Registered number: 5237994

PRESTBURY HOTEL HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

PRESTBURY HOTEL HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	S L Gumm N M Leslau J C McMahon G Whiteland (resigned 14 February 2012) N S Burnett (appointed 23 March 2012)
COMPANY SECRETARY	S L Gumm
COMPANY NUMBER	5237994
REGISTERED OFFICE	Cavendish House 18 Cavendish Square London W1G 0PJ
AUDITORS	BDO LLP 2nd Floor 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

PRESTBURY HOTEL HOLDINGS LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012

The directors present their report and the financial statements for the year ended 31 March 2012

PRINCIPAL ACTIVITIES

The principal activity of the company is the holding of investments directly and indirectly in subsidiary undertakings

The principal activity of the group is that of property investment in the United Kingdom Through its two sub-groups headed by Prestbury Hotels Limited (the "Hotels group") and Prestbury Hotels Finance Limited (the "Hotels Finance group"), the group owns a portfolio of 152 budget hotels that are leased to a hotel operator on long term leases At 31 March 2012, the average unexpired lease terms for the Hotels group and the Hotels Finance group were 19 4 years and 30 7 years respectively and 21 7 years overall

BUSINESS REVIEW

The group has commissioned a directors' valuation of its real estate assets as at 31 March 2012 The resultant revaluation deficit in the year of £34 million (2011 £38 million surplus), results largely from the impact of the news as at the valuation date surrounding the difficult financial situation faced by Travelodge Hotels Limited ("Travelodge"), the sole tenant of the group's investment property portfolio The assets are held at £56 million more than their cost

After the balance sheet date, in October 2012 Travelodge concluded a Company Voluntary Arrangement ("CVA") with its creditors in order to stabilise its financial position, radically reduce its balance sheet liabilities and to fund much needed capital expenditure on the portfolio owned by the group and Travelodge's estate generally The impact of the CVA on the group is a reduction of annualised rental income of circa £5 million, but in compensation for the rent reduction the group now has the option, which has been exercised, to extend the leases to a minimum term of 25 years, it also reallocated rents amongst properties to better reflect current and future trading potential The tenant group has given an undertaking to spend circa £42 million on refurbishment of the group's portfolio in the period from March 2013 to December 2020

The CVA occurred after the balance sheet date and hence after the valuation date, although the valuation does reflect some financial uncertainty relating to the tenant given Travelodge's refinancing requirements at that time A valuation of the portfolio taking this new information into account is considered by the directors to result in a valuation approximately 23% lower than the valuation shown in these accounts However it should be noted that the directors have reason to believe that once the tenant group stabilises and in particular after it has invested significant capital expenditure in the estate there are reasonable prospects for the recovery of this valuation shortfall

As a result of the CVA, a technical breach of the group's credit agreements occurred These did not include any breach of financial covenants and the breaches caused by the CVA were waived by the lenders after amendment to certain terms of the credit agreements As a result of these changes the overall cost of the loan over the term to expiry increases by approximately 6% of the cost prior to the restructure

RESULTS

The loss for the year, after taxation, amounted to £12,301,983 (2011 - loss £10,534,336) This movement reflects higher financing costs in relation to the group's external debt which are partially offset by increased rental income after contractual rent reviews

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012

DIRECTORS

The directors who served during the year were

S L Gumm
N M Leslau
J C McMahon
G Whiteland (resigned 14 February 2012)
N S Burnett (appointed 23 March 2012)

PRINCIPAL RISKS AND UNCERTAINTIES

Market factors

The directors consider the properties owned by the group relatively well placed to withstand market fluctuations over time by virtue of the quality of the assets and, in particular, the longevity of income

As noted in the Business Review section, while Travelodge has experienced financial difficulties, the length of the leases and the upwards only income profile allows time for value to be recovered

Risk management objectives and policies

The management of risk is integral to the group's approach to running the business The group utilises secured non-recourse bank debt to fund its property investment purchases Cash resources generated from the group's operations, including those resulting from strict credit control over its short term debtors and creditors, are utilised in meeting the group's working capital requirements

Set out below are the policies operated by the group for the management of the principal risks and uncertainties that it is exposed to in the conduct of its operations

