Company registration number 05893848

FULL MOON HOLDCO 2 LIMITED

Report and financial statements

For the year ended 31 December 2011

AMENDING

FULL MOON HOLDCO 2 LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

CONTENTS

FULL MOON HOLDCO 2 LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISERS

Paul Harvey
Grant Hearn
Jon Mortimore
David Smoot
Keith Hamill (resigned 13 June 2012)
Peter Jansenberger (appointed 1 January 2011 resigned 15 August 2012)
Anand Krishnan (resigned 13 April 2011)
Guy Parsons (resigned 20 April 2012)

COMPANY SECRETARIES

Jon Mortimore
AG Secretarial Limited

REGISTERED OFFICE

Addleshaw Goddard
100 Barbirolli Square
Manchester
M2 3AB

BANKERS

The Royal Bank of Scotland PLC
135 Bishopsgate
London
EC2M 3UR

SOLICITORS

Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Full Moon HoldCo 2 Ltd
DIRECTORS REPORT & FINANCIAL REVIEW

On 28th November 2011, the Group was informed by its credit card acquirer that as a result of one of its customers experiencing a sudden material liquidity crisis, it had re-assessed its attitude to risk for taking deposits on forward bookings and therefore, unless the Group's cash balance was materially higher than anticipated by 31 December 2011, the Group would be moved to a full cash collateralised guarantee basis for bookings rather than a contractual guarantee basis for bookings On 23rd December 2011 the Group was moved by its credit card acquirer to a full cash collateralised guarantee basis for all room bookings This resulted in £2 5m of cash being with-held by the credit card acquirer at 31st December 2011, which rose to £8 8m by 31st January 2012, £15 0m by 29th February 2012 and with a peak of £29 2m of cash with-held on 8th May 2012.

Further, on 20th December 2011, the Group was informed that its principal subtenant (Riverside Restaurants Ltd trading as Little Chef), which operated restaurants on 109 properties adjacent to certain older Roadside hotels, was experiencing financial difficulties and would not be able to pay its first quarter 2012 rent payment which was due on 23rd December of £1 0m and may not be able to pay any further rent liabilities as they fall due The Group had an annual rent receivable from these units of £4 0m In addition, the Group would acquire an annual rates liability of £0 7m if the units were to become vacant Subsequently the Group was informed there was a high probability of that restaurant business being placed into administration (which occurred on 6 February 2012)

Finally, the Group's cash position had been further negatively impacted by a deterioration in trading during the latter part of the year (which had continued through 2012) and, when combined with the above issues, had resulted in the Group breaching a number of its banking covenants at the 31st December 2011 testing date. As a result, despite receiving a waiver for all breaches on 31st January 2012, all of the Group's secured debt (of £536 4m) was repayable on demand at the balance sheet date

Post Balance Sheet Events

On 12th October 2012, 100% of the share capital in Full Moon Holdco 4 Ltd (including all FM4's subsidiary companies, which also includes Travelodge Hotels Ltd, the principal trading company of the Group) was sold by Full Moon HoldCo 3 Ltd, the immediate subsidiary company of Full Moon HoldCo 2 Ltd, to a new company UK Bid Co Ltd ("New Group") for £1 At this date, the security held by the PIK debt holders and Mezzanine debt holders was released resulting in that debt being extinguished and £75 0m of new shareholder equity and unsecured loan notes was injected into the New Group (repayment due in 2026) In addition, the repayment date for the existing Senior Debt was extended from 2014 to June 2017 and the cash pay interest rate on that debt reduced to LIBOR plus 25 basis points through to December 2014 (subsequently LIBOR plus 500 basis points) Further, a Super Senior Letter of Credit was provided which has the effect of releasing up to £40 0m of cash which would otherwise be held as cash collateral by the New Group's credit card acquirer Finally, the Group's unsecured Eurobond notes were released with the effect that the New Group would not have any liability in relation to those notes This can be summarised overleaf

	31 Dec 11	12 Oct 12
	£m	£m
Senior - First Lien	291 3	299.3
- Flare Facility	-	20.0
- Second Lien	30 0	30 0
	321 3	349 3
Mezzanine	126 4	-
PIK	88.7	-
Secured Debt	536.4	349.3
Unsecured Loans - Eurobond(06,09)	431 4	-
- Notes (12)	-	75.0
Total Funding	967 8	424.3

The New Group also utilised £20 0m of the Letter of Credit Facility (with a maximum amount of £40 0m) in favour of the Group's credit card acquirer (releasing £20 0m of cash)

In addition, the New Group only has a minimum cash liquidity bank covenant test until December 2014 From this date the New Group will be subject to more normal banking covenant arrangements, with the headroom in relation to these compliance tests to be agreed in Q4 2014 based on financial projections to be prepared at that date

Funding, Covenant Compliance & Going Concern

The Directors have reviewed the New Group's financial projections for the foreseeable future, and in particular, the occupancy and rate forecasts and brand refurbishment programme that underpin those projections and cashflows These critical assumptions have also been stress tested with plausible but pessimistic changes to those assumptions As a result of these sensitivities, the minimal cash interest payments due through to December 2014, the requirement for £nil debt repayment until June 2017 and only a minimum cash liquidity covenant test until December 2014, the Directors have a reasonable expectation that the New Group has adequate resources to continue as a going concern into the foreseeable future

Operating Leases

The Group's hotels are predominantly held under operating leases, which are not currently regarded as debt for accounting purposes, though the accounting standards committee are currently reviewing this approach and have published an exposure draft which if enacted would result in all leases coming on to the balance sheet The leases are standard operating leases with normal commercial terms, typically 25 years (though a number of city centre and London properties have 35 year terms), subject to standard upwards only rent reviews, usually based on RPI indices (though some have fixed up-lift reviews, at 2 5% pa and subsequently to RPI), with Group only renewal rights at the end of the lease

At the balance sheet date, the Group had an annual minimum net rental commitment of £136 9m (net of £3 8m rent receivable) The total future net rental commitment at the balance sheet date was approximately £3 1bn with leases having an average life of 22 years The net present value of these commitments is approximately £1 0bn

Loss Before Tax

The following table analyses the results for the year -

	2011	2010
	£m	£m
Revenue	373.3	335.1
EBITDA	55 0	47.7
Depreciation/Amortisation	(42 6)	(41.8)
Operating Profit before exceptionals	12.4	5.9
Exceptionals	(53 9)	(4 5)
Operating (loss) profit after exceptionals	(41 5)	1 4
Net Interest - cash paid (net)	(27.0)	(25.4)
- charged (non cash)	(23 8)	(22.3)
	(92 3)	(46.3)
Interest on Eurobond	(60.9)	(52.3)
Loss/Profit Before Tax	(153 2)	(98 6)

Revenue of £373 3m (2010 £335 1m) was 11% higher than prior year, resulting in EBITDA of £55 0m (2010 £47 7m) representing EBITDA growth of 15% compared to the prior year However, after depreciation and amortisation charges of £42 6m (2010 £41 8m) and an exceptional charge of £53 9m, the Group made an Operating Loss of £41.5m (2010 Operating Profit of £1 4m) The Group incurred secured bank interest charges of £50 8m (2010 £47 7m) and unsecured interest charges from the Eurobond liability of £60 9m (2010 £52 3m) which resulted in the Group making a Loss before Tax of £153 2m (2010 £98 6m)

Exceptional Items

The results include an exceptional charge of £53 9m, all of which was charged against Operating Profits and includes a non-cash impairment charge of £45 4m against various tangible assets (discussed further below), a non-cash charge of £2 1m in relation to the write down of various working capital balances at 49 hotels which were part of the Company Voluntary Arrangement ("CVA") which the Company undertook in 2012 (and will revert back to the landlords in 2013) and a charge of £6 4m in relation to rent and rates liabilities on certain restaurant units which were likely to revert to the Group following the Administration of Little Chef, the principal subtenant

As a result of poor trading experienced in the latter part of 2011, and which continued through 2012, the Directors considered the carrying value of certain leasehold properties to be too high Therefore, an impairment charge of £165 6m was made against 288 properties, of which £45 4m was charged against operating profits and £120 2m was charged against the Revaluation Reserve

Taxation

The underlying tax charge for the year was £nil (2010 £nil) due to tax losses in the year A tax charge of £0 1m was recognised in the year in relation to trading profits from insurance activities in a subsidiary company in Malta

Cashflow

Net cashflow after interest costs and exceptionals is summarised below -

	£m
EBITDA	55 0
Working Capital [illegible]	(8.2)
Capital Expenditure	(28.3)
Net interest paid	(27.0)
Operating cash outflow after interest costs	(8.5)
Tax paid	(0 1)
Loans made to other group companies	(1.7)
Cash outflow	(10 3)
Opening Cash	38 5
Cash outflow	(10 3)
Repayment of bank debt	(13 2)
Closing cash	15 0

At the balance sheet date the Group had unused, uncommitted facilities of £nil (2010 £nil) A further £13 2m of borrowings were due for repayment in 2012

Balance Sheet

The Balance Sheet is summarised below -

	£m	£m
Fixed Assets		
- Goodwill	5 7	
- Interest in leaseholds	314.8	
- F&F/Computer equipment	49.8	370.3
Stock		1.5
Debtors – trade/other	11 0	
- prepayments	35 6	46 6
Cash		15 0
Current Assets		63.1
Secured Bank Debt		(536.4)
Other current liabilities		(90 2)
Current liabilities due within 1 year		(626.6)
Net Current Liabilities		(563.5)
Unsecured Eurobond notes	(431 4)	
Finance lease liability	(29 4)	
Provisions/other	(19.3)	(480.1)
Net Liabilities		(673.3)

