

Company Registration No. 4588945

TLLC REGENT PALACE LIMITED (Formerly TLLC Regents Palace Limited)

Report and financial statements

YEAR ENDED 31 DECEMBER 2004



TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)

REPORT AND FINANCIAL STATEMENTS 2004

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TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)
REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Grant Hearn
Jon Mortimore
Harry Turner
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 Bishopgate
LONDON
EC2M 3UR

CIBC World Markets plc
Cottons Centre
Cottons Lane
LONDON
SE1 2QL

SOLICITORS

Addleshaw Goddard
150 Aldersgate Street
LONDON
EC1A 4EJ

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
LONDON

TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 2004. The company changed its name on 29 July 2004 from TLLC Regents Palace Limited to TLLC Regent Palace Limited.

ACTIVITIES

The Company is principally engaged in the hotel industry.

BUSINESS REVIEW

On 1 July 2004 the company acquired the trade and operating assets and liabilities of the Regent Palace Hotel in London.

The company made an operating profit of £2,521,300 (period ended 31 December 2003: £nil) for the year ended 31 December 2004, and profit after tax of £2,610,939 (period ended 31 December 2003: £nil).

On 5 July 2005 the Company agreed with the landlord to surrender the lease for the Regent Palace Hotel in London on 6 January 2007. Until 6 January 2007, the Company will continue to occupy and trade from that location under the terms of the lease, which will not change.

PROPOSED DIVIDEND

The Directors do not recommend the payment of a dividend (period ended 31 December 2003: £nil).

DIRECTORS AND THEIR INTERESTS

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

	Date appointed
Grant Hearn	-
Jon Mortimore	-
Harry Turner	-
Leigh Smith	25 August 2004

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, TLLC Group Holdings Limited, except for the shares of TLLC Group Holdings Limited as follows:

	At 31 December 2003		At 31 December 2004	
	Ordinary 'A'	Ordinary 'B'	Ordinary 'A'	Ordinary 'B'
	shares	shares	shares	shares
Harry Turner	7,500	-	10,500	10,500

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.

INSURANCE

The company maintains insurance in respect of the Directors and officers against any such liabilities as are referred to in section 325 of the Companies Act 1985.

TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)

DIRECTORS' REPORT (CONTINUED)

DONATIONS

The charitable donations made by the Company and charged in the accounts were £nil (2003: £nil). There were no political donations during the year (period ended 31 December 2003: £nil).

DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

EMPLOYEE INVOLVEMENT

The Board recognises that its employees are the most important asset of the Company. The Company is an equal opportunity employer and is committed to ensuring no employee or applicant is treated less favourably on grounds of race, religion, gender, ethnic origin, disability or sexual orientation.

Employees are encouraged to become members of the Company stakeholder pension scheme.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

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

Jon Mortimore
Director
4 August 2005

TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those 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 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 which disclose with reasonable accuracy at any time the financial position of the company, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, 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
TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)**

We have audited the financial statements of TLLC Regent Palace Limited (formerly TLLC Regents Palace Limited) for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 17. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year, and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
4 August 2005

TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2004

	<i>Notes</i>	Year ended 31 December 2004 £	59 weeks to 31 December 2003 £
TURNOVER	3	6,650,001	-
Cost of sales		(489,000)	-
GROSS PROFIT		6,161,001	-
Administrative expenses		(3,639,701)	-
OPERATING PROFIT/RESULT		2,521,300	-
OPERATING PROFIT/RESULT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION	5	2,521,300	-
Net interest receivable	7	89,639	-
PROFIT/RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,610,939	-
Tax charge on profit/result on ordinary activities	8	-	-
PROFIT/ RESULT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR/PERIOD	14	2,610,939	-

All results in the current financial year were derived from acquired operations.

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

TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)

BALANCE SHEET

AS AT 31 DECEMBER 2004

	<i>Notes</i>	2004 £	2003 £
CURRENT ASSETS			
Stocks	9	53,278	-
Debtors	10	5,013,374	1
Cash		631,149	
		<u>5,697,801</u>	<u>1</u>
CREDITORS: amounts falling due within one year	11	(1,869,799)	-
NET CURRENT ASSETS		<u>3,828,002</u>	<u>1</u>
PROVISIONS FOR LIABILITIES AND CHARGES	12	(1,217,062)	-
NET ASSETS		<u>2,610,940</u>	<u>1</u>
CAPITAL AND RESERVES			
Called up share capital	13	1	1
Profit and loss account	14	2,610,939	-
EQUITY SHAREHOLDERS' FUNDS	15	<u>2,610,940</u>	<u>1</u>

These financial statements were approved by the Board of Directors on 4 August 2005.

Jon Mortimore
Director

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. Accounting policies have been consistently applied throughout the current year and preceding period 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.

The Company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare 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 only 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.

2 ACQUISITION

On 1 July 2004 the business and the trade, assets and liabilities of the Regent Palace Hotel were acquired by the company from *Travelodge Hotels Limited*, a fellow group company. Consideration of £1,382,904 was receivable as net liabilities were transferred. The consideration represented the fair value of the assets and liabilities acquired and therefore no goodwill arose.