General treasury policy

The group enters into hedging instruments, such as interest rate swaps, to manage the interest rate risks arising from those operations and its sources of finance In addition, various financial instruments such as rental and other debtors and trade and other creditors arise directly from the group's operations The group's operations are in the UK therefore it has no currency risk

Operations are predominantly financed by bank borrowings Bank loans are at fixed rates, by way of use of interest rate swaps to fix interest on floating rate debt, and are secured on the group's assets

Working capital requirements are met principally by cash resources generated from the group's operations Cash levels are monitored regularly to ensure sufficient resources are available to meet the group's short term and long term operational requirements Short term money market deposits are used to manage liquidity giving due consideration to counterparty risk

The group maintains internal guidelines, set by reference to the requirements of the group's secured debt facilities, for interest cover and gearing Management monitor the group's current and projected financial position against these guidelines on at least a quarterly basis

Policy in relation to interest rate risk

The group's policy is to substantially eliminate risk in respect of changes in interest rates such that, over the term of the group's debt facilities, changes in floating rates will have a minimal impact on the reported results and cash flows

Policy in relation to liquidity risk

The group seeks to manage its liquidity risk by ensuring that sufficient liquidity is available to meet its foreseeable needs

The group's liquidity needs are very modest and managed principally through the deduction of the group's operating costs from rental receipts before those rental receipts are applied in payment of interest and repayment of debt as required by the credit agreements relating to the group's secured debt

Policy in relation to credit risk

The group's principal financial assets are bank balances, hedging instruments, shareholder loans and amounts due from fellow group undertakings The group's credit risk on bank balances and hedging instruments is limited because the counterparties are banks with high credit ratings The credit risk on amounts due from group undertakings and shareholder loans is monitored by the Board and is not considered significant at the balance sheet date

Policy in relation to inflation risk

The leases entered into by the group companies contain rent review provisions whereby rental income is linked to the Retail Price Index ("RPI") However, the reviews are 'upwards only' therefore deflation cannot have the effect of reducing rental income The group financing arrangements are such that even with no RPI increases in the future, the interest cover covenant in the group's credit agreements would continue to be met In this way the group's affairs have been managed such that inflation presents opportunities on the upside, but no downside risks

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information

AUDITORS

BDO LLP have expressed their willingness to continue in office

This report was approved by the board on 1 February 2013 and signed on its behalf

S L Gumm
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

The directors are responsible for preparing the directors' 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 elected to prepare the 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 company and the group 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 judgments 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 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRESTBURY HOTEL HOLDINGS LIMITED

We have audited the financial statements of Prestbury Hotel Holdings Limited for the year ended 31 March 2012, which comprise the group profit and loss account, the group and company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses 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)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the directors' responsibilities statement, 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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2012 and of the group's 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRESTBURY HOTEL HOLDINGS LIMITED

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 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

Russell Field (senior statutory auditor)

for and on behalf of
BDO LLP

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

2nd Floor
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

1 February 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £	2011 £
TURNOVER	1,2	**39,217,617**	37,723,499
Cost of sales		**(1,588,479)**	(1,700,711)
GROSS PROFIT		**37,629,138**	36,022,788
Administrative expenses		**(216,022)**	(167,068)
OPERATING PROFIT	3	**37,413,116**	35,855,720
Interest receivable and similar income		**1,246,010**	1,157,537
Interest payable and similar charges	5	**(50,961,109)**	(47,546,562)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(12,301,983)**	(10,533,305)
Tax on loss on ordinary activities	6	**-**	(1,031)
LOSS FOR THE FINANCIAL YEAR		**(12,301,983)**	(10,534,336)

All amounts relate to continuing operations

The notes on pages 12 to 27 form part of these financial statements

There were no differences between historical cost loss and reported loss on ordinary activities for either year

PRESTBURY HOTEL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £	2011 £
LOSS FOR THE FINANCIAL YEAR	16	**(12,301,983)**	(10,534,336)
Unrealised (deficit)/surplus on revaluation of investment properties	16	**(34,438,000)**	38,318,000
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		**(46,739,983)**	27,783,664