At the balance sheet date the Group had breached a number of its banking covenants As a result, despite receiving a waiver for all breaches on 31st January 2012, all of the Group's secured bank debt (of £536 4m) became repayable on demand Subsequently a full balance sheet restructuring was completed on 12th October 2012 (previously described)

Pensions

The Group offers a defined contribution scheme to its employee's (by way of recommending a third party stakeholder scheme provided by Prudential Assurance Company Ltd) with amounts charged to the Income Statement equal to contributions paid in the year

Currency

The majority of the Company's revenue is earned in sterling

Dividend

The Director's do not recommend the payment of a dividend (2010 £nil)

Insurance

The Group maintains qualifying third party indemnity insurance in respect of directors and offices against any such liabilities as referred to in Section 234 of the Companies Act 2006

Donations

There were £nil charitable donations made by the Group and charged to the accounts during the period (2010 £nil) There were no political donations made during the period (2010 £nil)

Ownership

At 31st December 2011, the Directors regarded Dubai International Capital as the ultimate controlling party On 12th October 2012, the shares of Full Moon Holdco 4 Ltd ("FM4" a subsidiary of FM2 Ltd) and all the subsidiaries of FM4 (which also includes Travelodge Hotels Ltd, the principal trading company of the Group) were sold by its immediate parent for consideration of £1 to UK Bidco Ltd, which the Directors consider now to be the ultimate controlling party of the New Group

Employee Involvement

The Group is an equal opportunity employer and is committed to ensuring no employee or applicant is treated less favourably on the grounds of race, religion, ethnic origin, age, disability or sexual orientation Employees are encouraged to become members of the stakeholder pension scheme The Group provides information to its employee's on matters of concern to them via an Employee Consultative Committee Employees are consulted on a regular basis so that their views can be taken into account in making decisions that may affect them

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

Provision of Information to Auditors

As required under section 418 of the Companies Act, the Directors confirm that

- So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- The Directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant information and to establish that the Group's auditors are aware of that information

Independent Auditors

During the year the Directors re appointed Pricewaterhouse Coopers LLP as auditors of the Group

Approved by the Board of Directors

And signed on behalf of the Board

Jon Mortimore

Director

28 January 2013

FULL MOON HOLDCO 2 LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual 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 prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 group and the company and of the profit or loss of the group 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 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a Director in order to make himself 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 section 418 of the Companies Act 2006

By order of the board

Jon Mortimore
Company Secretary
28 January 2013

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FULL MOON HOLDCO 2 LIMITED

We have audited the group financial statements of Full Moon Holdco 2 Limited for the year ended 31 December 2011 which comprise the consolidated profit and loss account, the statement of group total recognised gains and losses, the note of group historical cost profits and losses, the reconciliation of movements in group shareholders' funds, the group balance sheet, the consolidated cash flow statement, the accounting policies and related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9 the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the groups' circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its loss and cash flows 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- 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

Other matter

We have reported separately on the parent company financial statements of Full Moon Holdco 2 Limited for the year ended 31 December 2011

JWEllis

John Ellis (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 January 2013

FULL MOON HOLDCO 2 LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2011

		Year ended 31 December 2011			Year ended 31 December 2010		
	Notes	Before exceptional items £m	Exceptional items £m	After exceptional items £m	Before exceptional items £m	Exceptional items £m	After exceptional items £m
Revenue	2	373.3	-	373 3	335.1	-	335 1
Operating profit / (loss)	4	12 4	(53.9)	(41 5)	5.9	(4 5)	1 4
EBITDAR[1]		178 1	(53 9)	124.2	154 2	(4 5)	149 7
Net rent expense		(123 1)	-	(123.1)	(106 5)	-	(106.5)
EBITDA[2]		55 0	(53 9)	1.1	47 7	(4 5)	43 2
Amortisation	13	(0 2)	-	(0 2)	(0 1)	-	(0 1)
Depreciation	14	(42 4)	-	(42.4)	(41 7)	-	(41.7)
Operating profit / (loss)		12 4	(53 9)	(41.5)	5 9	(4 5)	1.4
Interest receivable	6	0 1	-	0.1	0 2	-	0 2
Interest payable	7	(111 8)	-	(111.8)	(100 2)	-	(100 2)
Bank Loans - cash		(22 4)	-	(22.4)	(21 2)	-	(21.2)
- non cash		(19 6)	-	(19 6)	(18 9)	-	(18 9)
Finance lease rentals / fees paid		(4 7)	-	(4 7)	(4 4)	-	(4 4)
Other non-cash charges		(4 2)	-	(4.2)	(3 4)	-	(3.4)
		(50 9)	-	(50 9)	(47 9)	-	(47 9)
Eurobonds charge (non cash)		(60 9)	-	(60 9)	(52 3)	-	(52 3)
Interest charged		(111 8)	-	(111 8)	(100 2)	-	(100 2)
Loss before taxation		(99 3)	(53 9)	(153 2)	(94 1)	(4 5)	(98.6)
Tax (charge)/credit	12	(0 1)	-	(0.1)	0 1	(0 2)	(0.1)
Loss for the year		(99 4)	(53.9)	(153 3)	(94 0)	(4 7)	(98 7)

1) Earnings before interest tax, depreciation amortisation and net rent

2) Earnings before interest tax depreciation and amortisation

All results relate to continuing activities

FULL MOON HOLDCO 2 LIMITED

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2011

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Loss for the financial year before impairment	(153 3)	(98 7)
Exchange adjustments offset in reserves	(0.1)	(0 1)
Impairment charge on tangible assets against the revaluation reserve	(120 2)	-
Total recognised losses for the year	(273.6)	(98.8)

NOTE OF GROUP HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 December 2011

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Reported loss on ordinary activities before taxation & impairment	(153 2)	(98 6)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	15.8	15 7
Impairment charge on tangible assets against the revaluation reserve	(120 2)	-
Historical cost loss on ordinary activities before taxation	(257.6)	(82 9)
Tax on loss on ordinary activities	(0 1)	(0 1)
Historical cost loss for the year retained after taxation	(257.7)	(83.0)

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' FUNDS

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Loss for the financial year	(153 3)	(98 7)
Impairment charge on tangible assets against the revaluation reserve	(120.2)	-
Movement in foreign exchange reserve (note 24)	(0 1)	(0 1)
Net change in shareholders' deficit	(273 6)	(98 8)
Opening shareholders' deficit	(399 7)	(300 9)
Closing shareholders' deficit	(673.3)	(399 7)

FULL MOON HOLDCO 2 LIMITED

CONSOLIDATED BALANCE SHEET
As at 31 December 2011

	Note	31 December 2011 £m	31 December 2010 £m
FIXED ASSETS			
Goodwill	13	5.7	5 9
Tangible assets	14	364.6	542 0
		370 3	547.9
CURRENT ASSETS			
Stocks	16	1 5	1 1
Debtors	17	46.6	40 1
Cash at bank and in hand		15 0	38 5
		63.1	79 7
Creditors Amounts falling due within one year	18	(626.6)	(109 2)
NET CURRENT LIABILITIES		(563.5)	(29.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		(193.2)	518.4
Creditors Amounts falling due after more than one year	19	(461 4)	(905 0)
Provisions for liabilities	22	(18.7)	(13 1)
NET LIABILITIES		(673 3)	(399 7)
CAPITAL AND RESERVES			
Called up share capital	23	2.0	2 0
Revaluation reserve	24	215.2	351 2
Foreign exchange reserve	24	0.5	0 6
Profit and loss account	24	(891 0)	(753 5)
TOTAL SHAREHOLDERS' DEFICIT	24	(673.3)	(399 7)

These financial statements on pages 11 to 36 were approved by the board of directors and signed on their behalf by

Jon Mortimore
Director
28 January 2013

Full Moon Holdco 2 Limited Company registration number 05893848

FULL MOON HOLDCO 2 LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2011

	Notes	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Net cash inflow from operating activities	20	46.8	50 5
Returns on investments and servicing of finance			
Interest received	8	0 1	0 2
Interest paid	7	(22.4)	(21 2)
Interest element of finance lease payments	7	(4.1)	(3 8)
Finance fees paid	7	(0 6)	(0 6)
Net cash outflow from returns on investments and servicing of finance		(27.0)	(25.4)
Capital expenditure and financial investment			
Purchases of tangible fixed assets	14	(28.3)	(31 0)
Net cash outflow for capital expenditure and financial investment		(28 3)	(31 0)
Taxation Paid		(0.1)	-
Acquisitions			
Transaction costs on purchase of Inn Keepers Lodge	13	(1.7)	(4 3)
Net cash outflow before financing		(10 3)	(10 2)
Financing			
Repayments of borrowings	21	(13.2)	(3 0)
Net cash outflow from financing activities		(13 2)	(3.0)
Cash at 31 December		15 0	38 5

