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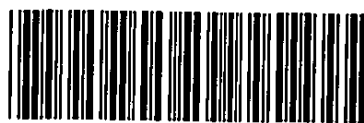
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TRAVELODGE HOTELS LIMITED

Report and financial statements

For the year ended 31 December 2012

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TRAVELODGE HOTELS LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 2012

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**TRAVELODGE HOTELS LIMITED
OFFICERS AND PROFESSIONAL ADVISERS**

DIRECTORS

Grant Hearn
Paul Harvey
Joanna Boydell (Appointed 19/03/2013)
Brian Wallace (Appointed 30/01/2013)
Jon Mortimore (Resigned 28/03/2013)
Guy Parsons (Resigned 20/04/2012)
Keith Hamill (Resigned 13/06/2012)
Dean Merritt (Appointed 15/06/2012, Resigned 04/12/2012)

COMPANY SECRETARY

Joanna Boydell (Appointed 19/03/2013)
Jon Mortimore (Resigned 28/03/2013)

REGISTERED OFFICE

Sleepy Hollow
Aylesbury Road
Thame
Oxon
OX9 3AT

BANKERS

The Royal Bank of Scotland PLC
135 Bishopgate
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

TRAVELODGE HOTELS LIMITED
DIRECTORS' REPORT

Travelodge Hotels Ltd
DIRECTORS REPORT & FINANCIAL REVIEW

On 12 October 2012, the group of companies owned by Full Moon Holdco 4 Limited ("FM4"), including Travelodge Hotels Limited ("THL"), was purchased by Thame and London Limited ("T&L") (previously called UK Anchor Bidco Limited) for £1

At this date, security previously provided by FM4 and its subsidiaries (and guaranteed by THL) to PIK debt holders and Mezzanine debt holders was fully released, resulting in that debt being extinguished (£233.4m). In addition, there was Eurobond funding of £485.0m in an entity which was not acquired as part of the transaction. Simultaneously, £75.0m of cash represented as new shareholder equity and new loan notes was injected into the T&L Group (Loan Notes with repayment date in 2026 and coupon of 17.0%, with all interest capitalised into principal). In addition, the repayment date for the existing Senior Debt held by FM4 and its subsidiaries (and guaranteed by THL) 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) with interest capitalised into principal at LIBOR plus 525 pts (until December 2014, subsequently zero element of interest is capitalised). Further, a Super Senior Letter of Credit was provided which had the effect of releasing up to £40.0m of cash which was previously held as cash collateral by THL's credit card acquirer.

The debt of the Group is summarised below -

	Pre acquisition debt	12 Oct 12	31 Dec 12
	£m	£m	£m
Senior - First Lien	-	299.5	302.8
- Flare Facility	20.3	20.3	20.6
- Second Lien	30.0	30.0	30.5
- Other	299.5	-	-
Secured Debt	349.8	349.8	353.9
PIK & Mezzanine debt	233.4	-	-
Eurobond	485.0	-	-
Unsecured (Loan Notes)	-	75.0	77.8
Total Funding	1,068.2	424.8	431.7

At 31 December 2012, the Group had 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.

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

A condition of the purchase of the shares in FM4 (and all subsequent funding arrangements) was that THL (the principal trading company and a subsidiary of FM4) was required to implement an operational restructuring via a Company Voluntary Arrangement ("CVA"). The CVA vote was held on 4 September 2012 and overwhelmingly supported by all THL's creditors with 93% of all creditors voting (by value) and 97% of these (by value) voting in favour of the CVA. The only creditors of THL that were negatively impacted by the CVA were landlords, all other creditors (all vendors, suppliers and staff) were not compromised in any way. With respect to the landlords, of the Company's 520 hotels 362 (70%) were not impacted by the CVA (rent therefore continued to be paid on time and in full), 109 hotels (21%) had the rent reduced by 25% and 49 hotels (9%) had the rent reduced by 45% for 6 months and then to £nil after 6 months from the next rent due date following the CVA effective date of 4 September 2012. The vote in favour of the CVA received

TRAVELODGE HOTELS LIMITED

DIRECTORS' REPORT

tremendous support from landlords with 93% of landlords voting and 96% of those voting in favour

The annualised EBITDA benefit as a result of the CVA was c £11.5m, with £3.0m recognised in 2012 due to the rent reductions on rent due dates post 4 September 2012

Throughout the CVA process, the Directors remained in control of THL and all of FM4's subsidiary companies (including FM4) and at no point were administrators appointed. The CVA completed (after a legal "cooling off" period) on 4 September 2012. Under the terms of the CVA, THL, on advice from the Scheme's Nominee's (KPMG) set up a Fund that would pay up to £10.0m in aggregate to those landlords who had been compromised as a result of the CVA if certain financial targets are met by THL in 2015. As a result of this Fund, whilst the CVA process has in substance ended, it has not yet legally fully ended since KPMG are required to assess whether THL has met the financial targets set and, if so, ensure satisfactory payment from the fund to compromised landlords.

Strategy

The first budget hotel brand to launch in the UK in 1985, Travelodge now operates a centralised, low cost, online business with over 500 hotels and 37,500 rooms across the UK and Ireland operated through Travelodge Hotels Limited. More than 16.5 million people stayed with Travelodge last year and 80% of reservations are currently made online at www.travelodge.co.uk, which is the UK's most visited hotel website, attracting over 1.2 million visits each week.