The notes on pages 12 to 27 form part of these financial statements

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2012

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Investment property	7		**589,181,000**		623,619,000
CURRENT ASSETS					
Debtors	10	**16,832,281**		15,389,975	
Cash at bank and in hand		**9,834,363**		637,836	
		26,666,644		16,027,811	
CREDITORS· amounts falling due within one year	12	**(26,181,056)**		(14,537,954)	
NET CURRENT ASSETS			**485,588**		1,489,857
TOTAL ASSETS LESS CURRENT LIABILITIES			**589,666,588**		625,108,857
CREDITORS: amounts falling due after more than one year	13		**(573,978,603)**		(562,680,889)
NET ASSETS			**15,687,985**		62,427,968
CAPITAL AND RESERVES					
Called up share capital	15		**20,000**		20,000
Revaluation reserve	16		**55,562,516**		90,000,516
Profit and loss account	16		**(39,894,531)**		(27,592,548)
SHAREHOLDERS' FUNDS	17		**15,687,985**		62,427,968

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 February 2013

S L Gumm
Director

The notes on pages 12 to 27 form part of these financial statements

PRESTBURY HOTEL HOLDINGS LIMITED
REGISTERED NUMBER 5237994

COMPANY BALANCE SHEET
AS AT 31 MARCH 2012

	Note	2012 £	2012 £	2011 £	2011 £
FIXED ASSETS					
Investments	8		**20,001**		20,001
CURRENT ASSETS					
Cash at bank		**12,509**		12,476	
CREDITORS: amounts falling due within one year	12	**(16)**		(1)	
NET CURRENT ASSETS			**12,493**		12,475
TOTAL ASSETS LESS CURRENT LIABILITIES			**32,494**		32,476
CREDITORS: amounts falling due after more than one year	13		**(14,869)**		(13,870)
NET ASSETS			**17,625**		18,606
CAPITAL AND RESERVES					
Called up share capital	15		**20,000**		20,000
Profit and loss account	16		**(2,375)**		(1,394)
SHAREHOLDERS' FUNDS	17		**17,625**		18,606

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 February 2013

S L Gumm
Director

The notes on pages 12 to 27 form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

	Note	**2012** **£**	2011 £
Net cash flow from operating activities	19	**46,514,450**	35,887,668
Returns on investments and servicing of finance	20	**(28,474,380)**	(28,684,813)
Capital expenditure and financial investment	20	**-**	4,802
CASH INFLOW BEFORE FINANCING		**18,040,070**	7,207,657
Financing	20	**(8,843,543)**	(7,171,890)
INCREASE IN CASH IN THE YEAR		**9,196,527**	35,767

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 MARCH 2012

		2012 **£**	2011 £
Increase in cash in the year		**9,196,527**	35,767
Cash outflow from changes in debt financing		**8,843,543**	7,171,890
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS		**18,040,070**	7,207,657
Other non-cash changes	22	**(22,404,095)**	(19,046,369)
MOVEMENT IN NET DEBT IN THE YEAR		**(4,364,025)**	(11,838,712)
Net debt at 1 April 2011		**(570,803,445)**	(558,964,733)
NET DEBT AT 31 MARCH 2012		**(575,167,470)**	(570,803,445)

The notes on pages 12 to 27 form part of these financial statements

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements

1 1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with applicable accounting standards

1.2 Basis of consolidation

The financial statements consolidate the accounts of Prestbury Hotel Holdings Limited and all of its subsidiary undertakings ('subsidiaries')

Subsidiaries are those entities controlled by the group Control is assumed when the group has the power to govern the financial and operating policies of an entity to benefit from its activities The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases The reporting year for subsidiaries ends on 31 March 2012

1 3 Turnover

Turnover represents rents receivable during the year from the letting of commercial properties at invoiced amounts excluding value added tax

1 4 Investments

(i) Subsidiary undertakings
Investments in subsidiaries are valued at cost less provision for impairment Any impairment in value is written of to the profit and loss account

(ii) Other investments
Investments held as fixed assets are shown at cost less provision for impairment Any impairment in value is written off to the profit and loss account

1 5 Investment properties

Investment properties are included in the balance sheet at their open market value at the balance sheet date, on the basis of an annual valuation Aggregate surpluses or deficits arising on valuation are transferred to the revaluation reserve Permanent diminutions in the value of the properties are charged directly to the profit and loss account