Memorandum - Analysis of operating cashflow[1]	*Year ended 31 December 2011 £m*	*Year ended 31 December 2010 £m*
EBITDA before exceptional items	*55 0*	*47 7*
Working capital - trading	*(6 2)*	*7 2*
- cash spend on provisions	*(2 0)*	*(1 5)*
Net cash flows from operating activities before exceptionals	*46 8*	*53 4*
Capital expenditure	*(28 3)*	*(31 0)*
Operating cashflow	*18 5*	*22 4*
Non-trading cash flow		
Interest paid	*(27 1)*	*(25 6)*
- received	*0 1*	*0 2*
Taxation paid	*(0 1)*	*-*
Transaction cost on purchase of IKL	*(1 7)*	*(7 2)*
Cash utilised	*(10 3)*	*(10 2)*
Opening Cash	*38 5*	*51 7*
Cash utilised	*(10 3)*	*(10 2)*
Repayment of borrowings	*(13 2)*	*(3 0)*
Movement in cash	*(23 5)*	*(13 2)*
Closing Cash	*15 0*	*38 5*
Opening net bank debt	*(477 4)*	*(447 0)*
Movement in cash	*(23 5)*	*(13 2)*
Repayment of borrowings	*13 2*	*3 0*
Interest accrued into principal	*(22.0)*	*(19 5)*
Net fees amortised	*(2 8)*	*(0 7)*
Closing net bank debt	*(512 5)*	*(477 4)*

1 Operating cash flow is defined as cash generated by the Company before interest and exceptional costs

1 ACCOUNTING POLICIES

General Information
Full Moon Holdco 2 Limited (the parent company) is a limited company and was incorporated in the United Kingdom on 2 August 2006 The company is domiciled in the United Kingdom The address of its registered office and principal place of business are disclosed in the introduction to the annual report The principal activities of the parent company and its subsidiaries (together the Company) are disclosed in the Directors' report

The group financial statements have been prepared under the provision of the large and medium - sized companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and applicable accounting standards The principle accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to all the years stated unless otherwise stated The financial statements are prepared under the historical cost convention modified to include the revaluation of certain financial assets and liabilities

Going Concern
The Directors have reviewed the New Group's financial projections for the foreseeable future, and in particular , the occupancy and rate forecasts and brand refurbishment programme that underpin those projections and cashflows These critical assumptions have also been stress tested with plausible but pessimistic changes to those assumptions As a result of these sensitivities, the minimal cash interest payments due through to December 2014, the requirement for £nil debt repayment until June 2017 and only a minimum cash liquidity covenant test until December 2014, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern into the foreseeable future

Basis of consolidation
The consolidated financial statements consolidate the financial statements of the Company and entities controlled by the Company and its subsidiaries up to 31 December 2011 Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities Uniform accounting policies are adopted across the group

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or disposal, as appropriate

All intra-group transaction balances, income and expenses are eliminated on consolidation

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree, plus any costs directly attributable to the business combination The acquirer's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date

Revenue
Revenue represents the amount receivable for goods and services supplied to customers in the normal course of business, net of VAT and trade discounts

Revenue is measured at the consideration received or receivable and represents the amount receivable for goods and services supplied to customers in the normal course of business, net of VAT The principal revenue stream of the Company is providing branded budget hotel accommodation and is recognised when customers stay Consideration received in advance of the customers stay is deferred in the balance sheet until the date of check in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

1 ACCOUNTING POLICIES (CONTINUED)

Stock
Stocks comprise finished goods and goods for resale and are stated at the lower of cost and net realisable value Cost is determined on a first in first out basis

Goodwill
Goodwill arising on the acquisition of a business combination represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition Goodwill is initially recognised as an asset at cost and is amortised over twenty years

Tangible fixed assets
Interests in leasehold properties are stated in the balance sheet at their revalued amounts, being the existing use value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses Revaluations are performed every 5 years to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date Valuations are made in accordance with the RICS Appraisal and Valuation Manual

Any revaluation increase arising on the revaluation of such leaseholds is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the profit and loss account to the extent of the decrease previously charged A decrease in the carrying value arising on the revaluation of such leaseholds is charged as an expense to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset

Depreciation on revalued leaseholds is charged to the profit and loss account On the subsequent sale or retirement of a revalued leasehold, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings

Fixtures and fittings and computer equipment are stated at cost less accumulated depreciation and any recognised impairment loss Cost is defined to include the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use

Freehold and long leasehold properties are depreciated on a straight line basis over 50 years, except where in the opinion of the directors, the residual value of these properties is such that any depreciation would be immaterial Freehold buildings are depreciated to their estimated residual values over periods up to fifty years Leasehold land and buildings are depreciated to their estimated residual values over the shorter of fifty years and their remaining lease periods Short leasehold properties are amortised on a straight line basis over the period of the leases or their estimated remaining lives if less Other tangible fixed assets are depreciated on a straight line basis over their remaining lives within the following ranges Fixtures and fittings - 10 years, Equipment - 5 to 10 years, Computer Equipment - 3 years

Borrowings
Debt is initially stated at the amount of the net proceeds after deduction of issue costs The carrying amount is increased by the finance cost in respect of the accounting period The issue costs are amortised on a straight-line basis over the term of the debt

1 ACCOUNTING POLICIES (CONTINUED)

Impairment
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the income-generating unit to which the asset belongs

The recoverable amount is the higher of the net realisable value and the value in use, where value in use is defined as the present value of the future cash flows obtainable as a result of an asset's continued use The cashflows are discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of the asset (or income-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or income-generating unit) is reduced to its recoverable amount An impairment loss on revalued assets is recognised in the statement of total recognised gains and losses until the carrying value of the asset reaches its depreciated historical cost and thereafter in the profit and loss account

Leased assets
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases

Rental costs or income under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease, allowing for inflationary increases in the year Incentives received by the Group 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

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives The capital element of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding

Pension costs
The Company offers a defined contribution scheme to its employees The amount charged to the profit and loss account for the 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 The assets of the scheme are held separately from those of the Company in an independently administered fund

Derivatives
The Group's activities expose it primarily to the financial risks of changes in interest rates The Group uses an interest rate swap contract and an interest rate cap contract to hedge these exposures The Group does not use derivative financial instruments for speculative purposes Interest on the pay and receive leg of the swap is accounted for on an accruals basis The net interest payable or receivable on the swap is included within interest payable in the profit and loss and account and the interest accrual (net) is included within creditors due within one year The premium for the purchased interest rate cap is recognised in the profit and loss account on straight line basis over the life of the option Interest receivable on the cap is recognised on an accrual basis after the cap has been exercised

Exceptional items
The Directors believe that in order to understand the underlying performance of the business, material and non-recurring items should be separately disclosed as exceptional items in the profit and loss account (note 6)

1 ACCOUNTING POLICIES (CONTINUED)

Foreign currencies
For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit and loss for the year Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity

The results and financial position of subsidiaries that have a functional currency different from the Group's presentational currency are translated in the consolidated financial statements Assets and liabilities denominated in foreign currencies are translated into sterling at rates prevailing at the balance sheet date Income statement items denominated in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions

Trade debtors
Trade receivables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it furthers excludes items that are never taxable or deductible The Group's liability for current tax is calculated using tax rates that have been enacted or substantially 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

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of 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 on an undiscounted basis

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation Provisions are measured at the Directors' best estimate that the Company will be required to settle that obligation and of the expenditure required Further detail on the nature of provisions is provided in note 22

2 REVENUE

Revenue of £373 3m (2010 £335 1m) represented amounts derived from the provision of goods and services wholly within the Group's ordinary activities after the deduction of trade discounts and value added tax All revenue relates to the principal activity of the Group, which is the supply of hotel rooms

3 ANALYSIS OF RESULTS, ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

Before exceptional items

		Year ended 31 December 2011	Year ended 31 December 2010	*Growth*
Revenue		**£m**	**£m**	*%*
Travelodge	- UK	369 8	332 0	*11 %*
	- Spain[4]	3.0	2 6	*14 %*
	- Ireland	0 5	0 5	-
		373 3	335.1	*11 %*
EBITDAR[1]				
Travelodge	- UK	177.1	153 3	*16 %*
	- Spain[4]	0.5	0 4	*18 %*
	- Ireland	0 5	0 5	-
		178 1	154 2	*15 %*
EBITDAR Margin %[5]				
Travelodge	*UK*	*47 9%*	*46 2%*	*1 7 Pts*
	- Spain[4]	*15 9%*	*15 3%*	*0 6 Pts*
	- Ireland	*100 0%*	*100 0%*	*0 Pts*
		47 7%	*46 0%*	*1 7 Pts*
EBITDA[2]				
Travelodge	- UK	55 8	48 4	*15 %*
	- Spain[4]	(1 3)	(1 2)	*(11)%*
	- Ireland	0 5	0 5	-
		55 0	47.7	*15 %*
Operating profit before exceptional items				
Travelodge	- UK	13 3	6 8	*96 %*
	- Spain	(1.4)	(1 4)	*(3)%*
	- Ireland	0 5	0 5	-
Operating profit before exceptionals		12.4	5.9	*110 %*
Exceptional items (note 6)[3]		(53 9)	(4 5)	
Operating profit/(loss)		(41.5)	1 4	

1 Earnings before interest tax depreciation amortisation and net rent
2 Earnings before interest tax depreciation and amortisation
3 Exceptional items relate to UK operations (note 6)
4 Spain growth is calculated on reported Euro data
5 EBITDAR margin is calculated as EBITDAR as a proportion of revenue