Now that the Company has a solid financial foundation in place, the Travelodge brand will benefit from a £57.0m refit investment. This capital expenditure will help grow the business and strengthen the product offering, with c 85% of rooms scheduled to have received a refit by Autumn 2014.

As part of this year's investment Travelodge has worked with its customers to create a new Travelodge room which offers more comfort, quality and style. The hero of the new Travelodge room is a luxurious king size bed that is normally found in high end hotels. Customer feedback and initial results from the 4,700 rooms we have completed as at the end of May 2013 are very encouraging.

This enhanced product offering combined with our new cutting edge revenue management system that offers economy pricing, will ensure we are the smart choice for leisure and business travellers.

In today's world, Britons are looking for great value when making a hotel booking. The UK, at less than 20%, remains a growing market for branded budget accommodation, as it is still well behind matured markets such as the USA and France. In response to this growing opportunity, Travelodge's growth strategy remains in the forefront of its business plan.

Results

	2012	2011
	£m	£m
Revenue	391.4	369.5
EBITDAR ^{(1),(4)}	174.0	176.6
Net Rent ^{(2),(3)}	(144.3)	(121.2)
EBITDA ^{(1),(5)}	29.7	55.4

(1) EBITDAR and EBITDA are stated before exceptional items

(2) 2012 rent includes £3m benefit from the CVA which completed on 4 September 2012. The annualised benefit is c. £11.5m

(3) Net rent includes the FRS 102 adjustment

(4) EBITDAR = Earnings before interest, taxes, depreciation, amortisation and rent

(5) EBITDA = Earnings before interest, taxes, depreciation and amortisation

TRAVELODGE HOTELS LIMITED

DIRECTORS' REPORT

The Company made a Profit Before Tax and Exceptionals of £14.2m, analysed below

	Results
	£m
EBITDA	29.7
Depreciation / amortisation	(28.6)
Operating loss before exceptionals	1.1
Net interest receivable ⁽¹⁾	13.1
Profit before tax and exceptionals	14.2
Exceptional items ⁽²⁾	(85.3)
Loss Before Tax	(71.1)

(1) Net interest receivable represents bank interest receivable less finance lease interest charges plus net interest receivable from group undertakings

(2) The exceptional charge of £85.3m principally includes £41.1m relating to the restructuring of the Travelodge group which included £27.3m of professional advisor fees, £8.8m of intercompany loan releases, £2.5m of abortive hotel development costs a £2.5m impairment of residual poor performing sites from the Company's Company Voluntary Arrangement (CVA). Additionally a non-cash charge of £40.8m was made against provisions in relation to the rent and rates liability of certain potentially empty units and £3.4m of various trade debtors was written off

Funding, Covenant Compliance & Going Concern

The Directors have reviewed the Company's financial projections for the foreseeable future, and in particular, the occupancy and rate forecasts and brand refurbishment programme that underpin those projections and cash flows. 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 and minimum EBITDA covenant test until December 2014, the Directors have a reasonable expectation that the Company has adequate resources to continue as a going concern into the foreseeable future.

Financial Reporting Standard 102 (FRS102)

The company has chosen early adoption of Financial Reporting Standard 102 (FRS102) with certain exemptions of the reduced disclosure framework applied. The impact of this on the Company's financial position can be seen in notes 20 and 21 of the accounts. FRS102 has been early adopted by the Company at 31 December 2012. The date of transition is 1 January 2011.

Operating Leases

The Company's hotels are predominantly held under operating leases. 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 Company only renewal rights at the end of the lease.

At the balance sheet date, the Company had an annual minimum rental commitment of £145.4m (net of £2.5m rent receivable). The total future net rental commitment at the balance sheet date was approximately £3.6bn with leases having an average life of 20 years.

Taxation

Given the loss for the year, there is no current tax charge in the company for the period. The underlying tax credit for the year was £8.0m due to the reversal of deferred tax liabilities associated with fixed assets that were valued based on the revaluation model under a previous GAAP.

TRAVELODGE HOTELS LIMITED
DIRECTORS' REPORT

Pensions

The Company offers a defined contribution scheme to its employee's (by way of recommending a third party stakeholder scheme provided by The Scottish Widows plc) 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 Directors do not recommend the payment of a dividend

Insurance

The Company 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 no charitable or political donations made by the Company and charged to the accounts during the period

Ownership

At 31 December 2012, the Directors regarded Anchor Holdings SCA (Luxembourg) as the ultimate controlling party

Employee Involvement

The Company 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 Company 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 Company and that appropriate training and support is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors

The Directors who served during the period and up to the date of the report are detailed on page 1

TRAVELODGE HOTELS LIMITED
DIRECTORS' REPORT

Risk Management

The key risks and the mitigations to those risks which the Company was exposed to during the period are listed below

The Company faces certain financial risks relating to interest rates, currency exposure, credit risk, liquidity and capital structure, which are managed at a group level as disclosed in note 20 of the Thame & London Limited consolidated financial statements (which are publically available)

The Company is exposed to health and safety risks whilst customers stay at the Company's hotels and takes a comprehensive approach to mitigating health & safety risk. At a company-wide level, lead authority partnerships are established for fire and police contact, a full planned and preventative maintenance programme runs year-round, and incidents, accidents and near miss activity are reviewed to establish further action required. These actions are reviewed monthly and documented at the Health & Safety Executive meeting. At hotel level, a monthly cycle of 'pit stop' training provides regular and systematic skills transfer, and hotel teams are thoroughly briefed on their responsibilities and the Company's escalation mechanisms, covering incident, accident, disaster recovery and interaction with emergency services.