Additions to investment properties include only costs of a capital nature Costs such as interest and other property outgoings are treated as revenue expenditure and are written off as incurred

In accordance with SSAP 19 (as amended), no depreciation or amortisation is provided in respect of freehold or long leasehold investment properties This treatment is a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets However, the company's investment properties are held not for consumption but for investment and the directors consider that systematic annual depreciation would be inappropriate The accounting policy is therefore necessary for the accounts to give a true and fair view Depreciation or amortisation is only one of the factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

1. ACCOUNTING POLICIES (continued)

1 6 Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is unable to utilise existing capital losses within the group, and
- the recognition of deferred tax assets is limited to the extent that the group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

1 7 Financial instruments

The group does not trade in derivative financial instruments Hedging instruments are used to protect the group's exposure to movements in interest rates Gains or losses are deferred until the related interest in the hedging instrument is realised

1 8 Cash

For the purposes of the cash flow statement, cash comprises cash in hand and deposits repayable on demand

1 9 Financing costs

Costs relating to the raising of bank loan facilities are amortised over the life of the loan and charged to the profit and loss account as part of the group's financing costs The bank loans are disclosed net of the unamortised loan issue costs

Premiums or fees arising on the redemption or maturity of bank loan facilities are accrued over the life of the loan to the extent that it is considered probable that such a premium or fee will become payable in the future They are charged to the profit and loss account as part of the group's financing costs

2. TURNOVER

The whole of the turnover is attributable to the principal activity of the group

All turnover arose within the United Kingdom

3. OPERATING PROFIT

The operating profit is stated after charging

	2012 £	2011 £
Fees payable to the company's auditor for the audit of the company's annual accounts	**6,600**	6,600
Auditors' remuneration - non-audit (accounting advisory services)	**-**	800
Head lease rentals	**1,543,063**	1,657,896

Head lease rental payments are recoverable from tenants and that recovery is disclosed within turnover

Total fees payable to the company's auditors for the audit of the company and its subsidiaries are £52,100 (2011 £53,600)

4. STAFF COSTS

The company has no employees and no director received any remuneration during the year (2011 - £nil)

5 INTEREST PAYABLE

	2012 £	2011 £
On bank loans and overdrafts	**31,925,295**	31,700,591
Other interest payable	**-**	213
Amortisation of prepaid finance fees	**803,657**	803,352
Loan commitment fees	**-**	376
Loan redemption premiums	**17,622,261**	14,433,691
Loan maturity fee	**569,896**	568,339
Agency fees	**40,000**	40,000
	50,961,109	47,546,562

6 TAXATION

	2012 £	2011 £
Adjustments in respect of prior periods	**-**	1,031
Tax on loss on ordinary activities	**-**	1,031

6. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - higher than) the standard rate of corporation tax in the UK of 26% (2011 - 28%) The differences are explained below

	2012 £	2011 £
Loss on ordinary activities before tax	**(12,301,983)**	(10,533,305)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011 - 28%)	**(3,198,516)**	(2,949,325)
Effects of.		
Expenses not deductible for tax purposes	**26**	26
Hotel building allowances	**-**	(477,999)
Net movement in losses available to carry forward	**3,198,490**	3,427,298
Adjustments to tax charge in respect of prior periods	**-**	1,031
Current tax charge for the year (see note above)	**-**	1,031

No provision for UK corporation tax has been made for the year and it is not expected that one will arise for the foreseeable future, due to the availability of losses

UNPROVIDED DEFERRED TAX ASSET / (LIABILITY)

The group and company has an unprovided deferred tax asset / (liability) which is made up as follows

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Losses available to carry forward	**16,999,758**	15,217,512	**370**	146
Inherent capital gain arising on investment properties at valuation	**(66,264,337)**	(81,412,795)	**-**	-
Total	**(49,264,579)**	(66,195,283)	**370**	146

The unprovided deferred tax balances have been measured at the tax rates substantively enacted at the balance sheet date

7. INVESTMENT PROPERTY

Group	Freehold investment property £	Long term leasehold investment property £	Total £
Valuation			
At 1 April 2011	346,991,000	276,628,000	623,619,000
Deficit on revaluation	(22,185,000)	(12,253,000)	(34,438,000)
At 31 March 2012	324,806,000	264,375,000	589,181,000