3 ANALYSIS OF RESULTS, ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

		2011 £m	2010 £m
Assets			
Goodwill		5.7	5 9
Trading assets	-UK[1]	408.6	580 2
	-Spain[2]	3.9	2 8
	-Ireland	0 2	0 2
Total Travelodge		412.7	583.2
Cash		15.0	38 5
Total assets		**433.4**	**627.6**
Liabilities			
Trading liabilities	-UK[3]	(110 4)	(102 6)
	-Spain[4]	(0 8)	(0 4)
Non trading liabilities[5]		(7.3)	(8 6)
Total operations		**(118.5)**	**(111 6)**
Bank debt		(527 5)	(515 9)
Eurobonds		(431.4)	(370 7)
Finance lease creditor		(29 4)	(29 1)
Total liabilities		**(1,106 8)**	**(1,027.3)**
Net assets / liabilities			
Goodwill		5 7	5 9
Trading net assets	-UK	298.2	477 6
	-Spain	3.1	2 4
	-Ireland	0 2	0 2
		301.5	480 2
Non trading net liabilities		(7 2)	(8 6)
Total operations		**294 3**	**471 6**
Cash		15 0	38 5
Bank debt		(527 5)	(515 9)
Net Bank Debt		**(512 5)**	**(477.4)**
Eurobonds		(431.4)	(370 7)
Finance lease creditor		(29 4)	(29 1)
Net liabilities		**(673 3)**	**(399 7)**

1 - Travelodge UK operating assets of £408 6m (2010 £580 2m) include £362 0m (2010 £540 4m) of fixed assets £1 5m (2010 £1 1m) of stock, £5 4m (2010 £3 8m) of trade accounts receivable £4 1m (2010 £3 7m) of other receivables £35 6m (2010 £31 2m) of prepayments and accrued income

2 Travelodge Spain operating assets of £3 9m (2010 £2 8m) include £1 3m (2010 £1 2m) of other receivables and £2 6m (2010 £1 6m) of fixed assets

3 - Travelodge UK operating liabilities of £110 4m (2010 £102 6m) include £1 6m (2010 £3 5m) of deferred income £18 7m (2010 £13 1m) of provisions £2 3m (2010 £0 3m) of other payables £7 9m (2010 £7 9m) of taxation and other social security £16 4m (2010 £18 2m) of trade payables £14 7m (2010 £18 8m) of accruals £20 3m (2010 £16 2m) of prepaid room deposits, £16 5m (2010 £14 8m) rent reverse premiums £11 1m (2010 £9 0m) of capital payables and £0 9m (2010 £0 8m) of amounts owing under development contracts

4 Travelodge Spain operating liabilities of £0 8m (2010 £0 4m) all relate to trade payables

5 - Travelodge non trading liabilities of £7 3(2010 £8 6m) all relate to interest payable

4 OPERATING PROFIT / (LOSS)

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Operating profit / (loss) is stated after charging		
Cost of goods sold	22.0	20 7
Employee costs (note 9)	86.0	75 8
Fees payable to the company's auditors[1]	0.5	0 3
Operating expenses	86 7	84 1
Net operating expenses before rent, depreciation and exceptional items	195.2	180 9
Rent - payable	127.5	110 7
- receivable	(4.4)	(4 2)
Net operating lease charges	123.1	106 5
Net operating expenses before depreciation and exceptional items	318.3	287.4
Amortisation of intangible fixed assets (note 13)	0.2	0 1
Depreciation of tangible fixed assets (note 14)	42.4	41 7
Net operating expenses before exceptional items	360 9	329.2
Exceptional items (note 6)	53.9	4 5
Total net operating expenses	414 8	333.7

1) During the year the Group obtained the following services from the Group s auditors and its associates which included fees payable to the Group auditors for the audit of the parent company and consolidated financial statements of £0 2m (2010 £0 2m) fees payable to the Group s auditors and its associates for other services including the audit of the Group's subsidiaries of £0 1m (2010 £0 1m) and other non-audit services of £0 2m (2010 £nil)

2) All operating lease charges relate to property

5 RENT COVER (before exceptional items)

Rent charged to the income statement in the year was £127 5m (2010 £110 7m) Rental income credited to the income statement in the year was £4 4m (2010 £4 2m)

		Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
EBITDAR[1]	- UK	177.1	153 3
	- Spain	0 5	0 4
	- Ireland	0 5	0 5
		178.1	154 2
Net operating lease rent payable to third party landlords[2]	- UK	121 3	105 0
	- Spain[2]	1 8	1 5
	- Ireland	-	-
		123 1	106 5
		times	*times*
Rent cover	- UK	*1 5 x*	*1 5x*
	- Spain	*(0 3 x)*	*(0 3 x)*
	- Ireland	*N/A*	*N/A*
		1 5 x	*1 5 x*

1 Earnings before interest tax depreciation amortisation and net rent

2 Spanish lease rent payable in local currency was €2 018k (2010 €1 783k)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6 EXCEPTIONAL ITEMS

The results include a total exceptional non cash charge of £53 9m all of which was charged against operating profits, and includes a non cash impairment charge of £45 4m against various tangible assets, a non cash charge of £2 1m in relation to the write down of various working capital balances at 49 hotels which were part of the Company Voluntary Arrangement ("CVA") which the Group undertook in 2012 and will revert back to the landlords in 2013 (see note 28), and a charge of £6 4m in relation to the reassessment of rent and rates liabilities on certain historical empty restaurant units

7 INTEREST PAYABLE AND SIMILAR CHARGES

		Year ended 31 December 2011			Year ended 31 December 2010		
		£m	£m	£m	£m	£m	£m
		Cash	Non-Cash[1]	Total	Cash	Non-Cash[1]	Total
Senior (B) debt		5 6	0 1	5 7	5 3	0 2	5.5
Senior (C) debt		7 8	(1 5)	6.3	5 9	0 2	6.1
Capex facility		1 9	(0 5)	1.4	1 7	-	1.7
Revolver facility		0 9	(0 2)	0.7	0 7	-	0.7
Second lien debt		2 0	-	2.0	1 9	0 1	2.0
Mezzanine debt		1 9	11 2	13.1	2 3	9 4	11.7
PIK debt		-	10 6	10 6	-	9 2	9 2
Swap		2 3	(0 1)	2.2	3 4	(0 2)	3.2
Interest on bank loans		22 4	19 6	42 0	21 2	18 9	40 1
Finance fees		0 6	0 6	1 2	0 6	(0 1)	0.5
Interest on obligations under finance leases		4 1	0 3	4 4	3 8	0 5	4.3
Amortisation of debt issue costs		-	2 1	2.1	-	2 1	2.1
Unwinding of discount on provisions		-	1 2	1.2	-	0 9	0.9
Finance costs before Eurobond interest		**27.1**	**23.8**	**50.9**	**25.6**	**22.3**	**47.9**
Eurobond interest	- 2006	-	60 5	60 5	-	51 9	51.9
	- 2009	-	0 2	0 2	-	0 2	0.2
Other investor interest[2]		-	0 2	0 2	-	0 2	0.2
Finance costs		**27.1**	**84.7**	**111.8**	**25 6**	**74 6**	**100 2**

1 Includes non cash interest accrued into the principal amount of which £11 5m (2010 £10 3m) relates to the Mezzanine loan, and £10 6m (2010 £9 2m) relates to the PIK loan Also included in the Mezzanine loan is a movement on interest accrued of (£0 3m) (2010 £0 9m) All other non-cash bank loan interest relates to movement on interest accruals

2 Other investor interest represents interest payable to Endell Group Holdings Limited

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2011	Year ended 31 December 2010
	£m	£m
Bank interest receivable	0 1	0 2
Interest receivable	**0 1**	**0 2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

9 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2011 £ '000	Year ended 31 December 2010 £ '000
Directors emoluments		
Directors' emoluments	1,254	1,717
Fees	214	273
Pension costs	200	189
Benefits in kind	4	4
Total	1,672	2,183
Remuneration of the highest paid director	414	564
Pension costs of the highest paid director	68	68
Number of directors accruing benefits under the defined contribution scheme	4	4

	£m	£m
Wages and salaries	81 2	71 3
Social security costs	4.3	4 1
Other pension costs	0 5	0 4
Employee costs before exceptional items	86.0	75.8
Exceptional items	-	0 8
Defined contribution total employee costs	86 0	76 6

		Year ended 31 December 2011 Number	Year ended 31 December 2010 Number
Average number of persons employed by the group[1]	-UK	2,898	3,395
	-Spain	49	50
		2,947	3,445
Total number of persons employed[1]	Hotels	5,495	5,741
	Head Office	274	191
	Total UK	5,769	5,932
	Total Spain	59	46
Total number of persons employed	**Group Total**	5,828	5,978

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

The average and total number of employees include executive directors

1 In the year the Group entered into additional outsourced contract cleaning arrangements at 79 hotels and 602 employees were transferred under TUPE regulations from the Group to the contract cleaning suppliers