3 TURNOVER

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 (formerly TLLC Regents Palace Limited)**NOTES FOR THE ACCOUNTS****For the year ended 31 December 2004****4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

Information regarding Directors' emoluments is disclosed in the accounts of TLLC GROUP HOLDINGS LIMITED, an indirect parent company.

Directors of the Company received no remuneration for services to the Company in the current year or preceding period.

	Year ended 31 December 2004 £	59 weeks to 31 December 2003 £
Staff costs during the year/ period		
Wages and salaries	1,444,734	-
Social security costs	78,734	-
	<u>1,523,468</u>	<u>-</u>
	Number	Number
Average number of persons employed (excluding directors)	135	-

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.

Directors emoluments of £43,000 were paid during the year (2003: £nil).

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.

No Directors were members of the Group money purchase pension scheme during the current year or preceding period.

5 PROFIT/RESULT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION

	Year ended 31 December 2004 £	59 weeks to 31 December 2003 £
Profit/result on ordinary activities before interest and taxation is stated after charging/ (crediting):		
Operating lease rentals	769,000	-
Release of provisions	(492,222)	-
Hire of equipment	9,023	-
	<u>285,801</u>	<u>-</u>

The audit fee is borne by a fellow group company in the current year and preceding period.

6 LEASE COMMITMENTS

At 31 December 2004 the Company had annual operating lease commitments of £1,538,000 (2003: £nil) relating to property leases. Of this, £nil (2003: £nil) expires within one year, and £1,538,000 (2003: £nil) expires in 2 to 5 years.

TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)

NOTES FOR THE ACCOUNTS

For the year ended 31 December 2004

7 NET INTEREST RECEIVABLE

	Year ended 31 December 2004 £	59 weeks to 31 December 2003 £
Interest receivable from group undertakings	89,639	-

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December £	59 weeks to 31 December £
Current Tax:		
UK corporation tax on profits/results of the year/period at 30%	-	-
Tax charge on profit/result 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 to the profit before tax is as follows:

	Year ended 31 December £	59 weeks to 31 December £
Profit/ result on ordinary activities before tax	2,610,939	-
UK corporation tax rate of 30%	783,282	-
Effects of:		
Tax relief surrendered by group companies for nil consideration	(783,282)	-
Current tax charge for the year/period	-	-

No provision for UK corporation tax has been made for the year to 31 December 2004 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 TLLC Holdings5 Limited group. No charge will be made by these group companies for the surrender of group relief. It is anticipated that tax losses and the availability of capital allowances in excess of depreciation will reduce future tax charges.

9 STOCKS

	2004 £	2003 £
Consumables	53,278	-

10 DEBTORS

	2004 £	2003 £
Amounts owed by group undertakings	3,764,807	1
Trade debtors	1,204,218	-
Prepayments and accrued income	44,349	-
	5,013,374	1

TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)

NOTES FOR THE ACCOUNTS

For the year ended 31 December 2004

11 CREDITORS

	2004	2003
	£	£
Amounts due within one year:		
Trade creditors	(1,154,078)	-
Other taxation and social security	(382,873)	-
Other creditors	(33,542)	-
Accruals and deferred income	(299,306)	-
	(1,869,799)	-

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Dilapidations/ other
	£
Balance at 31 December 2003	-
Acquisitions (note 2)	(1,709,284)
Release of provision	492,222
Balance at 31 December 2004	(1,217,062)

Dilapidation/other provisions will be utilised over the remaining period of the lease.

13 CALLED UP SHARE CAPITAL

	2004	2003
	£	£
Authorised, issued, allotted and fully paid:		
1 ordinary shares of £1	1	1

14 RESERVES

	Profit & Loss	Total
	£	£
As at 1 January 2004	-	-
Profit for the year	2,610,939	2,610,939
As at 31 December 2004	2,610,939	2,610,939

TLLC REGENT PALACE LIMITED (formerly TLLC Regents Palace Limited)
NOTES FOR THE ACCOUNTS
For the year ended 31 December 2004

15 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2004 £
Opening equity shareholders' funds	1
Profit for the year	2,610,939
Closing equity shareholders' funds	2,610,940

16 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

As a subsidiary of TLLC GROUP HOLDINGS 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 Permira (Europe) Limited, the general partner of Permira Europe II, as the ultimate controlling party. Permira Europe II invested in TLLC GROUP HOLDINGS LIMITED on 30 January 2003. TLLC GROUP HOLDINGS LIMITED is the parent company of the largest and smallest group of which the company is a member and for which the group financial statements are drawn up. Copies of the group financial statements are available from the registered office, 100 Barbirolli Square, Manchester, M2 3AB.

17 POST BALANCE SHEET EVENTS

On 5 July 2005 the Company agreed with the landlord to surrender the lease for the Regent Palace Hotel in London on 6 January 2007. Until 6 January 2007, the Company will continue to occupy and trade from that location under the terms of the lease, which will not change.