The Company operates in a market with other branded competition and there is a risk that competitor actions could have a detrimental impact on the Company. The Company reviews the market continually and has developed strategy, which is covered above in this report, which is regularly reviewed in line with competitor decisions and actions.

The Company is reliant on certain suppliers to provide key services and goods to the Company which are critical to the continuing trade of the Company. There is a risk that should any of these suppliers be unable to continue to provide goods or services to the Company that trade would be interrupted. The Company and key suppliers meet regularly to ensure both operational and financial issues are considered and the Company maintains contingency plans in the event of any key supplier failure.

The Company processes large numbers of transactions via its proprietary website and in-hotel payment systems. There is a risk that customer data, including bank card data, could be compromised. The Company reviews data security on a bi-monthly basis and, to ensure protection of customer credit and debit card data, operates voluntarily (above its mandatory transaction volume tier) as a level 1 PCI DSS merchant, undertaking an external PCI audit annually. In addition the Company's data security is regularly tested and the Company invests in the appropriate security systems to ensure the integrity of its systems and data, and compliance with all regulatory requirements (PCI and DPA).

Independent Auditors

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

Approved by the Board of Directors.

And signed on behalf of the Board



Date 10 July 2013

TRAVELODGE HOTELS 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Statement of provision of information to auditors

Each of the persons who is a director in office at the date the directors' report is approved, 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



Joanna Boydell
Company Secretary

10 July 2013

TRAVELODGE HOTELS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TRAVELODGE HOTELS LIMITED

We have audited the financial statements of Travelodge Hotels Limited for the year ended 31 December 2012 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the 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), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the 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 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 Director's 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 company's affairs as at 31 December 2012 and of its loss 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 financial statements are prepared is consistent with the 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



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

10 July 2013

TRAVELODGE HOTELS LIMITED
INCOME STATEMENT
Year ended 31 December 2012

	Notes	Year ended 31 December 2012			Year ended 31 December 2011		
		Before exceptional items £m	Exceptional items £m	After exceptional items £m	Before exceptional items £m	Exceptional items £m	After exceptional items £m
Turnover	2	391.4	-	391.4	369.5		369.5
Operating Costs	3/4	(217.4)	(85.3)	(302.7)	(192.9)	(174.1)	(367.0)
Rent	3	(144.3)	-	(144.3)	(121.2)	-	(121.2)
EBITDA¹		29.7	(85.3)	(55.6)	55.4	(174.1)	(118.7)
Depreciation and Amortisation	3/11/12	(28.6)	-	(28.6)	(42.3)	-	(42.3)
Operating Profit/(Loss)		1.1	(85.3)	(84.2)	13.1	(174.1)	(161.0)
Interest receivable and other income	8	25.1	-	25.1	27.0	-	27.0
Interest payable and other charges	9	(12.0)	-	(12.0)	(14.1)	-	(14.1)
Profit/(Loss) before Tax		14.2	(85.3)	(71.1)	26.0	(174.1)	(148.1)
Tax on profit on ordinary activities	10	8.0	-	8.0	41.0	-	41.0
Profit/(Loss) for the year		22.2	(85.3)	(63.1)	67.0	(174.1)	(107.1)

All results are derived from continuing operations

1) EBITDA = Earnings before interest, taxes, depreciation and amortisation

TRAVELODGE HOTELS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
Loss for the year	(63.1)	(107.1)
Reserves transfer for the 2011 impairment charge	-	120.3
Deferred tax on revaluation reserve	(8.0)	(41.0)
Difference between historical cost depreciation charge and the actual depreciation charge for the year	15.8	15.8
Total comprehensive loss for the year	(55.3)	(12.0)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Share Capital £m	Revaluation Reserve £m	Profit and Loss Account £m	Total £m
Balance as at 1 January 2011	300.0	256.3	242.3	798.6
Loss for the year	-	-	(107.1)	(107.1)
Reserves transfer for the 2011 impairment charge	-	(120.3)	120.3	-
Deferred tax on revaluation reserve	-	41.0	(41.0)	-
Difference between historical cost depreciation charge and the actual depreciation charge for the year	-	(15.8)	15.8	-
Total comprehensive loss	-	(95.1)	(12.0)	(107.1)
Balance at 31 December 2011	300.0	161.2	230.3	691.5
Balance as at 1 January 2012	300.0	161.2	230.3	691.5
Loss for the year	-	-	(63.1)	(63.1)
Deferred tax on revaluation reserve	-	8.0	(8.0)	-
Difference between historical cost depreciation charge and the actual depreciation charge for the year	-	(15.8)	15.8	-
Total comprehensive loss	-	(7.8)	(55.3)	(63.1)
Balance at 31 December 2012	300.0	153.4	175.0	628.4

TRAVELODGE HOTELS LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Note	31 December 2012 £m	31 December 2011 £m
FIXED ASSETS			
Intangible assets	11	12.0	14.0
Tangible assets	12	338.1	353.7
Investments	13	11.7	11.7
		361.8	379.4
CURRENT ASSETS			
Stocks	14	1.2	1.5
Debtors	15	549.6	597.9
Cash at bank and in hand		29.8	14.3
		580.6	613.7
Creditors: Amounts falling due within one year	16	(181.2)	(199.1)
NET CURRENT ASSETS		399.4	414.6
TOTAL ASSETS LESS CURRENT LIABILITIES		761.2	794.0
Creditors: Amounts falling due after more than one year	17	(29.2)	(30.0)
Provisions for Liabilities	18	(103.6)	(72.5)
NET ASSETS		628.4	691.5
CAPITAL AND RESERVES			
Called up share capital	19	300.0	300.0
Revaluation reserve		153.4	161.2
Profit and loss account		175.0	230.3
TOTAL SHAREHOLDERS' FUNDS	20/21	628.4	691.5