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

10 OPERATING LEASE COMMITMENTS

	2011 £m	2010 £m
Annual Rental Commitments[1]		
Rent payable[3 5]	140.7	119 1
Rent receivable[4]	(3.8)	(4 6)
Net Annual Rental Commitments	136.9	114.5
Future minimum cumulative rental commitments (not discounted)		
Rent payable[3 5]	3,130.7	2,954 4
Rent receivable[2 4]	(58.1)	(78 5)
Future minimum cumulative rental commitments	3,072.6	2,875.9
Average lease term[3]	years	years
Rent payable[3 5]	22	25
Rent receivable[4]	15	17
Average lease term	22	25

All leases relate to property

1 - The difference between the net annual rent commitment above of £136 9m (2010 £114 5m) and the cash rent charge incurred in the year ended 31 December 2011 of £123 1m (2010 £106 5m) principally relates to the annualisation of rent commitments on new properties

2 - At the balance sheet date the majority of properties held under sub-lease arrangements had committed tenants for the foreseeable future There were 86 properties (2010 129) held under sub lease arrangements, of which 67 (2010 111) related to restaurants located adjacent to Travelodge hotels and branded as Little Chef restaurants with a net rent receivable of £2 3m per annum (2010 £3 1m per annum) and average lease term remaining of 15 years (2010 17 yrs). In addition there are a further 19 restaurants (2010 18 restaurants) held under sub lease arrangements with a net rent receivable of £1 5m (2010 £1 5m operated as various branded restaurants)

3 - The annual rental commitments include £138 3m (2010 £117 3m) of rent payable on properties in the UK and £2 4m (2010 £1 8m) on properties in Spain and rent receivable £3 8m(2010 £4 6m) which relates to properties in the UK There is no rent receivable in Spain

4 - The future minimum cumulative rental commitments includes £3 109 2m (2010 £2 954 4m) of rent payable on properties in the UK and £21 5m (2010 £15 2m) on properties in Spain and £58 1m (2010 £78 5m) rent receivable which relates to properties in the UK There is no rent receivable in Spain

5 - The average lease term is 22 years (2010 25 years) in relation to rent payable on properties in the UK and 9 years (2010 8 years) in relation to properties in Spain

The total gross annual rent payable of £140 7m (2010 £119 1m) expires as below For 2010 all commitments expired in over 5 years

<u>2011</u>	Spain £m	UK £m	Total £m
Under 1 year	-	-	-
2 - 5 years	1 8	11.6	13 4
Over 5 years	0 6	126.7	127 3
	2 4	138.3	140 7

The total gross annual rent receivable of £3 8m (2010 £4 6m) expires as below For 2010 all commitments expired in over 5 years

<u>2011</u>	Spain £m	UK £m	Total £m
Under 1 year	-	-	-
2 - 5 years	-	(0 5)	(0 5)
Over 5 years	-	(3 3)	(3.3)
	-	(3 8)	(3 8)

FULL MOON HOLDCO 2 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10 OPERATING LEASE COMMITMENTS (CONTINUED)

The table below details the Group's remaining contractual liabilities for its operating lease commitments

2011	Within 1 year £m	1-5 years £m	5+ years £m	Total £m
Rent payable	140 7	521 5	2,468 5	3,130 7
Rent receivable	(3 8)	(13 2)	(41 1)	(58.1)
Total	136.9	508.3	2,427.4	3,072.6

2010	Within 1 year £m	1-5 years £m	5+ years £m	Total £m
Rent payable	119 1	486 3	2,349 0	2,954.4
Rent receivable	(4 6)	(17 8)	(56 1)	(78.5)
Total	114 5	468.5	2,292 9	2,875.9

11 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2011 £m	Capital liability 2011 £m	Minimum lease payments 2010 £m	Capital liability 2010 £m
Amounts payable under finance leases				
Within one year	4.0	-	4 0	-
In the second to fifth years inclusive	16 8	-	16 3	-
Greater than five years	357 5	29.4	362 0	29 1
	378.3	29.4	382 3	29 1
Less future finance charges	(348.9)		(353 2)	
	29 4		29 1	
Amount due for settlement after 12 months	29 4		29 1	

The Group holds 6 properties (2010 6 properties) which have been classified as finance leases with an average lease term of 53 years (2010 54 years) Three properties were impacted by the Company Voluntary Arrangement ("CVA") which the Group undertook in 2012 and will revert back to the landlords in 2013 and have an aggregate annual rent of £0 5m and an aggregate capital liability of £4 4m

During the year ended 31 December 2011, the Group paid cash in relation to finance leases of £4 1m (2010 £3 8m)

12 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
UK corporation tax on profits of the year at 26 5% (2010 28%)		
Total tax (credit) /current tax on profit on ordinary activities	**(0.1)**	**0 1**

The Current tax charge of £0 1 (2010 £0 1 credit) relates entirely to trade carried out in respect of self insurance activities located in Malta

The differences between the total current tax for the year and the amount calculated by applying the standard rate of tax for the year of 26 5% (2010 28 0%) to the profit before taxation are as follows

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Loss on ordinary activities before taxation	**(153.2)**	**(98 6)**
UK corporation tax rate of 26 5% (2010 28 0%)	(40 6)	(27 6)
Effects of		
Expenses not deductible for tax purposes	21 5	19 9
Depreciation in excess of capital allowances	3 3	3 8
Non-deductible Impairment of fixed assets	10 6	-
Tax losses available to carry forward	5 2	3 9
Foreign tax charge / (credit)	0 1	(0 1)
Current tax charge for the year	**0.1**	**(0.1)**

The future tax charges of the group are likely to be affected by timing differences in respect of capital allowances, the availability of brought forward tax losses and the application of group relief

Deferred tax is as follows

	31 December 2011 Unprovided £m	31 December 2010 Unprovided £m
Accelerated depreciation	(24 0)	(20 4)
Tax losses	(32 1)	(29 8)
Capital gains	0 6	1 1
Other timing differences	(0 4)	(0 5)
Deferred tax asset	**(55 9)**	**(49 6)**

At 31 December 2011, the potential deferred tax asset of £55 9m (2010 - £49 5m) has not been recognised due to the reasonable lack of certainty that there will be sufficient additional taxable profits from which the future reversal of the underlying timing differences can be deducted

From April 2012, the headline rate of corporation tax reduces from 26% to 24%, with further reductions expected each year until a rate of 21% is in place by April 2014, as declared by the 2012 Autumn Statement Such changes had not been substantively enacted at the balance sheet date and accordingly the above disclosures do not reflect these announcements

13 GOODWILL

	£m
Cost or valuation	
At 1 January 2011 and	6 0
At 31 December 2011	**6 0**
Accumulated depreciation	
At 1 January 2011	(0 1)
Charge for the year	(0 2)
At 31 December 2011	**(0 3)**
Net book value	
At 31 December 2011	5 7
At 31 December 2010	5 9

On 10 August 2010 the Company completed an agreement with Mitchells & Butlers PLC to acquire 52 Innkeepers Lodges (1,986 rooms) via leasehold arrangement Of the 49 hotels acquired in the year, each hotel lease was 25 years in length, with rent reviews upwards only to RPI every 5 years, on standard arms length market terms In the year ended 31 December 2010, the Company incurred transaction costs, in relation to this acquisition, of £6 0m and also spent £4 2m refitting and upgrading the hotels to Travelodge format Under the terms of the acquisition, the Company acquired some minor fixtures and fittings (with minimal value), stock of £nil value and paid cash consideration of £1 No liabilities were acquired As a result, the £6 0m of acquisition related costs have been capitalised and disclosed as goodwill and will be amortised over 20 years, and the refit and upgrade works have been capitalised and disclosed as fixtures and fittings and will be depreciated over seven

14 TANGIBLE ASSETS

	Long leaseholds £m	Short-term leasehold interests[1] £m	Finance leaseholds £m	Fixtures and fittings £m	Computer Equipment £m	Total £m
Cost or valuation						
At 1 January 2011	3 5	539 7	43 9	99 3	12 5	698.9
Additions						
- capital expenditure	-	9 3	-	12 3	6 7	28.3
- movement on capital creditors	-	0 3	-	2 6	(0 6)	2.3
Write-off of fully depreciated assets	-	-	-	(17 0)	(2 7)	(19 7)
At 31 December 2011	3.5	549.3	43.9	97.2	15.9	709 8
Accumulated depreciation						
At 1 January 2011	(1 0)	(90 1)	(15 9)	(44 4)	(5 5)	(156 9)
Charge for the year	-	(20 6)	(0 7)	(16 6)	(4 5)	(42 4)
Impairment Charge[2]						
Charged to Profit and Loss	-	(28 0)	(5 4)	(12 0)	-	(45 4)
Charged to revaluation reserve	-	(120 2)	-	-	-	(120 2)
Write-off of fully depreciated assets	-	-	-	17 0	2 7	19 7
At 31 December 2011	(1.0)	(258.9)	(22 0)	(56.0)	(7 3)	(345 2)
Net book value						
At 31 December 2011	2.5	290.4	21.9	41.2	8.6	364 6
At 31 December 2010	2 5	449 6	28 0	54 9	7 0	542 0

The recoverable amount of tangible assets is determined by a value in use calculation The key assumptions for the value in use calculations are those regarding the discount rate, growth rate and expected changes to direct costs during the year The resulting cashflows are discounted back at the Group's pre-tax weighted average cost of capital of 8% The Group prepares cash flow forecasts derived from the most recent financial budgets and financial plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated growth rate of 2 5% The impairment charge was based on a review of the value of the assets in use and on pre-tax cash flow projections based on the Group's financial plans and extrapolated beyond the budget year to the expected lease exit dates The Group's weighted average cost of capital adjusted for risk was used in these calculations