The group's investment properties were valued as at 31 March 2012 by Nick Leslau BSc (Hons) FRICS, a chartered surveyor and director of the company, on an arm's length open market basis

The historical cost of the investment properties to the group is £533,618,484 (2011 £533,618,484)

The group's investment properties are held as security by a fixed charge in respect of bank borrowings provided to subsidiary undertakings, Prestbury Hotels Limited and Prestbury Hotels Finance Limited

8. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 April 2011 and 31 March 2012	20,001

9. PRINCIPAL SUBSIDIARIES

The followιng companιes were the prιncιpal subsιdιary undertakιngs at the end of the year

Company name	Country of ιncorporation	Percentage Shareholdιng	Description
Prestbury Hotels Lιmιted	England	100	Provιsιon of finance to group companιes
Prestbury Hotels Fιnance Lιmιted	England	100	Provιsιon of finance to group companιes
Prestbury Hotels Assets Lιmιted	England	100	Property ιnvestment*
TLLC Brιdgeco1 Lιmιted	England	100	Property ιnvestment**
TLLC Brιdgeco2 Lιmιted	England	100	Property ιnvestment**
TLLC Brιdgeco3 Lιmιted	England	100	Property ιnvestment***
TLLC Brιdgeco4 Lιmιted	England	100	Property ιnvestment***
TLLC Brιdegco5 Lιmιted	England	100	Property ιnvestment**
TLLC Brιdgeco6 Lιmιted	England	100	Property ιnvestment**
TLLC Brιdgeco7 Lιmιted	England	100	Property ιnvestment***
TLLC Brιdgeco10 Lιmιted	England	100	Property ιnvestment***
TLLC CMpropco1 Lιmιted	England	100	Property ιnvestment**
TLLC CMpropco2 Lιmιted	England	100	Property ιnvestment**
TLLC CMpropco3 Lιmιted	England	100	Property ιnvestment**
TLLC CMpropco4 Lιmιted	England	100	Property ιnvestment**
TLLC CMpropco5 Lιmιted	England	100	Property ιnvestment**
TLLC CMpropco8 Lιmιted	England	100	Property ιnvestment**
TLLC CMpropco9 Lιmιted	England	100	Property ιnvestment**
TLLC CMpropco10 Lιmιted	England	100	Property ιnvestment**
TLLC CMpropco11 Lιmιted	England	100	Property ιnvestment**
TLLC CMpropco12 Lιmιted	England	100	Property ιnvestment**
TLLC Levpropco2 Lιmιted	England	100	Property ιnvestment**
TLLC Levpropco8 Lιmιted	England	100	Property ιnvestment**
TLLC Levpropco9 Lιmιted	England	100	Property ιnvestment**
TLLC Levpropc10 Lιmιted	England	100	Property ιnvestment**

* Prestbury Hotels Lιmιted holds the group's 100% ιnterest ιn these undertakιngs
** Prestbury Hotels Lιmιted holds the group's 100% ιnterest ιn these undertakιngs, each of whιch acts as an ιntermedιate parent company to a wholly owned subsιdιary undertakιng whιch undertakes property ιnvestment actιvιtιes
*** Prestbury Hotels Fιnance Lιmιted holds the group's 100% ιnterest ιn these undertakιngs

For all undertakιngs lιsted above, the country of operatιon ιs the same as ιts country of ιncorporatιon

10 DEBTORS

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Trade debtors	**63,005**	5,352	**-**	-
Amounts due from shareholders	**16,258,655**	15,028,812	**-**	-
Other debtors	**-**	495	**-**	-
Prepayments and accrued income	**510,621**	355,316	**-**	-
	16,832,281	15,389,975	**-**	-

The amounts due from the shareholders of the parent company are unsecured, bear interest at a rate of 8% pa compounding half yearly and have no fixed repayment date The above amount includes interest of £5,918,385 (2011 £4,688,542) of which £1,229,843 (2011 £1,133,829) accrued during the year

11. CASH - GROUP

Included within the cash balances at 31 March 2012 is £9,159,422 (2011 £3,453) of cash held in accounts held as security by the provider of the secured bank debt