These financial statements on pages 9 to 26 were approved by the board of directors and signed on their behalf by



Joanna Boydell
Director

10 July 2013

Travelodge Hotels Limited

Company registration number

0769170

TRAVELODGE HOTELS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

1 ACCOUNTING POLICIES

Travelodge Hotels Limited (the Company) is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business are disclosed on page 1. The company provides budget hotel accommodation throughout the United Kingdom.

Basis of accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS102) with certain exemptions of the reduced disclosure framework applied as detailed below. FRS102 has been early adopted by the Company at 31 December 2012. The date of transition is 1 January 2011. The result of this adoption can be seen in note 20 showing the primary impact being the accounting for lease incentives.

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 applicable to the Company reporting at 31 December 2012.

The principal accounting policies are set out below and have been applied consistently throughout the year, except for the difference arising on transition to FRS102 as described in note 20.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed on page 16.

The Company faces certain financial risks relating to interest rates, currency exposure, credit risk, liquidity and capital structure, which are managed at a group level as disclosed in note 20 of the Thame & London Limited consolidated financial statements (which are publically available).

Exemptions

Under FRS102 (section 1), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent company (Thame and London Limited) includes the Company's cash flows in its own published consolidated financial statements.

The entity is a qualifying entity and has also taken advantage of the financial instrument disclosures exemption and the exemption from disclosing key management compensation (other than directors' emoluments) under FRS102 (section 1.12).

Group financial statements

The Company is a wholly owned subsidiary of Thame & London Limited. The consolidated financial statements of Thame and London Limited are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Turnover

Turnover is measured at fair value of 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 trade discount and VAT. The principal turnover stream of the Company is providing budget hotel accommodation and is recognised when customers stay.

Stocks

Stocks comprise finished goods and goods for resale and are stated at the lower of cost and estimated selling price less cost to complete and sell. Cost is determined on a first in, first out basis.

1 ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on 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.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Tangible fixed assets

Under UK GAAP, the Company previously adopted a policy of revaluing tangible fixed assets. Tangible fixed assets were 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 were performed every 5 years in accordance with the RICS Appraisal and Valuation Manual. Any revaluation increase arising on the revaluation of such leaseholds was credited to a revaluation reserve, except to the extent that it reversed a revaluation decrease for the same asset previously recognised as an expense, in which case the increase was credited to the income statement to the extent of the decrease previously charged. A decrease in the carrying value arising on the revaluation of such assets was charged to the income statement to the extent that it exceeded the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Under FRS 102, the Company has elected to adopt a 'deemed cost' value at the date of transition. This reflects the value of the tangible assets under the previous revaluation policy under UK GAAP at the date of transition (1 January 2011). The Company will no longer apply the revaluation model under FRS 102 and will hold assets at the deemed cost and depreciate them over their useful economic lives. Revaluations will no longer be performed.

On transition, the revaluation reserve remains in accordance with the Companies Act 2006. Tangible assets are tested for impairment when an indicator of impairment is identified. Any impairment of the carrying value is charged to the income statement. Impairment charges through the income statement relating to previously revalued assets are subsequently transferred from the profit and loss reserve to the revaluation reserve.

Increased depreciation arising on the revalued portion of the assets held continues to be offset against the revaluation reserve. 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.

Values attributed to lease premiums arose under the previous revaluation policy under UK GAAP. Values were attributed by estimating the present value of the net cash flows expected to be received over the lives of the lease agreements. On transition to FRS102, interests in leasehold premiums were recognised at the deemed cost at the date of transition.

Subsequent additions to lease premiums are also capitalised at cost and mainly relate to certain legal and professional costs incurred in the process of entering into new lease agreements at new hotel sites.

TRAVELODGE HOTELS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

1 ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets (continued)

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 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.

Assets in the course of construction predominately consist of costs in relation to the construction of new hotels which have not yet opened. These are not depreciated.

Residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Intangible assets

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised at fair value at the acquisition date.

IT software

IT software is measured initially at purchase cost and is amortised on a straight line basis over its expected useful life of three years. Cost includes original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use. The values attributed are reviewed for impairment if events or changes in circumstances indicate that their carrying value may be impaired.

Leased assets

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. 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.

For leases existing prior to the FRS102 transition date of 1 January 2011, the Company has taken the exemption on transition under FRS102 and continues to credit incentives on leases on a straight line basis over the period to the first review date on which rent is adjusted to the prevailing market rates (where this is shorter than the lease term).

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.

1 ACCOUNTING POLICIES (CONTINUED)

Impairment

At each balance sheet date, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell or 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in income immediately.

Taxation

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.

Fixed Asset Investments

Fixed asset investments are shown at cost less accumulated impairment losses.

Pension Costs

The Company offers a defined contribution scheme to its employees. The amount charged to the income statement 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.

TRAVELODGE HOTELS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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1 ACCOUNTING POLICIES (CONTINUED)

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.

