has passed Elective resolutions to dispense with the laying of the Annual Report and Accounts before the Company in a General Meeting, the appointment of auditors annually and the holding of Annual General Meetings, pursuant to sections 252, 386 and 366a respectively of the Companies Act 1985

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



Jon Mortimore
Secretary
22 June 2007

TLLC REGENT PALACE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

United Kingdom 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 year. 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.

TLLC REGENT PALACE LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TLLC REGENT PALACE LIMITED

We have audited the financial statements of TLLC Regent Palace Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes 1 to 16. 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 judgments 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.

TLLC REGENT PALACE LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TLLC REGENT PALACE 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 2006 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

Emphasis of matter - going concern

Without qualifying our opinion, we draw attention to the disclosures made in note 1 of the financial statements. The Company has ceased to trade and therefore, as required by FRS 18 Accounting Policies, the Directors have prepared the financial statements on the basis that the Company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London, United Kingdom

26 June 2007

TLLC REGENT PALACE LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2006

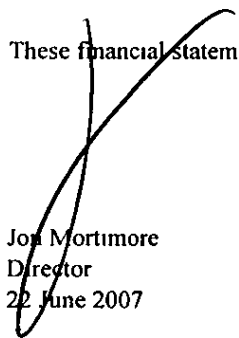
	<i>Notes</i>	Year ended 31 December 2006 £	Year ended 31 December 2005 £
TURNOVER - discontinued	2	14,819,138	14,229,834
Cost of sales		(1,225,682)	(1,130,122)
GROSS PROFIT		<u>13,593,456</u>	<u>13,099,712</u>
Administrative expenses		(9,950,683)	(9,500,639)
Exceptional items	7	(1,000,000)	-
OPERATING PROFIT - discontinued	4	<u>2,642,773</u>	<u>3,599,073</u>
Net interest receivable	6	561,505	349,023
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>3,204,278</u>	<u>3,948,096</u>
Tax charge on profit on ordinary activities	8	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u>3,204,278</u>	<u>3,948,096</u>

There were no recognised gains or losses other than the profit reported in the current or the preceding financial year and accordingly no statement of total recognised gains and losses is presented

TLLC REGENT PALACE LIMITED
BALANCE SHEET
As at 31 December 2006

	<i>Notes</i>	2006 £	2005 £
CURRENT ASSETS			
Stocks	9	-	53,376
Debtors	10	12,670,401	8,540,144
Cash		40,441	247,884
		<u>12,710,842</u>	<u>8,841,404</u>
CREDITORS' amounts falling due within one year	11	(947,528)	(1,282,368)
NET CURRENT ASSETS		<u>11,763,314</u>	<u>7,559,036</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	(2,000,000)	(1,000,000)
NET ASSETS		<u>9,763,314</u>	<u>6,559,036</u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Profit and loss account	14	9,763,313	6,559,035
EQUITY SHAREHOLDERS' FUNDS	15	<u>9,763,314</u>	<u>6,559,036</u>

These financial statements were approved by the Board of Directors and signed on their behalf by


Jon Mortimore
Director
22 June 2007

TLLC REGENT PALACE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Accounting policies have been consistently applied throughout the current and preceding year and a summary of the principal accounting policies is set out below.

Under Financial Reporting Standard 1 (Revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its ultimate parent company includes the Company's cash flows in its own published consolidated accounts.

Leased assets

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease. Incentives received by the Company to enter into leases as a lessee are credited to the profit and loss account on a straight line basis over the lease term or, if shorter, the period to the first review date on which rent is adjusted to the prevailing market rate.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using 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. Deferred tax assets and liabilities are not discounted.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Pension costs

The Company offers a defined contribution scheme to its employees. The amount charged to the profit and loss account for this scheme in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Going concern

The Company ceased to trade on 1 January 2007 and therefore, as required by FRS 18 Accounting Policies, the Directors have prepared the financial statements on the basis that the Company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

2 TURNOVER (All discontinued)

Turnover represents the amounts, excluding VAT, derived from the provision of goods and services to customers and arises wholly within the United Kingdom.

TLLC REGENT PALACE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Staff costs during the year		
Wages and salaries	2,942,435	3,351,428
Social security costs	145,922	296,875
	<u>3,088,357</u>	<u>3,648,303</u>
	Number	Number
Average number of persons employed (excluding directors)	100	137

Staff costs above includes the staff costs of one of the Directors. One Director is remunerated by the company, all other Directors are remunerated by fellow group companies. Information regarding their emoluments is disclosed in the financial statements of Travelodge Limited, the ultimate parent Company. Directors emoluments of £103,023 (2005 £43,000) and Directors pension contributions of £5,600 (2005 £nil) were paid during the year and Directors bonuses of £196,000 (2005 £nil) were accrued during the year.