1) Short term leasehold interests represent the Company's estate of budget hotels at a formal valuation carried out by DTZ independent Chartered Surveyors on an existing use basis in December 2007 less accumulated depreciation

2) As a result of poor trading experienced in the latter part of 2011 and which continued through 2012 the Directors considered the carrying value of certain properties to be too high Therefore an impairment charge of £165 6m was made against 283 Short term Leasehold properties 5 Finance Leasehold properties and Fixtures and Fittings included within those properties of which £120 2m was charged to the revaluation reserve and £45 4m was charged as a non-cash exceptional cost to the profit and loss account These write downs are considered permanent

If the revalued assets were stated on the historical cost basis, the amounts would be as follows:	**2011 £m**	**2010 £m**
Cost	312 3	288 4
Accumulated depreciation	(116.4)	(96 5)
Impairment Charge	(45 4)	-
Net book value based on historical cost	150.5	191 9

15 SUBSIDIARIES

Subsidiary undertakings	Business description	Country of incorporation	% of equity held
Travelodge Hotels Limited	Trading	Great Britain	100
Full Moon Holdco 4 Limited	Holding company	Great Britain	100
Full Moon Holdco 5 Limited	Holding company	Great Britain	100
Full Moon Holdco 6 Limited	Holding company	Great Britain	100
TLLC Group Holdings Limited	Holding company	Great Britain	100
TLLC Limited	Holding company	Great Britain	100
Travelodge 1 BV (Netherlands)	Holding company	The Netherlands	100
Travelodge 2 BV (Netherlands)	Holding company	The Netherlands	100
Travelodge Hoteles Espana SL (Spain)	Trading	Spain	100
TLLC LevPropCo1 Limited	Property Lessor	Great Britain	100
TLLC LevPropCo5 Limited	Property Lessor	Great Britain	100
TLLC LevPropCo7 Limited	Property Lessor	Great Britain	100
TLLC PropHoldCo 1 Limited	Holding company	Great Britain	100
TLLC Trustees Limited	Holding company	Great Britain	100
TLLC Holdings 2 Limited	Holding company	Great Britain	100
TLLC Holdings 3 Limited	Holding company	Great Britain	100
TLLC Holdings 4 Limited	Holding company	Great Britain	100
TLLC Holdings 5 Limited	Holding company	Great Britain	100
Travelodge Holdings (Malta) Limited	Holding company	Malta	100

All subsidiary share holdings are ordinary share holdings

16 STOCKS

	2011 £m	2010 £m
Finished goods and goods for resale	1.5	1 1

17 DEBTORS

	2011 £m	2010 £m
Trade debtors	5 4	3 7
Other debtors	3 1	5 2
Credit card acquirer cash collateralisation	2 5	-
Prepayments and accrued income[1]	35 6	31 2
	46.6	40.1

1 Prepayments and accrued income mainly include prepayments of rent and rates

Trade accounts receivable are received on average in 41 days (2010 39 days) Trade accounts receivable include £nil which is overdue (2010 £0 9m overdue and £0 4m is provided for) The carrying amount of debtors is a reasonable approximation to fair value

FULL MOON HOLDCO2 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £m	2010 £m
Accruals	(14 8)	(17 6)
Trade payables	(17.2)	(15 8)
Prepaid room purchases	(20.3)	(16 2)
Social security and other taxation	(7.9)	(7 9)
Amounts owing under development contracts	(0.9)	(0 8)
Rent reverse premiums	(16.5)	(14 8)
Deferred income (due within 1 year)	(1.0)	(1 0)
Other payables[4]	(1.8)	(1 6)
	(80.4)	(75 7)
Interest payables	(7.3)	(9 8)
IKL acquisition creditor	-	(1 7)
Gross bank debt (note 21)[3]	(536.4)	(13 2)
Issue costs (note 21)[3]	8.9	-
Capital payables	(11.4)	(8 8)
	(626.6)	(109 2)

1 Rent reverse premiums of £16 5m relate to rent free incentives granted at the inception of a lease (typically rent free periods of upto 6 months) which are released to the income statement on a straight line basis over the length of the lease to the next rent review date (typically 5 years)

2 -Prepaid room purchases of £20 3m (2010 £16 2m) relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay Of which 67% (2010 75%) would be non-refundable on cancellation of the room booking

3 -At 31 December 2011 the Group had breached a number of its banking covenants Despite receiving a waiver on 31 January 2012 from the Group's banking group under UK GAAP (FRS 29) all debt was due and payable on demand at the balance sheet date and therefore is classified as current (see note 21)

4 Included within other payables are amounts owing to Endell Group Holdings are £1 4m (2010 £1 2m)

The Group pays its trade payables in line with the terms that it has agreed with its suppliers These terms vary from 30 days to 120 days All amounts payable under development contracts in 2011 and 2010 are current

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £m	2010 £m
Gross bank debt (note 21)	-	(514 3)
Issue costs (note 21)	-	11 6
Eurobonds	(431 4)	(370 7)
Obligations under finance leases (note 11)	(29 4)	(29 1)
Deferred income	(0 6)	(2 5)
	(461 4)	(905.0)

1 -At 31 December 2011 the Group had breached a number of its banking covenants Despite receiving a waiver on 31 January 2012 from the Group s banking group under UK GAAP (FRS 29) all debt was due and payable on demand at the balance sheet date and therefore, is classified as current (see note 27)

FULL MOON HOLDCO 2 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2011

20 CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating profit to net cash inflow from operating activities

		Year ended 31 December 2011			Year ended 31 December 2010	
	Before Exceptionals £m	Exceptionals £m	Total £m	Before Exceptional £m	Exceptionals £m	Total £m
Operating profit/(loss)	12 4	(53 9)	(41 5)	5 9	(4 5)	1 4
Adjustments for non-cash items						
Depreciation(net of profit on disposals)	42 4	-	42.4	41 7	-	41 7
Amortisation of other intangible assets	0 2	-	0 2	0 1	-	0 1
Impairment charge on tangible assets	-	45 4	45.4	-	-	-
Decrease in deferred income	(1 9)		(1 9)	(0 9)	-	(0 9)
Operating cash flows before movements in working capital	**53 1**	**(8.5)**	**44 6**	**46 8**	**(4 5)**	**42 3**
Increase in stocks	(0 6)	0 2	(0.4)	(0 1)	-	(0 1)
Increase in debtors	(7 6)	1 1	(6 5)	(2 8)	-	(2 8)
Increase in creditors	3 9	0 8	4 7	11 0	(2 4)	8 6
Utilisation of provisions - cash	(2 0)	-	(2 0)	(1 5)	-	(1 5)
- non-cash	-	6 4	6 4	-	4 0	4 0
Total working capital movement	(6.3)	8 5	2 2	6.6	1 6	8 2
Cash generated / (used) by operations	46 8	-	46 8	53 4	(2 9)	50 5
CASH FLOWS FROM OPERATING ACTIVITIES			46 8			50 5

21 ANALYSIS OF NET DEBT

	As at 01 January 2011	Cash Flow	Reclasses[1]	Other non-cash changes	As at 31 December 2011
	£m	£m	£m	£m	£m
Cash in hand and at bank	38 5	(23 5)	-	-	15 0
Senior Debt					
-Tranche B	(124 0)	-	124 0	-	-
-Tranche C	(124 0)	-	124 0	-	-
-Capex facility	(26 3)	-	26 3	-	-
-Revolving credit facility	(17 0)	-	17 0	-	-
-Tranche E	(30 0)	-	30 0	-	-
Mezzanine debt	(114 9)	-	114 9	-	-
PIK debt	(78 1)	-	78 1	-	-
Gross bank debt due after 1 year	(514.3)	-	514 3	-	-
Issue costs	11 6	-	(11 6)	-	-
Debt due after 1 year[1]	(502.7)	-	502.7	-	-
Senior Debt					
-Tranche B	-	-	(124 0)	-	(124 0)
-Tranche C	-	-	(124 0)	-	(124 0)
-Capex facility	(13 2)	13 2	(26 3)	-	(26 3)
-Revolving credit facility	-	-	(17 0)	-	(17 0)
-Tranche E	-	-	(30 0)	-	(30 0)
Mezzanine debt	-	-	(114 9)	(11 5)	(126 4)
PIK debt	-	-	(78 1)	(10 6)	(88 7)
Gross bank debt due within 1 year	(13 2)	13 2	(514 3)	(22.1)	(536.4)
Issue costs			11 6	(2 7)	8.9
Debt due within 1 year	(13.2)	13 2	(502.7)	(24.8)	(527 5)
Net bank debt	(477 4)	(10 3)	-	(24.8)	(512 5)
Finance leases due after 1 year	(29 1)	4 0	-	(4 3)	(29 4)
Eurobonds	(370 7)	-	-	(60 7)	(431.4)
Total	(877 2)	(6 3)	-	(89 8)	(973 3)

1- At 31 December 2011 the Group had breached a number of its banking covenants Despite receiving a waiver on 31 January 2012 from the Group's banking group, under UK GAAP (FRS 29) all debt was due and payable on demand at the balance sheet date and therefore, is classified as current (see note 27)

There were no undrawn facilities of the Group at 31 December (2010 £nil)

The bank loans were secured on properties owned by certain subsidiary undertakings and charges over shares in subsidiary undertakings

The cash paid interest rates applicable to each type of gross bank debt include Tranche B 3 5% plus LIBOR Tranche C 4 0% plus LIBOR Capex facility 3 25% plus LIBOR, Revolving credit facility 3 13% plus LIBOR, Tranche E 5 5% plus LIBOR and Mezzanine debt 3 0% plus LIBOR The capitalised into debt interest rates applicable to each type of gross bank debt include Mezzanine debt 7 0%, PIK 12 0% plus LIBOR and Eurobonds 17 0%

The aggregate fair value of the Group's LIBOR interest rate swap and LIBOR interest rate cap is estimated at 31 December 2011 to be £(3 7)m (2010 £(4 9)m) comprising an interest rate cap asset of £nil (2010 £0 2m) and interest rate swap liability of £3 7m (2010 £5 1m) Both the interest rate swap and interest rate cap expired and were settled in full at 5 January 2013

The Group uses interest rate swaps and cap contracts to manage its exposure to interest rate movements on its bank borrowings On 6 January 2010 the Group entered into a fixed interest rate swap arrangement with contracted nominal values £150 0m and with 3 year term fixed interest payments at 2 6% in 2010, 2.6% in 2011 and 3 05% in 2012 with floating interest receipts at LIBOR for the same period The timing of cashflows are expected to match the timing of the interest payments on the related debt In addition on 6 January 2010 the Group entered into a new interest rate cap with contracted nominal value of £150 0m with 3 year term floating interest payments at LIBOR capped at 3 0% in 2010 3 0% in 2011 and 3 5% in 2012

22 PROVISIONS FOR LIABILITIES

	Restaurant and sublet units[1] £m	Onerous leases £m	Total £m
Balance at 1 January 2011	(9 4)	(3 7)	(13.1)
Increase in provisions	-	-	-
Cash spend	1 7	0 3	2.0
Charged to exceptional costs[2]	(6 3)	(0 1)	(6.4)
Unwinding of discount on provisions	(0 9)	(0 3)	(1.2)
Balance at 31 December 2011	**(14.9)**	**(3.8)**	**(18 7)**

1 - Provisions for restaurant and sublet units of £14 9m (2010 £9 4m) include £5 0m (2010 £6 1m) for rent liabilities on 10 vacant sites (2010 13 sites) with an annual rent liability on these properties of £0 4m (2010 £0 5m) and average lease term remaining of 2 years (2010 33 years) £4 7m (2010 £3 3m) for rent liabilities on 14 (2010 13) sub let units where the rent received is less than the passing rent paid with a net rent liability of £0 4m (2010 £0 2m) and average lease term remaining of 2 years and £5 2m (2010 £nil) for rent and rate liabilities on 44 restaurant units previously sub-let to Little Chef

2 - The exceptional charge of £6 4m consists of a non-cash charge principally relating to the rent and rate liabilities of 44 restaurant units previously sub-let to Little Chef which reverted back to the Group during the following year

Provisions of £18 7m (2010 £13 1m) can be analysed as due in less than one year of £2 2m (2010 £1 4m) and due after one year of £16 5m (2010 £11 7m) and principally relate to rent and rate commitments

The Group has provided for rental liabilities where the Group has vacated the property and rental income is less than the rental expense or where the Group has been unable to sublet or assign the property The element of rent which is above market or above rent received relating to these properties is charged against the provision The key estimation judgement in determining the provision amount is the period over the remaining lease term that the property will remain either under rented or vacant The Directors have estimated these periods after considering both the quality and the location of each of the units provided

23 CALLED UP SHARE CAPITAL

	2011 £m	2010 £m
Allotted and fully paid·		
2 million ordinary shares of £1 each	2.0	2 0

24 RESERVES

	Revaluation Reserve £m	Foreign Exchange Reserve £m	Profit and Loss Account £m	Total £m
At 1 January 2011	351 2	0 6	(753 5)	(401 7)
Profit for the financial year	-	-	(153 3)	(153 3)
Movement in revaluation reserve	(15 8)	-	15 8	-
Impairment of assets	(120 2)	-	-	(120 2)
Movement in foreign exchange reserve	-	(0 1)	-	(0 1)
At 31 December 2011	**215.2**	**0.5**	**(891.0)**	**(675.3)**

25 CAPITAL COMMITMENTS

Contracted future capital expenditure not provided for in these financial statements predominantly relates to expenditure on fees and stamp duty on hotels under construction subject to satisfactory completion of the hotel At 31 December 2011 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £2 7m (2010 £5 1m)

26 CONTINGENT LIABILITIES

The Group has contingent liabilities under a number of leases that have been assigned to various third parties In certain circumstances, should the current lessee default on the payment of rent, a superior landlord may have recourse to the Group Should a superior landlord make a claim on the Group for unpaid rent, the Group would be required to settle that liability and subsequently the unit / units subject to the claim could be seized by the Group following petitioning of a court The Group could subsequently, subject to certain conditions, either trade from the unit or reassign or sublet the lease of the unit to a third party

At 31 December 2011 the estimated annual contingent rental liability was £0 1m (2010 £0 1m), represented by 6 units (2010 6 units), with an average annual rental cost per unit of £16k (2010 £16k) and an average lease term remaining of 28 years (2010 29 years)

At 31 December 2011 the Group had guaranteed an indemnity issued in favour of the Royal Bank of Scotland PLC of €7 6m (2010 €7 6m), which related to the Group's development plans in Spain This represents the Group's maximum exposure to credit risk in relation to this guarantee

27 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At the balance sheet date of December 31st 2011, the Directors regarded Dubai International Capital LLC ("DIC"), a Company incorporated in the United Arab Emirates, as the ultimate controlling party and the largest group of which the Group is a member and for which Group financial statements are drawn up DIC provided the Group with consultancy services (including expenses) £0 3m in 2011, (2010 £0 2m) and did prepare consolidated financial statements including the Group Copies of the DIC Group financial statements are available from its registered office The Gate, East Wing, 13th Floor DIFC, Sheikh Zayed Road, P O Box 72888, Dubai, United Arab Emirates

On 13 December 2012, Endell Group Holdings Limited (Endell), the immediate parent of Full Moon Hold Co 2 sold Full Moon Hold Co 2 Limited to Dubai Cayman (China) Investments Limited for the consideration of £1

On 12 October 2012, the shares of Full Moon Holdco 4 Limited (a subsidiary of Full Moon Holdco 2 Limited) and the subsidiaries of Full Moon Holdco 4 Limited (which include Travelodge Hotels Limited, the principal trading company of the Group) were sold by its immediate parent Full Moon Holdco 3 Limited for a consideration of £1 to UK Bidco Limited

Endell Group Holdings Limited charged the Group non-cash interest of £0 2m (2010 £0 2m) and at the balance sheet date the Group owed Endell Group Holdings Limited £1 4m (2010 £1 2m) which is disclosed under the payables note (note 18)

Advantage has been taken of the exemption under paragraph 3(c) from the provisions of FRS 8 ' Related Party Disclosures' not to disclose transactions with entities that are part of the Full Moon HoldCo 2 Limited group

28 POST BALANCE SHEET EVENTS

On 28 November 2011, the Group was informed by its credit card acquirer that as a result of one of its customers experiencing a sudden material liquidity crisis, it had re-assessed its attitude to risk for taking deposits on forward bookings and therefore, unless the Group's cash balance was materially higher than anticipated by 31 December 2011, the Group would be moved to a full cash collateralised guarantee basis for bookings rather than a contractual guarantee basis On 23 December 2011 the Group was moved by its credit card acquirer to a full cash collateralised guarantee basis for all room bookings This resulted in £2 5m of cash being withheld by the credit card acquirer by 31 December 2011, which rose to £8 8m by 31 January 2012, £15 0m by 29 February 2012 and with a peak of £29 2m of cash withheld on 8 May 2012

Further, on 20 December 2011, the Group was informed that its principal sub tenant (Riverside Restaurants Limited trading as Little Chef) which operated restaurants on 115 properties adjacent to certain older roadside hotels was experiencing financial difficulties and would not be able to pay its first quarter 2012 rent payment which fell due on 23rd December of £1 0m and may not be able to pay any further rent liabilities as they fell due The Group had an annual rent receivable from these units of £4 0m In addition, the Group would acquire an annual rates liability of £0 7m if the units were to become vacant Subsequently the Group was informed there was a high probability of that restaurant business being placed into administration (which occurred on 6 February 2012)

Finally, the Group's cash position had been further negatively impacted by a deterioration in trading during the latter part of the year (which had continued through 2012) and, when combined with the above issues, resulted in the Group breaching a number of its banking covenants at the 31 December 2011 testing date As a result, despite receiving a waiver for all breaches on 31 January 2012, all of the Group's secured debt (of £536 4m) was repayable on demand at the balance sheet date

As a result of the above during 2012 the Group undertook a financial and equity restructure which completed on 12 October 2012 During the year the following significant events occurred in relation to this balance sheet restructuring

1 On 31 January 2012, the Group received a waiver in relation to all the banking covenants which the Group had breached at the balance sheet date

2 On 10 February and 27 February 2012, the Group drew down £5 0m and £5 0m respectively on a new Super Senior F facility The Super Senior F Facility was issued at a 98% coupon and paid interest of 1,000 basis points + LIBOR This was fully repaid on 19 March 2012

3 On 19 March, 26 March and 23 April the Group drew down £30 0m, £30 0m and £10 0m respectively on a new Super Senior G facility The Super Senior G facility was issued at a 98% coupon and paid interest of 1,000 basis points + LIBOR This was fully repaid on 12 October 2012

4 On 4 September 2012 the Group successfully entered into a Company Voluntary Arrangement ("CVA") which sought to exit the Group from 49 leases and to reduce the rental liability by 25% at a further 109

5 On 21 September 2012 the Group drew down £20 0m on a new Flare facility The Flare facility was issued at a 100% coupon and paid cash interest of 25 basis points + LIBOR and capitalised interest of 500 basis points + LIBOR

6 On the 12 October 2012 the shares of Full Moon Holdco 4 Limited (a subsidiary of Full Moon Holdco 2 Limited) and the subsidiaries of Full moon Holdco 4 Limited (which include Travelodge Hotels Limited, the principal trading Group of the Group) where sold by its immediate parent Full Moon Holdco 3 Limited for a consideration of £1 to UK Bidco Limited

28 POST BALANCE SHEET EVENTS CONTINUED

Additionally on the same date the Group received £75 0m in the form a loan note The loan note bears capitalised interest of 17% per annum and is redeemable in 2026 In addition the investor Eurobond liability, the Mezzanine debt and the PIK debt were no longer a liability of the Group and were extinguished for no consideration The current existing Senior debt was restructured, with the current term being extended to 2017 with cash pay interest of LIBOR plus 25 basis points until December 2014 (and interest capitalised of LIBOR plus 525 basis points) followed thereafter by cash pay interest of LIBOR plus 500 basis points

Until December 2014 the new Group headed by UK Bidco Limited only has a minimum liquidity covenant test From December 2014 the Group will be subject to more normal covenant arrangements which will be based on the trading profile of the Group at that time

The changes to the funding structure of the Group referred to above are shown below

	31 December 2011 £m	Drawdown 2012 £m	Repayment 2012 £m	Capitalised interest 2012 £m	Restructure 2012 £m	12 October 2012 £m
Senior facilities						
Senior (B)	124.0	-	-		(124 0)	-
Senior (C)	124 0	-	-		(124 0)	-
Capex facility	26.3	-	-		(26 3)	-
Revolving credit facility	17.0	8 0	-		(25 0)	-
Second Lien	30 0	-	-		(30 0)	-
First Lien	-	-	-		299 3	299.3
Second Lien	-	-	-		30 0	30.0
	321 3	8.0	-	-	-	329 3
Super senior facilities						
Facility F	-	10 2	(10 2)		-	-
Facility G	-	71 4	(71 4)		-	-
	-	81.6	(81.6)	-	-	-
Flare facility	-	20 0	-		-	20 0
Total Senior bank debt	321.3	109.6	(81.6)	-	-	349 3
Mezzanine	126.4	-	-	8 9	(135 3)	-
PIK	88.7	-	-	9 4	(98 1)	-
Total gross bank debt	536 4	109.6	(81.6)	18.3	(233.4)	349 3
Investor loan notes						
Eurobonds	431.4	-	-	51 3	(482 7)	-
New loan note	-	-	-	-	75 0	75.0
Total debt	967 8	109 6	(81.6)	69 6	(641.1)	424 3

In addition on 12 October 2012 the Group had utilised £20 0m of a Irrevocable Standby Letter of Credit in favour of the Group's credit card acquirer which has a maximum utilisation of £40 0m

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FULL MOON HOLDCO 2 LIMITED

We have audited the parent company financial statements of Full Moon Holdco 2 Limited for the year ended 31 December 2011 which comprise the balance sheet, the accounting policies and related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9 the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011
- 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records or 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

Other matter

We have reported separately on the group financial statements of Full Moon Holdco 2 Limited for the year ended 31 December 2011

John Ellis (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 January 2013

FULL MOON HOLDCO 2 LIMITED

PARENT COMPANY BALANCE SHEET
As at 31 December 2011

	Notes	2011 £m	2010 £m
Investments	31	2.0	2 0
		2.0	2 0
CURRENT ASSETS			
Debtors	32	445 1	378 6
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	33	(1.4)	(1 2)
Cash at bank and in hand		-	-
NET CURRENT ASSETS		443.7	377 4
TOTAL ASSETS LESS CURRENT LIABILITIES		445.7	379 4
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Eurobonds	34	(429.4)	(365 9)
NET ASSETS		16.3	13.5
CAPITAL AND RESERVES			
Called Up Share Capital	35	2.0	2 0
Profit and Loss account	36	14.3	11 5
TOTAL SHAREHOLDERS FUNDS		16.3	13 5

These financial statements on pages 38 to 41 were approved by the Board of Directors and signed on its behalf by

Jon Mortimore
Director
28 January 2013

Company registration number 05893848

29 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006 The principal accounting policies adopted have been consistently applied throughout the year and are set out in note 30

30 SIGNIFICANT ACCOUNTING POLICIES

Investments are stated at cost Any impairment in the value of these investments is charged to the profit and loss account

Related party transactions
As permitted by FRS8 'Related Party Transactions' the Company has not disclosed related party transactions with wholly owned subsidiaries, which are disclosed in the financial statements of the Group

31 FIXED ASSET INVESTMENTS

	Shares in subsidiaries £m
At 1 January 2011 and 31 December 2011	**2 0**

The Parent Company has investments in the subsidiary undertakings, as listed in the Subsidiary Undertakings note (consolidated accounts note 15), which principally affect the profits or net assets of the Company

The directors believe that the carrying value of the investments is supported by their underlying net assets

All subsidiary undertakings were acquired on 5 September 2006 The investment of £2 0m represents investment in the shares of subsidiaries of £2,000,001

32 DEBTORS

	2011 £m	2010 £m
Amounts owed by Group undertakings	445 1	378 6
	445 1	378 6

Amounts owed by group undertakings are repayable on demand

33 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £m	2010 £m
Amounts owed to group undertakings	(1 4)	(1 2)

Amounts due to group undertakings are repayable on demand and are due to Endell Group Holdings Limited (note 18)

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
For the year ended 31 December 2011

34 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

		2011 £m	2010 £m
Due after five years	- 2006 Eurobond	406.4	344 2
	- 2009 Eurobond	23 0	21 7
Total loans due after more than one year		429 4	365 9

The Eurobonds were variably secured on properties of certain subsidiary undertakings and charges over shares in subsidiary undertakings

The 2006 Eurobond issue price was £183 5m and is listed on the Channel Islands stock exchange The annual interest on the instrument is 17 0% The 2009 Eurobond is listed on the Channel Islands stock exchange The annualised interest rate on the instrument is 6 8%

Included within the above balance is £1,974,429 (2010 £2,354,077) of unamortised debt issue costs

On 12 October 2012, following the financial restructuring of the Travelodge Group, the Investor Eurobond liability was no longer a liability of the Company and was extinguished for no consideration

35 CALLED UP SHARE CAPITAL

	2011 Number of shares	2010 Number of shares	2011 £m	2010 £m
Authorised:				
Ordinary shares of £1 each	2,000,000	2,000,000	2.0	2 0
	2,000,000	2,000,000	2 0	2 0
Allotted and fully paid				
Ordinary shares of £1 each	2,000,000	2,000,000	2 0	2 0
	2,000,000	2,000,000	2 0	2 0

36 RESERVES

	Profit and loss account £m
At 1 January 2011	11 5
Profit for the financial year	2 8
At 31 December 2011	14 3

The profit for the year ended 31 December 2011 for the Parent Company was £2,806,023 (2010 £2,805,161) There were no other gains or losses for the year ended 31 December 2011 (2010 £nil) As permitted by section 240 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Parent Company

37 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER FUNDS

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Opening shareholders funds	13.5	10 7
Profit / (loss) for the year	2 8	2 8
Closing shareholders funds	16 3	13 5

38 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At the balance sheet date of December 31st 2011, the Directors regarded Dubai International Capital LLC ("DIC"), a Company incorporated in the United Arab Emirates, as the ultimate controlling party and the largest group of which the Group is a member and for which Group financial statements are drawn up DIC provided the Group with consultancy services (including expenses) £0 3m in 2011, (2010 £0 2m) and did prepare consolidated financial statements including the Group Copies of the DIC Group financial statements are available from its registered office The Gate, East Wing, 13th Floor DIFC, Sheikh Zayed Road, P O Box 72888, Dubai, United Arab Emirates

On 13 December 2012, Endell Group Holdings Limited (Endell), the immediate parent of Full Moon Hold Co 2 sold Full Moon Hold Co 2 Limited to Dubai Cayman (China) Investments Limited for the consideration of £1

On 12 October 2012, the shares of Full Moon Holdco 4 Limited (a subsidiary of Full Moon Holdco 2 Limited) and its subsidiaries (which include Travelodge Hotels Limited, the principal trading company of the Group) were sold by its immediate parent Full Moon Holdco 3 Limited for a consideration of £1 to UK Bidco Limited

Endell Group Holdings Limited charged the Group non-cash interest of £0 2m (2010 £0 2m) and at the balance sheet date the Group owed Endell Group Holdings Limited £1 4m (2010 £1 2m) which is disclosed under 'Creditors amounts falling due within one year' (note 18)