Prepaid Room Purchases

Deferred income principally relates to prepaid room purchases where cash is received at the time of room booking, prior to arrival date, and is recognised to income when the customers stay.

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 income statement (note 4).

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below.

Onerous lease provisions

The Company has provided for operating lease rentals where these were above the market rate at acquisition or where the Company has subsequently vacated the property and rental income is less than the rental expense, or where it is probable a previously sublet unit will revert back to the Company. The element of the rental which is above market or above any rental cost paid relating to vacated properties is charged against the provision. The key estimation judgement in determining the onerous amount is the period over the remaining lease term that the property will remain either rented or vacant. The Directors have estimated these periods after considering both the quality and the location of each of the units provided for.

Depreciation and residual values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate.

Accounting for development contracts

The Company typically does not fund or construct new hotel developments. Usually new hotels are built and paid for by the future landlord and the Company enters into an agreement for an industry standard operating lease on the hotel at market rent, usually for a term of 25 or 35 years. However, for some developments, under certain circumstances, the Company enters contractual arrangements with the future landlord and the building contractor, effectively acting as project manager. Through these contractual arrangements the Company avoids exposure to substantially all the development risk, and accordingly, the Directors have concluded that the substance of the transaction is that the Company is not acting as principal. In the period ended 31 December 2012, the Company managed 1 hotel development and made total payments of £30k to building contractors on behalf of future landlords.

TRAVELODGE HOTELS LIMITED
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2 TURNOVER

Turnover of £391.4m (2011: £369.5m) represents amounts derived from the provision of goods and services wholly within the UK and Ireland which fall within the Company's ordinary activities after the deduction of trade discounts and value added tax. All turnover relates to the principal activity of the Company, which is the supply of hotel rooms.

3 NET OPERATING EXPENSES

	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
Operating profit / (loss) is stated after charging:		
Cost of sales	24.1	21.3
Employee costs (note 5)	78.7	84.9
Fees payable for the audit ¹	0.4	0.5
Operating expenses	114.2	86.2
Net operating expenses before rent, depreciation and exceptional items	217.4	192.9
Rent ² - payable	147.6	125.6
- receivable	(3.3)	(4.4)
Net rent payable	144.3	121.2
Net operating expenses	361.7	314.1
Amortisation of intangible fixed assets	4.7	4.4
Depreciation of tangible fixed assets	23.9	37.9
Net operating expenses before exceptional items	390.3	356.4
Exceptional items (note 4)	85.3	174.1
Total net operating expenses	475.6	530.5

1) Fees payable for the audit were £0.1m (2011: £0.1m). During the year, the company also paid £0.3m (2011: £0.4m) on behalf of other group companies for the audit of their accounts. Non-audit services of £17k (2011: £17k) were incurred in relation to the review of turnover certificates.

2) All operating lease charges relate to property.

4 EXCEPTIONAL ITEMS

In the financial year to 31 December 2012, the results include a total exceptional charge of £85.3m which principally includes £41.1m relating to the restructuring of the Travelodge group which included £27.3m of professional advisor fees, £8.8m of intercompany loan releases, £2.5m of abortive hotel development costs and a £2.5m impairment of residual sites from the Company's Company Voluntary Arrangement (CVA). Additionally, a non-cash charge of £40.8m was made against provisions in relation to the rent and rates liability of certain potentially empty restaurant units and a charge of £3.4m was made against various trade debtors.

In the financial year to 31 December 2011, the results include a total exceptional charge of £174.1m of which £165.7m relates to the impairment of Short-term Leasehold properties, Finance Leasehold properties and Fixtures and Fittings included within those properties. In addition, a charge of £2.1m was incurred 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 net charge of £6.3m in relation to the reassessment of rent and rates liabilities on certain historical empty restaurant units.

TRAVELODGE HOTELS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2012	Year ended 31 December 2011
	£ '000	£ '000
Directors emoluments		
Directors' emoluments	1,449	1,229
Compensation for loss of office	229	-
Pension costs	83	200
Benefits in kind	5	4
Total	1,766	1,433
Remuneration of the highest paid director	522	413
Pension costs of the highest paid director	-	68
Number of directors accruing benefits under the defined contribution scheme	2	4
Employee costs during the year (including Directors)	£m	£m
Wages and salaries	73.6	80.1
Social security costs	4.5	4.3
Other pension costs	0.6	0.5
Total employee costs	78.7	84.9

	Year ended 31 December 2012	Year ended 31 December 2011
	Number	Number
Average number of persons employed	3,253	2,898
Total number of persons employed	6,130	5,769

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 of 37.5 hours.

The average and total number of employees include executive directors.