The average number of employees includes all employees whether full time or part time employees. The average number of employees comprises full time equivalents which has been calculated by dividing the total number of hours worked by part time staff by the hours in a full time working week.

4 OPERATING PROFIT

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
Profit on ordinary activities before interest and taxation is stated after charging/(crediting):		
Operating lease rentals	2,029,009	2,064,618
Release of provisions	-	(328,000)
Hire of equipment	16,766	19,211

The audit fee of £7,000 (2005 £7,000) is borne by a fellow group company in the current and preceding year.

5 LEASE COMMITMENTS

At 31 December 2006 the Company had annual operating lease commitments of £nil (2005 £1,999,609) relating to property leases. Of this £nil (2005 £1,999,609) expires in 1 to 2 years.

During the year the Company reached agreement with Crown Estates, the landlord of the Regent Palace Hotel, to exercise an option in the lease to surrender the property at a cost of £1,000,000.

TLLC REGENT PALACE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

6 NET INTEREST RECEIVABLE

	Year ended 31 December 2006	Year ended 31 December 2005
	£	£
Interest receivable from group undertakings	561,505	349,023

7 EXCEPTIONAL ITEMS

During the year increases in provisions totalled £1,000,000 (2005 £nil) and related entirely to costs associated with the closure of the Regent Palace Hotel in London

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2006	Year ended 31 December 2005
	£	£
Current Tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	-
Tax charge on profit on ordinary activities	-	-

The difference between the total current tax charge shown and the amount calculated by applying the standard rate of UK corporation tax of 30% to the profit before tax is as follows

	Year ended 31 December 2006	Year ended 31 December 2005
	£	£
Profit on ordinary activities before tax	3,204,278	3,948,096
UK corporation tax rate of 30%	961,283	1,184,429
Effects of		
Short term timing differences	(675)	-
Tax relieved by group losses for nil consideration	(960,608)	(1,184,429)
Current tax charge for the year	-	-

No provision for UK corporation tax has been made for the year to 31 December 2006 (2005 £nil) since the profit for the year will be sheltered by group relief expected to be made available to the Company by other companies in the Travelodge Limited Group. No charge will be made by these companies for the surrender of group relief. It is anticipated that the availability of group tax losses will reduce future tax charges. There is no unprovided deferred tax.

TLLC REGENT PALACE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

9 STOCKS

	2006	2005
	£	£
Consumables	-	53,376

10 DEBTORS

	2006	2005
	£	£
Amounts owed by group undertakings due within one year	11,791,615	7,329,479
Trade debtors	877,887	1,175,512
Prepayments and accrued income	900	35,153
	12,670,401	8,540,144

All amounts owed by group undertakings are repayable on demand

11 CREDITORS

	2006	2005
	£	£
Amounts due within one year		
Trade creditors	(352,388)	(902,302)
Other taxation and social security	(355,607)	(306,376)
Accruals and deferred income	(239,534)	(73,690)
	(947,528)	(1,282,368)

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Closure costs
	£
As at 1 January 2006	(1,000,000)
Additions	(1,000,000)
As at 31 December 2006	(2,000,000)

The provision for closure costs will be utilised in the first half of 2007

13 CALLED UP SHARE CAPITAL

	2006	2005
	£	£
Authorised, issued, allotted and fully paid.		
1 ordinary shares of £1	1	1

14 RESERVES

	Profit & Loss
	£
As at 1 January 2006	6,559,035
Profit for the financial year	3,204,278
As at 31 December 2006	9,763,313

TLLC REGENT PALACE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2006

15 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2006 £
Opening equity shareholders' funds	6,559,036
Profit for the financial year	3,204,278
Closing equity shareholders' funds	9,763,314

16 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

As a subsidiary of Travelodge Limited, the Company has taken advantage of the exemption in FRS 8 'Related party transactions' not to disclose transactions with other members of the Group

The immediate parent company is Travelodge Hotels Limited

The Directors regard Dubai International Capital LLC ("DIC"), a Company incorporated in the United Arab Emirates, as the ultimate controlling party and the parent company of the largest group of which the Company is a member and for which Group financial statements are drawn up. DIC invested in Travelodge Limited on 5 September 2006. Travelodge Limited is the parent company of the smallest group of which the Company is a member and for which the Group financial statements are drawn up. Copies of the Travelodge Limited Group financial statements are available from its registered office Sleepy Hollow, Aylesbury Road, Thame OX9 3AT