12. CREDITORS·
Amounts falling due within one year

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Secured bank loans (note 14)	**11,023,230**	8,760,392	**-**	-
Trade creditors	**213,518**	3,537	**-**	-
Social security and other taxes	**1,520,655**	22,427	**-**	-
Other creditors	**5,591**	19,753	**1**	1
Accruals and deferred income	**13,418,062**	5,731,845	**15**	-
	26,181,056	14,537,954	**16**	1

13. CREDITORS·

Amounts falling due after more than one year

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Secured bank loans	**524,237,408**	531,939,009	-	-
Prepaid finance fees	**(2,078,334)**	(2,885,491)	-	-
Amounts owed to group undertakings	-	-	**14,869**	13,870
Secured bank loan redemption premiums	**34,260,719**	16,638,457	-	-
Secured bank loan maturity fee	**1,233,218**	663,322	-	-
Shareholders' loans	**16,325,592**	16,325,592	-	-
	573,978,603	562,680,889	**14,869**	13,870

Included within the above are amounts falling due as follows

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Between one and two years				
Secured bank loans	**12,773,299**	10,828,312	-	-
Between two and five years				
Secured bank loans	**511,464,109**	521,110,697	-	-

The bank loans are secured by charges over the shares in the subsidiary undertakings and by fixed and floating charges over the assets of all the group companies, including fixed charges on investment properties

The group's strategy in respect of the use of financial instruments is to hedge future interest rate risk for the term of the loan to ensure that expected loan balances are substantially hedged

The bank loans bear interest at 3 month LIBOR plus a lenders' margin Interest on 100% (2011 100%) of the loans has been fixed by way of purchases of interest rate swaps which fix the interest rate payable (inclusive of the lenders' margin) at approximately 6 47% (2011 6 47%) In addition premiums and fees are payable on the redemption or maturity of certain of the loans, which are currently being accrued over the loan term

Bank loans are repayable quarterly from rental surpluses, net of operating costs and the balance is repayable in full by no later than October 2014

The shareholders' loans are unsecured, interest free and have no fixed repayment date

The amounts owed to group undertakings are unsecured, bear interest at a rate of 8% and have no fixed repayment date These amounts include interest accrued of £2,412 (2011 £1,413)

14. FINANCIAL INSTRUMENTS

The narrative disclosures required by FRS 25 in relation to the principal risks arising from the group's financial instruments and the policies in respect of them are shown in the Directors' Report

The following financial instruments were in place at 31 March

	2012 £	2011 £
Market value		
£393 million (2011 £396 million) amortising/accreting 5 044% swap, July 2018	**(83,510,329)**	(47,602,501)
£28 million (2011 £29 million) amortising 2 44% swap, October 2014	**(936,374)**	(173,675)
£117 million (2011 £117 million) accreting 4 72% swap, September 2014	**(10,698,603)**	(9,669,254)
Total net loss pre-tax	**(95,145,306)**	(57,445,430)
Total net loss post-tax at 24% (2011 26%)	**(72,310,433)**	(42,509,618)

The market value of the hedging portfolio changes with interest rate fluctuations, but the exposure of the group to movements in interest rates is protected by way of the hedging products listed above In accordance with accounting standards, the valuations are struck using a mid-market interest rate The valuation therefore does not reflect the cost or gain to the group of cancelling its interest rate protection at the period end, which is generally a marginally higher cost (or smaller gain) than a market valuation

15 SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
2,000 A ordinary shares of £1 each	**2,000**	2,000
8,500 B ordinary shares of £1 each	**8,500**	8,500
5,500 C ordinary shares of £1 each	**5,500**	5,500
2,000 D ordinary shares of £1 each	**2,000**	2,000
2,000 M ordinary shares of £1 each	**2,000**	2,000
	20,000	20,000

Class rights
All ordinary shares rank pari passu in relation to income and capital Voting rights are pari passu for all shares except in relation to the procedure for the appointment and removal of directors

16. RESERVES

Group	**Revaluation reserve £**	**Profit and loss account £**
At 1 April 2011	**90,000,516**	**(27,592,548)**
Loss for the year	**-**	**(12,301,983)**
Deficit on revaluation of freehold property	**(22,185,000)**	**-**
Deficit on revaluation of long leasehold property	**(12,253,000)**	**-**
At 31 March 2012	**55,562,516**	**(39,894,531)**

Company	**Profit and loss account £**
At 1 April 2011	**(1,394)**
Loss for the year	**(981)**
At 31 March 2012	**(2,375)**

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2012 £	2011 £
Opening shareholders' funds	**62,427,968**	34,644,304
Loss for the year	**(12,301,983)**	(10,534,336)
Other recognised gains and losses during the year	**(34,438,000)**	38,318,000
Closing shareholders' funds	**15,687,985**	62,427,968

Company	2012 £	2011 £
Opening shareholders' funds	**18,606**	19,167
Loss for the year	**(981)**	(561)
Closing shareholders' funds	**17,625**	18,606

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

The loss for the year dealt with in the accounts of the company was £981 (2011 - £561)

18. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under Financial Reporting Standard 8, "Related Party Transactions", not to disclose details of any transactions with wholly owned subsidiary undertakings that are included in these consolidated financial statements

The aggregate loans due from shareholders are set out in note 10 and the aggregate loans due to shareholders are set out in note 13 These include the following amounts due to investors holding a 20% or more interest in the equity of the company

	2012 £	2011 £
West Coast Capital Prestven Limited		
- due from shareholder	**6,183,167**	5,715,457
- due to shareholder	**(6,898,469)**	(6,898,469)
Uberior Ventures Limited		
- due from shareholder	**4,471,130**	4,132,923
- due to shareholder	**(4,988,375)**	(4,988,375)
Prestbury Investment Holdings Limited		
- due from shareholder*	**3,251,731**	3,005,762
- due to shareholder	**(1,813,955)**	(1,813,955)

*Includes an amount of £1,625,865 (2011 £1,502,881) due from PIHL Wentworth Manager Limited ("PIHLWML")

Prestbury Investment Holdings Limited ("PIHL"), a shareholder in Prestbury Hotel Holdings Limited, has a 100% interest in PIHLWML PIHLWML holds 10% of PIHL's 20% interest in the company PIHLWML has agreed, pursuant to a Management Agreement dated 12 October 2004, as amended 14 March 2005, to provide investment and property management and other services to the group PIHL has agreed to guarantee the performance by PIHLWML of its obligations under the agreement

Under the terms of the Prestbury Hotels Limited refinancing in January 2010, investors of the company are to receive a portion of the secured bank loan redemption premiums set out in note 13 as an Asset Management Promote Fee Of the Asset Management Promote Fee PIHLWML will receive a priority return ahead of other investors in recognition of the services it provides under the Management Agreement The amounts included in the secured bank loan redemption premiums that would be due to investors holding a 20% or more interest in the equity of the parent company are as follows

	2012 £	2011 £
West Coast Capital	**1,764,791**	1,273,475
Uberior Ventures Limited	**1,276,144**	914,375
Prestbury Investment Holdings Limited**	**4,331,081**	2,199,549

**Includes an amount of £3,867,029 (2011 £1,867,049) due to PIHLWML of which £3,402,976 (2011 £1,534,549) relates to the priority return

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

18 RELATED PARTY TRANSACTIONS (continued)

Uberior Ventures Limited, a shareholder in Prestbury Hotel Holdings Limited at the balance sheet date, is a wholly owned group undertaking of Lloyds Banking Group plc ("Lloyds") Lloyds provides banking and credit facilities to the group

The following is a summary of the significant transactions undertaken by the group with Lloyds during the year and balances with Lloyds at 31 March 2012

	2012 £	2011 £
Profit and loss account		
Bank loan interest payable*	27,652,801	27,487,002
Finance costs amortised	630,446	630,446
Loan commitment fees	-	376
Loan redemption premiums	14,189,699	9,574,141
Loan maturity fee	569,896	568,339
Agency fees	40,000	40,000
Bank interest receivable	15,264	22,775
Balance sheet		
Unamortised finance costs	1,681,003	2,311,449
Bank loans falling due within one year*	4,275,212	3,348,363
Bank loans falling due in more than one year*	384,079,230	385,008,151
Bank loan redemption fees	27,493,632	10,953,449
Bank loan maturity fee	1,233,218	663,322
Accrued interest payable*	4,403,389	4,406,636

* Part of the group's drawn bank facilities are syndicated Only the part of the total bank indebtedness and interest charge due to Lloyds are disclosed above

19. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating profit	**37,413,116**	35,855,720
(Increase)/decrease in debtors	**(212,461)**	2,463
Increase in creditors	**9,313,795**	29,485
Net cash inflow from operating activities	**46,514,450**	35,887,668

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	**16,164**	23,708
Interest paid	**(28,490,544)**	(28,708,521)
Net cash outflow from returns on investments and servicing of finance	**(28,474,380)**	(28,684,813)

	2012 £	2011 £
Capital expenditure and financial investment		
Maturity of treasury gilts	**-**	4,802

	2012 £	2011 £
Financing		
Repayment of loans	**(8,843,543)**	(7,077,185)
Finance fees paid and capitalised	**-**	(94,705)
Net cash outflow from financing	**(8,843,543)**	(7,171,890)

21 ANALYSIS OF CHANGES IN NET DEBT

	1 April 2011 £	Cash flow £	Other non-cash changes £	31 March 2012 £
Cash at bank and in hand	637,836	9,196,527	-	9,834,363
Debt.				
Bank debt due within one year	(8,760,392)	8,843,543	(11,106,381)	(11,023,230)
Bank debt due after more than one year	(546,355,297)	-	(11,297,714)	(557,653,011)
Loans due to shareholders	(16,325,592)	-	-	(16,325,592)
Net debt	(570,803,445)	18,040,070	(22,404,095)	(575,167,470)

22. NON CASH TRANSACTIONS

	2012 £	2011 £
Amortisation of prepaid finance fees	803,657	803,352
Accrual of interest on bank loans	3,404,781	3,165,151
Accrued redemption premiums	17,622,261	14,433,691
Accrued maturity fee	569,896	568,339
Accrued finance fees	3,500	75,836
	22,404,095	19,046,369

23. HEAD LEASE RENTAL COMMITMENTS

The group's annual commitments to pay head lease rentals in respect of certain leasehold properties held as assets at the balance sheet date are as follows

	Land and buildings 2012 £	2011 £
Group		
Expiry date		
After more than 5 years	1,317,052	1,294,675

The group has the right to recover the above costs from tenants

24. POST BALANCE SHEET EVENTS

After the balance sheet date, in October 2012 Travelodge concluded a Company Voluntary Arrangement ("CVA") with its creditors in order to stabilise its financial position, radically reduce its balance sheet liabilities and to fund much needed capital expenditure on the portfolio owned by the group and Travelodge's estate generally The impact of the CVA on the group is a reduction of annualised rental income of circa £5 million, but in compensation for the rent reduction the group now has the option, which has been exercised, to extend the leases to a minimum term of 25 years, it also reallocated rents amongst properties to better reflect current and future trading potential The tenant group has given an undertaking to spend circa £42 million on refurbishment of the group's portfolio in the period from March 2013 to December 2020

The CVA occurred after the balance sheet date and hence after the valuation date, although the valuation does reflect some financial uncertainty relating to the tenant given Travelodge's refinancing requirements at that time A valuation of the portfolio taking this new information into account is considered by the directors to result in a valuation approximately 23% lower than the valuation shown in these accounts However it should be noted that the directors have reason to believe that once the tenant group stabilises and in particular after it has invested significant capital expenditure in the estate there are reasonable prospects for the recovery of this valuation shortfall

As a result of the CVA, a technical breach of the group's credit agreements occurred These did not include any breach of financial covenants and the breaches caused by the CVA were waived by the lenders after amendment to certain terms of the credit agreements As a result of these changes the overall cost of the loan over the term to expiry increases by approximately 6% of the cost prior to the restructure

Alongside the changes to the credit agreements it was also agreed that the interest on the loans provided by Prestbury Hotels Limited to the shareholders would be switched off from the execution date of the amendment agreement for that facility, this being 11 December 2012

25. CONTROLLING PARTY

Prestbury Hotel Holdings Limited is a joint venture company and is not controlled by any one individual or entity