6 OPERATING LEASE COMMITMENTS

Total commitments under operating leases amounted to £3,564.2m

	Year ended 31 December 2012	Year ended 31 December 2011
	£m	£m
Due within one year	145.4	138.3
Due between one and five years	582.5	559.1
Due beyond five years	2,836.3	2,767.5
Total	3,564.2	3,464.9
Average lease term remaining		
Rent payable	19.9	22.0

TRAVELODGE HOTELS LIMITED
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7 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2012 £m	Capital liability 2012 £m	Minimum lease payments 2011 £m	Capital liability 2011 £m
Amounts payable under finance leases				
Due within one year	(3.9)	-	(4.0)	-
Due between one and five years	(16.8)	-	(16.8)	-
Due beyond five years	(351.2)	(29.2)	(357.5)	(29.4)
	(371.9)	(29.2)	(378.3)	(29.4)
Less future finance charges	342.7		348.9	
	(29.2)		(29.4)	
Due for settlement after 12 months	(29.2)		(29.4)	

The Company holds 5 properties (2011: 6 properties) which have been classified as finance leases with an average lease term of 52 years (2011: 53 years)

8 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
Bank interest receivable	0.1	0.1
Interest receivable from group undertakings ¹	25.0	26.9
Interest receivable	25.1	27.0

¹ As part of the funding of the Group, Travelodge Hotels Limited makes loans to other Group companies which are used by those companies to settle certain bank interest obligations. Interest receivable from group undertakings predominately relates to interest receivable on these outstanding balances owing from those Group companies. An interest rate of 8% is charged on balances between fellow Group companies.

9 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
Cash		
Finance lease interest charge	(3.7)	(4.1)
Capitalised		
Finance lease interest charge	(0.8)	(0.3)
Unwinding of discount on provisions (note 18)	(1.0)	(1.1)
Interest payable to group undertakings ¹	(6.5)	(8.6)
Total interest payable	(12.0)	(14.1)

¹ As part of the funding of the Group, Travelodge Hotels Limited has received loans from other Group companies resulting from the drawdown on certain bank facilities. Interest payable to group undertakings predominately relates to interest payable on these outstanding balances owing to those Group companies. An interest rate of 8% is charged on balances between fellow Group companies.

TRAVELODGE HOTELS LIMITED
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10 TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
Current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(9.5)	(39.3)
Adjustment to deferred tax attributable to changes in tax rates and laws	(3.0)	(4.0)
Write-downs (reversals of previous write-downs) of deferred tax assets	4.5	2.3
Total deferred tax	(8.0)	(41.0)
Tax charge/(credit) on profit on ordinary activities	(8.0)	(41.0)

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 24.5% (2011: 26.5%) to the profit before taxation are as follows

	Year ended 31 December 2012 £m	Year ended 31 December 2011 £m
(Loss)/Profit on ordinary activities before taxation	(71.1)	(148.1)
UK corporation tax rate of 24.5% (2011: 26.5%)	(17.4)	(39.2)
Effects of		
Short term timing differences	-	-
Expenses not deductible for tax purposes	7.9	1.2
Depreciation in excess of capital allowances	-	-
Non-deductible impairment of fixed assets	-	10.6
Tax relieved by group losses for nil consideration	-	(11.9)
Changes in recoverable amounts of deferred tax assets	4.5	2.3
Changes in closing deferred tax due to a change in the tax rate	(3.0)	(4.0)
Total tax (credit) for the year	(8.0)	(41.0)

Deferred tax is as follows

	31 December 2012 Provided £m	31 December 2012 Unprovided £m	31 December 2011 Provided £m	31 December 2011 Unprovided £m
Accelerated capital allowances	12.4	13.1	12.3	11.6
Tax losses and other timing differences	-	4.9	0.7	0.2
Capital gains	-	-	(0.6)	-
Deferred tax asset (note 15)	12.4	18.0	12.4	11.8
Revalued fixed assets	(45.8)	-	(53.8)	-
Deferred Tax (liability) (note 18)	(45.8)	-	(53.8)	-
Net Deferred tax asset/(liability)	(33.4)	18.0	(41.4)	11.8

Given the loss for the year, there is no current tax charge in the company for the period. The underlying tax credit for the year was £8.0m due to the reversal of deferred tax liabilities associated with fixed assets that were valued based on the revaluation model under a previous GAAP.

TRAVELODGE HOTELS LIMITED
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10 TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

At 31 December 2012, a deferred tax asset of £12.4m (2011 - £12.4m) has been recognised due to the reasonable expectation of sufficient taxable profits arising from which the future reversal of the underlying timing differences can be deducted. In addition, a deferred tax liability of £45.8m (2011 - £53.8m) has been recognised due to the tax liability that may arise on the crystallisation of the revaluation reserve.

The potential net unprovided deferred tax asset shown above of £18.0m (2011 - £11.8m) has not been recognised due to lack of certainty that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

With effect from 1 April 2013 the UK statutory corporation tax rate reduced from 24% to 23% on profits arising on ordinary activities.

Further reductions of the UK corporate tax rate to 21% and 20% are expected to apply from 1 April 2014 and 1 April 2015 respectively, as declared in the 2013 UK Budget. Such changes had not been substantively enacted at the balance sheet date and accordingly the above disclosures do not reflect these announcements. The overall effect of the further changes from 23% to 20%, if these applied to the deferred tax balance at 31 December 2012, would be to reduce the net deferred tax liability by approximately £4.4m.

During the year beginning 1 January 2013, the net reversal of deferred tax assets is expected to decrease the corporation tax charge for the year by £2.2m. This is due to the expected amount of capital allowances that will be available for offset against taxable profits in the year.

11 GOODWILL AND INTANGIBLE ASSETS

	Goodwill £m	Computer Software £m	Total £m
Cost			
At 1 January 2012	6.0	13.1	19.1
Additions	-	2.2	2.2
Reclassification	-	0.5	0.5
Write-down of fully depreciated assets	-	(4.5)	(4.5)
At 31 December 2012	6.0	11.3	17.3
Accumulated amortisation			
At 1 January 2012	(0.3)	(4.8)	(5.1)
Charge for the year	(0.3)	(4.4)	(4.7)
Write-down on fully depreciated assets	-	4.5	4.5
At 31 December 2012	(0.6)	(4.7)	(5.3)
Net book value			
At 31 December 2012	5.4	6.6	12.0
At 31 December 2011	5.7	8.3	14.0

12 TANGIBLE ASSETS

	Long leaseholds £m	Short-term leasehold interests £m	Finance leaseholds £m	Assets Under Construction £m	Fixtures and fittings £m	Computer Equipment £m	Total £m
Cost							
At 1 January 2012	2.5	317.7	21.4	6.6	61.5	2.8	412.5
Additions	-	5.0	-	(2.0)	10.2	0.6	13.8
Write-down of fully depreciated assets	-	-	-	-	(15.3)	(0.3)	(15.6)
Reclassification	-	-	-	-	(0.5)	-	(0.5)
Write-offs	-	(2.5)	-	(2.5)	(5.7)	-	(10.7)
At 31 December 2012	2.5	320.2	21.4	2.1	50.2	3.1	399.5
Accumulated depreciation							
At 1 January 2012	(0.7)	(25.3)	(2.7)	-	(29.5)	(0.6)	(58.8)
Charge for the year	-	(12.2)	(0.5)	-	(10.2)	(1.0)	(23.9)
Write-down on fully depreciated assets	-	-	-	-	15.3	0.3	15.6
Abortive costs	-	-	-	-	-	-	-
Write-offs	-	0.8	-	-	4.9	-	5.7
At 31 December 2012	(0.7)	(36.7)	(3.2)	-	(19.5)	(1.3)	(61.4)
Net book value							
At 31 December 2012	1.8	283.5	18.2	2.1	30.7	1.8	338.1
At 31 December 2011	1.8	292.4	18.7	6.6	32.0	2.2	353.7

TRAVELODGE HOTELS LIMITED
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13 FIXED ASSET INVESTMENTS

	Ordinary shares in subsidiaries £m
At 1 January 2012 and at 31 December 2012	11.7
At 31 December 2011	11.7

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

Investments held as fixed assets constitute ordinary shares in subsidiary undertakings which are listed below

Subsidiary undertakings	Business description	Country of incorporation	% of equity held
TLLC Regent Palace Limited	Dormant	Great Britain	100
Stewart Watt Limited	Dormant	Great Britain	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	Non-trading	Great Britain	100
Travelodge Holdings (Malta) Limited	Non-trading	Malta	100

14 STOCKS

	2012 £m	2011 £m
Finished goods and goods for resale	1.2	1.5

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15 DEBTORS

	2012	2011
	£m	£m
Trade receivables	3 0	5 2
Amounts owed by Group undertakings ¹	489 2	542 5
Deferred tax asset ² (note 10)	12 4	12 4
Other receivables	4 8	2 2
Prepayments and accrued income	40 2	35 6
	549.6	597.9

1) As part of the funding of the Travelodge Group, Travelodge Hotels Limited makes loans to other Group companies which are used by these companies to settle other bank interest obligations. Amounts owed by group undertakings predominately relates to these outstanding balances and associated interest charges owing from those companies. These amounts are unsecured and repayable on demand.

2) Due after more than one year

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£m	£m
Trade payables	(2 8)	(16 3)
Amounts owed to group undertakings ¹	(98 0)	(112 7)
Other taxation and social security	(7 0)	(7 9)
Other payables	(34 7)	(24 7)
Prepaid room purchases	(17 6)	(20 3)
Accruals and deferred income	(21 1)	(17 2)
	(181.2)	(199.1)

1) As part of the funding of the Travelodge Group, Travelodge Hotels Limited has received loans from other Group companies resulting from the drawdown on certain bank facilities. Amounts payable to group undertakings predominately relates to these outstanding balances and associated interest charges owing to those companies. These amounts are unsecured and repayable on demand.

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012	2011
	£m	£m
Accruals and deferred income	-	(0 6)
Total obligations under finance leases (note 7)	(29 2)	(29 4)
	(29.2)	(30.0)

TRAVELODGE HOTELS LIMITED
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18 PROVISIONS FOR LIABILITIES

	Deferred Tax £m	Onerous Lease £m	Total £m
Balance at 1 January 2012	(53.8)	(18.7)	(72.5)
Transfer from revaluation reserve	8.0	-	8.0
Increase in provisions	-	(40.8)	(40.8)
Cash spend	-	2.7	2.7
Unwinding of discount on provisions	-	(1.0)	(1.0)
Balance at 31 December 2012	(45.8)	(57.8)	(103.6)

A discount rate of 5% being the risk free rate is used to calculate the net present value of the provisions

The deferred tax liability is shown in note 10

Onerous lease provisions of £57.8m can be analysed as due in less than one year of £6.2m and due after one year of £51.6m and comprise onerous lease provisions of £56.8m relating to future rent and rates liabilities on sub leased historic restaurant units, other rent liabilities which are guaranteed by the Group and £1.0m of other provisions

Onerous lease provisions relate to the future discounted cash outflow in relation to certain rent and rates liabilities where no economic benefit is expected to accrue to the Group. These provisions have an average lease term of 18 years and have been discounted at a risk free rate of 5%.

19 CALLED UP SHARE CAPITAL

	2012 £m	2011 £m
Issued and fully paid:		
300 million (2011: 300 million) ordinary shares of £1 each	300.0	300.0

20 TRANSITION TO FRS102 - INCOME STATEMENT

FRS102 has been early adopted by the Company at 31 December 2012. The date of transition is 1 January 2011. The result of this adoption can be seen below.

Fixed Assets

Under UK GAAP, the Company previously adopted a policy of revaluing tangible fixed assets.

Under FRS 102, the Company has elected to adopt a 'deemed cost' value at the date of transition. This reflects the value of the tangible assets under the previous revaluation policy under UK GAAP at the date of transition (1 January 2011). The Company will no longer apply the revaluation model under FRS 102 and will hold assets at the deemed cost and depreciated them over their useful economic lives. Revaluations will no longer be performed.

In 2011, the tangible assets suffered an impairment charge of £165.7m. Under the previous revaluation model £120.3m of this impairment was charged to the revaluation reserve and £45.4m was charged to the income statement. Due to the Company adopting FRS102, the impairment charge of £120.3m previously charged to the revaluation reserve has been charged to the income statement in 2011 under FRS 102. This has subsequently been transferred to the revaluation reserve.

Deferred tax has arisen on the revaluation reserve on transition to FRS102.

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20 TRANSITION TO FRS102 - INCOME STATEMENT (CONTINUED)

Lease incentives

The previous accounting policy under UK GAAP required lease incentives to be credited to the income statement 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. On transition, under FRS 102, lease incentives are recognised over the lease term. On adoption of FRS 102, the Company has elected to take an exemption to continue the previous UK GAAP treatment for existing leases. However, new lease premiums from the date of transition are recognised over the life of the lease. This change in accounting policy has resulted in a £1.0m debit to the 2011 income statement.

Reconciliation of 2011 loss for the financial year	2011 £m
2011 loss for the financial year (as previously stated)	(26.8)
Rent free reverse premium on leased properties ¹	(1.0)
Impairment previously charged to revaluation reserve ²	(120.3)
Deferred Tax ³	41.0
Loss for the financial year (as restated)	(107.1)

1) Under UKGAAP, the previous accounting framework, the company was previously required to account for rent free elements on leased properties by amortising rent free amounts received over the shorter of the lease term or the next rent review period (usually a period of 5 years). Under FRS102, lease premiums on leases signed after the transition date are amortised over the life of the lease of each property, leading to a re-assessment of the lease premium amount held in the balance sheet of £1.0m.

2) In 2011, the tangible assets suffered an impairment charge of £165.7m. Under the previous revaluation model £120.3m of this impairment was charged to the revaluation reserve and £45.4m was charged to the income statement. As the Company no longer applies the revaluation model under FRS 102, the impairment charge of £120.3m previously charged to the revaluation reserve has been charged to the income statement in 2011 under FRS 102.

3) On transition to FRS 102, a deferred tax liability has arisen in relation to the revaluation of fixed assets under the previous GAAP. The impairment charged to the income statement under FRS 102 has resulted in the release of £41.0m of this deferred tax in 2011.

21 TRANSITION TO FRS102 - RESERVES

	As at 1 January 2011 £m	As at 31 December 2011 £m
Reconciliation of capital and reserves		
Capital and reserves (as previously stated)	888.4	741.3
Deferred tax movement on revaluation reserve ¹	(94.8)	(53.8)
Rent free reverse premium on leased properties ²	-	(1.0)
Prior year adjustment ³	5.0	5.0
Capital and Reserves (as restated)	798.6	691.5

1) On transition to FRS102, a deferred tax liability of £94.8m has arisen.

2) Under UKGAAP, the previous accounting framework, the company was previously required to account for rent free elements on leased properties by amortising rent free amount received over a period of 5 years. Under FRS102, this period is extended to the life of the lease of each property. Leading to a re-assessment of the rent free amount held in the balance sheet and results in a charge against the reserves.

3) A prior year adjustment of £5.0m was made to the opening retained earnings on 1 January 2011.

22 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 2012 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £5.8m (2011 £2.7m).

23 CONTINGENT LIABILITIES

The Company 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 Company. Should a superior landlord make a claim on the Company for unpaid rent, the Company would be required to settle that liability and subsequently the unit / units subject to the claim could be seized by the Company following petitioning of a court. The Company 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 2012 the estimated annual contingent rental liability was £0.1m (2011 £0.1m), represented by 5 units (2011 6 units), with an average annual rental cost per unit of £18k (2011 £16k) and an average lease term remaining of 22 years (2011 28 years).

24 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At the Balance sheet date, the immediate parent company is Full Moon Holdco 6 Limited, which acquired the Company effective as of 30 September 2009.

On 12 October 2012, the shares of FullMoon HoldCo 4 Limited (an intermediary holding company of Full Moon HoldCo 6 Limited) were sold to Anchor UK BidCo Limited (Luxembourg) for a consideration of £1. Anchor UK BidCo Limited changed its name to Thame and London Limited on 30 May 2013. The Company has taken advantage of the exemption in FRS102 (section 33) 'Related party disclosure' not to disclose transactions with other members of the Group.

From 12 October 2012, following the financial restructuring of the Travelodge Group, the Directors regard Anchor Holdings SCA as the ultimate controlling party and regard Thame & London Limited as the controlling party of the largest group of which the Company is a member and of which consolidated financial statements are drawn up.

Travelodge Hotels Limited guarantees the debts of certain fellow group companies. Further details can be obtained from the consolidated group financial statements of Thame & London Limited. Copies of these Group financial statements are available from the registered office, Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT.