Company Registration No. 08170768

THAME AND LONDON LIMITED

Report and financial statements

For the year ended 31 December 2014

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

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THAME AND LONDON LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Joanna Boydell
Jonathan Ford
Peter Gowers
Paul Harvey
Ted Lodge (Resigned 30th January 2014)
Greg Olafson
Stephen Shurrock (Appointed 30th January 2014)
Brian Wallace

COMPANY SECRETARY

Joanna Boydell
AG Secretarial Limited

REGISTERED OFFICE

Sleepy Hollow
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Thame
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OX9 3AT

BANKERS

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London
E14 5HP

SOLICITORS

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Milton Gate
60 Chiswell Street
London
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INDEPENDENT AUDITORS

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

THAME AND LONDON LIMITED

STRATEGIC REPORT

Travelodge is the largest independent hotel brand in the UK. Founded in 1985, the group celebrates its 30th anniversary in 2015.

The group owns, leases, franchises and manages more than 500 hotels and 38,000 rooms across the UK, Ireland and Spain.

The directors present the Strategic Report of the audited consolidated financial statements of Thame and London Limited for the year ended 31 December 2014. Thame and London Limited ("T&L") is the holding company of the Travelodge group ("Travelodge" or "The Group"), including Travelodge Hotels Limited ("THL") the principal trading company of Travelodge UK.

Summary

In 2013 we set out our strategy to create a new Travelodge and focus on delivering unbeatable value to our customers.

Travelodge made excellent progress on this strategy in 2014, raising the quality and consistency of its hotels and driving substantial growth from business customers. We delivered strong RevPAR growth, outperforming the competitive segment, and delivered substantial growth in EBITDA and operating profit.

Key performance highlights are below:

	2014	2013	Growth
UK like-for-like KPIs:			
Occupancy	75.5%	74.5%	1.0pts
Average room rate	£45.33	£39.38	15.1%
RevPAR	£34.24	£29.32	16.8%
EBITDA(1)	£66.2m	£40.5m	63.5%
Operating profit(2)	£30.3m	£5.6m	

(1) Earnings before interest, tax, depreciation, amortisation, exceptional items and IFRS rent charge
(2) Before exceptional items

In 2014 we accelerated our hotel modernisation programme, which is now nearing completion. More than 90% of our UK guestrooms now feature our new room design and new king-size Travelodge Dreamer® beds have been installed in all our continuing UK hotels.

Customer feedback on the new look and feel has been excellent and modernised hotels featuring the new look have an average Trip Advisor score of 4 out of 5 stars.

This improved quality and consistency, together with a return to television advertising after more than four years and continued improvements in our dynamic pricing model, led to significant growth from both business and leisure customers.

Like-for-like UK RevPAR was up 16.8%, outperforming the Smith Travel Midscale and Economy market segment, which was up 12.3%. Growth was particularly strong in the UK regions, where the economic recovery gathers pace and we continue to outperform.

Total revenue was up by 14.9% to £497.2m.

With costs tightly controlled, EBITDA was up by more than 60% to £66.2m and Operating profit was up by £24.7m to £30.3m.

THAME AND LONDON LIMITED

STRATEGIC REPORT

Strategy

In 2013, we set out our vision to create a new Travelodge, with the aim of becoming the favourite hotel for value by raising the quality of our guest experience while retaining price leadership among the major brands.

The key elements in our strategy are our investments in modernising our hotels, raising the level of service, further strengthening our direct distribution model and driving effective yield management. 90% of our UK guestrooms are now modernised with our updated new look, and all of our continuing UK hotels have the new king-size Travelodge Dreamer® beds. Our new look, together with extensive customer service training, has helped drive substantial gains in customer satisfaction during 2014. Our modernised hotels now score on average 4 out of 5 stars on Trip Advisor.

We have a highly recognised brand, with 90.5% brand recognition in the UK. We also continue to have a strong direct distribution model, with almost 80% of reservations made direct with Travelodge online either at www.travelodge.co.uk, or through our dedicated corporate website.

Substantial improvements in yield management were made during 2014, resulting in a clear value positioning for the brand and improved average room rate.

The group opened 5 new hotels (515 rooms) in 2014 and closed the year with 38,430 rooms across the UK, Spain and Ireland.

We expect to open a further 1,300 rooms in 2015, with an investment value of almost £100m. The new hotels include London locations at Wembley (opened in February), Richmond and Greenwich; a new central Glasgow property and key regional locations including the Thames Valley tech corridor, Southampton (opened in March) and Bristol.

We have identified potential for more than 250 further hotels across the UK, with the new hotels expected to support the creation of more than 3,000 new jobs.

We have been encouraged by a strong real estate market for Travelodge hotels, with strengthening yields. Significant investors, such as Legal and General, Henderson, Aberdeen Asset Management and La Salle Investment Management have been recent buyers of the assets. Our shareholders also completed a major investment, acquiring 144 of our hotels from the previous landlords in 2014.

Outlook

The momentum and outperformance we saw in 2014 has continued into the new year, and we have seen an encouraging start to 2015. Unaudited results for the first quarter of 2015 indicate Travelodge UK RevPar was up 17.6% on prior year, outperforming the STR midscale and economy market segment growth of 10.7%. Unaudited EBITDA for the twelve months to the end of Q1 2015 is £77.3m (full year to 31 December 2014: £66.2m).

With a strong market and continued outperformance, driven by our modernisation programme, improved guest experience and effective yield management, we are on-track to continue our turnaround. We see considerable potential for further like-for-like sales growth and are targeting the roll-out of the brand to at least 250 further sites across the UK.

Results

Results for the Group are for the full year ended 31 December 2014, with comparatives for the full year ended 31 December 2013.

THAME AND LONDON LIMITED

STRATEGIC REPORT

Revenue

	2014	2013	Growth
	£m	£m	
UK	489.9	426.4	14.9%
International	7.3	6.2	17.7%
Total Revenue	497.2	432.6	14.9%

EBITDA

	2014	2013
	£m	£m
EBITDA (1)	**66.2**	**40.5**
IFRS rent charge (2)	(5.6)	(7.2)
EBITDA after IFRS rent charge	60.6	33.3
Depreciation / amortisation	(30.3)	(27.7)
Operating Profit	**30.3**	**5.6**
Finance lease interest	(4.7)	(4.5)
Net interest on secured debt		
- Cash pay	(7.0)	(6.7)
- PIK (3)	(20.6)	(19.8)
Unwinding of discount on provisions	(1.9)	(1.3)
Loss Before Tax before exceptional items and investor loan interest	**(3.9)**	**(26.7)**
Exceptional items (4)	(5.4)	(17.1)
Interest charged on unsecured Investor Loan (5)	(16.2)	(13.0)
Loss Before Tax	**(25.5)**	**(56.8)**

1) *Earnings before interest, taxes, depreciation, amortisation, exceptional items and IFRS rent charge.*
2) *The IFRS rent charge is a non-cash adjustment which reflects spreading lease incentives received by the Group to enter into leases over the full life of the lease rather than to the next rent review.*
3) *PIK interest is rolled into the loan balance rather than being cash paid.*
4) *Exceptional items in 2014 relate to the impairment of intangible asset and onerous lease provisions both in Spain £(10.4)m and the UK £(6.9)m, partially offset by reassessment of provisions of £11.9m including £10.9m relating to sites operated under franchise in Ireland as described in note 7. In 2013 exceptional items related to the write off of fixtures and fittings and provisions for rent and rates liabilities.*
5) *Interest charged on the unsecured Investor Loan is also rolled into the loan balance rather than being cash paid.*

THAME AND LONDON LIMITED

STRATEGIC REPORT

Cash flow

Net cash inflow after interest costs and exceptional items is summarised below:

	2014	2013
	£m	£m
EBITDA before IFRS rent charge	66.2	40.5
Working Capital	6.4	3.2
Capital Expenditure	(52.3)	(43.0)
Operating cash flow	**20.3**	**0.7**
Net interest paid	(14.2)	(13.6)
Cash spend on provisions	(3.6)	(2.7)
Exceptional items [1]	(1.1)	(5.2)
Tax paid	-	-
Other [2]	-	27.1
Cash inflow	1.4	6.3
Opening net bank debt	(336.2)	(322.7)
Cash inflow	1.4	6.3
Interest accrued into principal	(20.6)	(19.8)
Closing net bank debt	(355.4)	(336.2)

1) *Exceptional items relate to pre-acquisition restructuring costs.*

2) *Other cash inflows in 2013 comprise £20.0m investor loan and £7.1m Spanish lease guarantee now covered by letter of credit.*

Funding, Covenant Compliance & Going Concern

The net bank debt of the Group is summarised below:

		31 Dec 14	31 Dec 13
		£m	£m
Senior	- First Lien	335.8	319.0
	- Flare Facility	23.0	21.8
	- Second Lien	35.5	32.9
Secured Bank Debt		**394.3**	**373.7**
Cash		**38.9**	**37.5**
Net Bank Debt		**355.4**	**336.2**

The total funding of the Group is summarised below:

	31 Dec 14	31 Dec 13
	£m	£m
Secured Bank Debt	**394.3**	**373.7**
Unsecured (Loan Notes)	127.0	110.8
Total Funding	**521.3**	**484.5**

At 31 December 2014, the Group had utilised £13.0m of the Letter of Credit Facility (with a maximum amount of £40.0m) (2013 utilised: £19.0m) in favour of the Group's credit card acquirer and Spanish lease guarantees.

Until 31 December 2015, the Group only has a minimum cash liquidity bank covenant test. 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 2015 based on financial projections to be prepared at that date.

The operational restructuring via a Company Voluntary Arrangement ("CVA") completed (after a legal "cooling off" period) on 4 October 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 £10m in aggregate to those landlords who had been compromised as a result of the CVA if certain financial targets are met by THL in 2013, 2014 and 2015. As a result of this Fund, whilst the CVA process has in substance ended, it is not yet legally complete 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. The financial targets were not met in 2013 or 2014 so the maximum fund value is now £5m.

The Directors have reviewed the Group's financial projections for the foreseeable future, and in particular, the occupancy and rate forecasts and brand refurbishment programme that underpin those projections and cash flows. These critical assumptions have also been stress tested with plausible but pessimistic changes to those assumptions. The Group has no requirement for debt repayment until June 2017 and only a minimum cash liquidity covenant test until December 2015. The Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern into the foreseeable future.

Employee Involvement

Engagement

Travelodge currently employs around 8,000 people across over 500 Hotels and is committed to engaging and developing its people.

The Group provides information to its team members on matters of concern to them via Consultative Committees. There are 32 Employment Consultative Committees - 31 across Hotel Districts and 1 in Head Office. The Consultative Committees, known as 'Team Talk' are elected groups which meet quarterly.

As part of the change process Travelodge also regularly uses employee forums and trial process to encourage engagement and gain feedback to continuously improve the business.

The Group employs an internal Communications team together with an externally managed employee opinion survey to encourage high levels of engagement throughout the business.

Travelodge is an equal opportunity employer and is committed to ensuring no team member or applicant is treated less favourably on the grounds of race, religion, ethnic origin, age, disability or sexual orientation. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure their continued employment with the Group and that appropriate training and support is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other team members. The Group has in place an Equality and Diversity Governance group.

Development

All new team members undergo a comprehensive induction programme to support them in being successful in their role and further training is made available for team members to progress.

Over 70% of managers in Travelodge are developed from team members within the business. There is a programme that fast tracks entry level staff to hotel management and features a combination of e-Learning , on job training, workbook support and 'off job' training. The programme, known as GEM (Gaining Entry into Management), is available to internal team members, who go through a rigorous selection process to identify Travelodge future managers.

Travelodge also actively encourages NVQ's throughout the Hotels and works with an external provider to support this. In the support centre colleagues are encouraged to further develop through professional qualifications and on the job training. Travelodge actively encourages work secondments as an opportunity for further development.

During 2014 Travelodge supported the senior operations teams including all 33 district managers through an externally provided management development programme so that the population were better equipped to coach and develop their team.

Pensions

Team members are encouraged to become members of the stakeholder pension scheme.

The Group offers a defined contribution scheme to its team members (by way of recommending a third party stakeholder scheme provided by Scottish Widows plc) with amounts charged to the Income Statement equal to contributions paid in the year. There is also an auto-enrolment scheme provided by NEST, with employer contributions of 1% charged to the Income Statement.

Environmental and CSR

We take our responsibilities very seriously, be it the safety and security of our customers and colleagues in hotels, accessibility, information security, our environmental impact and our engagement in the community.

We operate a number of different policies to help protect our customers and their personal details which are summarised below:

Safety and Security at the Hotels

At Travelodge we want all our customers to have an enjoyable and safe experience with us and as such, we always strive to put our customers first. In doing so, we go above and beyond the legal expectations placed on us. We have a comprehensive and proactive approach to risk management to ensure that all our customers are always in safe accommodation, maintained and operated to the highest standards.

We regularly train our team members in a range of safety and security topics and share and develop best practice internally through our District-based Safety Champions. We also continue to build our relationships in partnership with Lead Authority Enforcement Agencies and externally with other organisations.

Additionally, we actively monitor our accident and incident data, ensuring that all information is analysed and improvements are made where possible. This ensures we prevent any reoccurrences and continually work to reduce risk to our customers.

Information Security

Travelodge understands that customers care about the use and storage of their personal information and data and we value their trust in allowing us to do this in a careful and sensible manner.

We maintain a Privacy Policy statement in order to demonstrate our commitment to the privacy of our customers. It is Travelodge policy to manage information in compliance with the Data Protection Act (1998), and the current PCI DSS standards.

We take security very seriously at Travelodge and take measures to ensure that all our payment options protect our customers' data. All credit card information is kept confidential through industry-standard encryption techniques. All customer information is stored on databases in secure data centres, audited against ISO27001. Customer data is used in accordance with our published privacy policy, and stored within the EU or under safe harbour agreements in accordance with EU data governance principles.

Accessibility

We are developing our hotel product all the time from customer feedback and research and to make use of innovative products on the market. As a business we recognise the wide scope of customers that use our premises and aim to make them accessible to all. We regularly hold research groups to hear first-hand from our customers what their needs are so these can be incorporated into both our products and our policies. We continue to retain a specialist accessibility consultant to ensure we continue to develop and design our product to meet the latest requirements.

We also recognise that team members who can understand the needs of our customers are also vital, and therefore accessibility training is a requirement for all our staff to undertake.

We are committed to making our web site accessible to all users, including people with disabilities. In order to achieve this, the UK website has been developed in accordance with the Web Content Accessibility Guidelines 1.0 where possible. These guidelines have been published by the World Wide Web Consortium to promote accessibility.

Environmental Impact

The Travelodge green programme has been running for a number of years. We are trying to reduce our carbon footprint, by changing the way we build new hotels, run our hotels day to day and by working with our partners & suppliers to reduce their carbon footprint as well.

Every new build Travelodge hotel has the following green features:

- Low energy lighting and a recent change to LED lighting
- Aerated showers
- Full insulation
- Windows and external fixtures fitted accurately for minimum energy leakage
- Stipulated sites will have a BREEAM Rating and green travel plans
- Smart meters installed

In addition to the above measures Travelodge is looking at alternative ways to reduce our carbon footprint and working with energy consultants to look at improvements in hot water generation equipment to more efficient equipment along with the use of Solar PV and other alternative energy generation methods.

Engagement in the Community

We have elected to concentrate our community efforts on our partnership with Macmillan Cancer Support, continuing the relationship which started in February 2013. During the year our teams have held hundreds of fundraising events across the length and breadth of the UK, from cricket matches and cake sales to yogathons, raising more than £275,000 for Macmillan in the process. We recently made the decision, following a team member vote, to continue with Macmillan as our chosen charity for 2015.

We have also continued our successful relationship with Pennies, the pioneering electronic donation box. This unique service allows customers to choose to make a small donation to Macmillan as part of the online booking process.

Risk Management

Travelodge has an effective risk management system and internal controls in place to protect our business against known and emerging risks and support achievement of our business objectives, in particular:

- Our brand and reputation
- Delivery of our strategy
- Safeguarding physical assets, people and systems

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

The Group faces financial risks and these are covered in note 19 of these financial statements.

THAME AND LONDON LIMITED

STRATEGIC REPORT

The Group is exposed to health and safety risks whilst team members work, customers stay and others visit the Group's hotels and corporate offices and takes a comprehensive approach to mitigating health & safety risk. At a company-wide level, Lead Authority partnerships are established for fire, food and general Health & Safety, and for 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. 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 Group's escalation mechanisms, covering incident, accident, disaster recovery and interaction with emergency services. To drive continuous improvement through the sharing of best practice, each District of hotels has a Health & Safety Champion who share the outputs of their monthly meetings with their District colleagues.

The Group is highly reliant on information technology for both its day to day operations and as an essential enabler of the customer booking journey, consequently the failure of core systems would significantly disrupt trading and our operation and adversely impact the Group's performance. To mitigate this risk, the Group works extensively with, and is dependent upon, specialist third-party providers to maintain our systems, optimise performance, upgrade our infrastructure, and provide appropriate resilience. The Group employs reasonable industry-standard back-up systems and seeks to eliminate single points of failure. The Group also conducts on-going risk assessments and business continuity planning. The Group has invested in cyber insurance to protect the business against the consequences of major unforeseen, malicious, or unavoidable service disruptions.

There is a risk that customer data, including payment card data, could be compromised, either by external or internal actors. The Group processes large numbers of transactions via its proprietary website and in-hotel payment systems, and as a Tier 1 PCI DSS merchant, is required to externally audit payment card data security annually. In order to mitigate all sensitive data risks the Group operates a formal information security policy which assigns responsibility for data security. This policy is also externally audited (as part of the PCI audit) and reviewed annually.

The Group reviews general data security on a bi-monthly basis and invests in proportionate and appropriate security systems and processes to ensure the integrity of its systems, its customer/card data, and its compliance with all regulatory requirements of both the DPA and PCI DSS (which will move to v3.0 in 2015).

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

The Group operates in a market with other branded competition and there is a risk that competitor actions could have a detrimental impact on the Group. The Group 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.

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

Joanna Boydell, CFO

8 April 2015

THAME AND LONDON LIMITED

DIRECTORS' REPORT

The Directors present the Directors Report for the audited consolidated accounts for Thame and London Limited for the year ended 31 December 2014.

Directors

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

Results

Results for the Group are for the full year ended 31 December 2014, with comparatives for the full year ended 31 December 2013.

For 2014, the Group made EBITDA before IFRS rent charge of £66.2m, Operating Profit of £30.3m and Loss Before Tax of £25.5m.

Ownership

At 31 December 2014, the Directors regarded Anchor Holdings SCA (Luxembourg) as the ultimate controlling party.

The Company is owned by funds managed by GoldenTree Asset Management and Avenue Capital Group and by Goldman Sachs.

Founded in 2000, GoldenTree Asset Management is an asset management company specialising in corporate and structured credit markets. The firm manages absolute return and long only funds including separately managed accounts for institutional investors and high net worth investors.

Avenue Capital Group is a global investment firm focused on private and public debt, equity and real estate markets in the U.S., Europe and Asia. The firm is headquartered in New York, with offices in London, Luxembourg and Munich, and five offices throughout Asia. As of 28 February 2015, Avenue manages assets of approximately $13 billion on behalf of a sophisticated global base of institutional investors, the majority of which is pension funds, and also includes family offices, foundations, insurance companies and sovereign wealth funds.

The Goldman Sachs Group, Inc. is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base. Founded in 1869, the firm is headquartered in New York and maintains offices in all major financial centres around the world.

Details of the executives who have responsibility for oversight of the Group on behalf of the funds can be found on page 12 to 13.

Currency

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

Financial Risk Management

The Group faces financial risks and these are covered in note 19 of these financial statements.

Insurance

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

Taxation

The underlying tax charge for the year was £5.5m due to deferred tax movements in the year in respect of tax losses and capital allowances being in excess of accounting depreciation.

Dividend

The Directors do not recommend the payment of a dividend.

Independent Auditors

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

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

Joanna Boydell, CFO
8 April 2015

DIRECTORS

Brian Wallace (Chairman)

Brian is an experienced leisure and hospitality executive with a wealth of experience in UK and international business. He joined Travelodge in January 2013.

A qualified accountant, Brian has held senior executive roles with companies including Hilton, Schlumberger and Ladbrokes, as well as non-executive roles at Miller Group, Hays plc and Scottish & Newcastle plc.

Brian spent 12 years with Hilton, initially as Finance Director, and subsequently as Deputy Chief Executive. During that period, he played a pivotal role in strengthening the balance sheet, expanding the global presence of the Company and ultimately reunifying the Hilton brand through the landmark sale of the business to Hilton Hotels Corporation in America. Brian is currently a non-executive director of FirstGroup plc and chairman of Softcat Limited.

Peter Gowers (Chief Executive Officer)

Peter is an experienced Chief Executive with a functional leadership background in strategy, sales & marketing and operations in FTSE listed companies.

He joined Travelodge in November 2013, having previously served as Chief Executive of the main market listed Safestore Holdings plc, the UK's largest self-storage operator.

Prior to Safestore, Peter held successive senior positions with the world's largest hotel company, InterContinental Hotels Group plc (IHG). Peter served as Chief Executive of IHG's Asia-Pacific region, based in Singapore with responsibility for more than 250 hotels and 60,000 hotel based employees. Prior to his role in Asia, Peter was IHG's Chief Marketing Officer, where he led the worldwide rebranding and relaunch of the InterContinental and Holiday Inn brands. His earlier roles included Head of Global Brand Services, where he led rapid growth in IHG's online business, call centre and travel agent relationships; and Head of Strategy, where he led the development of the group's successful strategy to deliver international expansion with low capital intensity.

Peter spent his early career with the FTSE-30 conglomerate Bass plc and the global consultancy firm Arthur D. Little.

He holds a First Class Honours degree in Law from Oxford University.

Jo Boydell (Chief Financial Officer)

Jo joined Travelodge in March 2013, and has broad based finance experience in hospitality, leisure and retail. Jo held senior positions with Hilton Group plc, Ladbrokes plc and the EMI Group and was finance director at Mothercare and Snap Equity Ltd, the parent company of Jessops.

As Chief Financial Officer, Jo is responsible for the overseeing all of the Company's finance functions, including group and property finance, operational finance and accounting.

Jo is a Chartered Accountant and holds an Honours degree in Physics from Oxford University.

Paul Harvey (Managing Director, Property)

Paul joined Travelodge in October 2006 from Hilton International where he worked for over seven years in a variety of senior positions including Vice President - Japan and Micronesia, MD for Livingwell and Hilton UK Finance Director. Prior to this he worked for Meridien, Forte London and Grosvenor House Hotel.

As Managing Director - Property, Paul is responsible for delivering the Company's growth strategy and the refit programme across the Travelodge Estate, as well as, overseeing the Facilities and IT function for the business.

Paul is a Chartered Management Accountant.

DIRECTORS

Greg Olafson (Non Executive Director, representing Goldman Sachs)

Greg Olafson joined Goldman Sachs in 2001 and is a Managing Director.

Jonathan Ford (Non Executive Director, representing Avenue Capital Group)

Jon is responsible for assisting with the direction of the investment activities of the Avenue Europe Strategy.

Prior to joining Avenue in 2009, Jon was the Head of European Research based in London for the Distressed Products Group at Deutsche Bank, focused on European distressed and special situations investments across the capital structure. Previously, Jon was an Assistant Director in the Corporate Restructuring Group at Close Brothers Group, where he worked on a number of high profile European restructuring and distressed mergers and acquisitions transactions. Prior to joining Close Brothers Group, Jon was an Assistant Manager in the Banking & Capital Markets division of PricewaterhouseCoopers (London).

Jon received a B.S. in Economics from the University of Birmingham (1996).

Stephen Shurrock (Non-Executive Director, representing GoldenTree Asset management)

Stephen is CEO of New Business Ventures at Telefónica Digital. He is responsible for global content deals, venture capital investments, OTT communications, global advertising and big data. Prior to joining Telefónica Digital in October 2011 Stephen was Chief Executive Officer of Telefónica Ireland, a position he took up on December 1st 2010.

A highly experienced telecoms executive, Stephen initially joined O2 in the UK in 2000 and has held a number of senior sales and finance roles. He was responsible for the Consumer Sales Division and managing a team of 4,000 staff encompassing Telefónica UK's high street, franchise, online and indirect channels. During his 3 years in that role Stephen drove a huge improvement in the performance of Telefónica UK's direct business and the online channel. An accountant by profession, Stephen has held a number of financial positions including Head of Commercial Finance for Telefónica UK.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to Auditors

In accordance with Section 418, each of the directors in office at the date the directors' report approve 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.

On behalf of the board

Joanna Boydell
8 April 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THAME AND LONDON LIMITED

Report on the group financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's affairs as at 31 December 2014 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements (the "financial statements"), which are prepared by Thame and London Limited, comprise:

- Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- Consolidated Balance Sheet as at 31 December 2014;
- Consolidated Cash Flow Statement for the year then ended;
- Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 group'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 Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THAME AND LONDON LIMITED (CONTINUED)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors Responsibilities set out on page 14, 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 ISAs (UK & 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.

Other matter

We have reported separately on the parent company financial statements of Thame and London Limited for the year ended 31 December 2014.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 April 2015

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

		Year ended 31 December 2014			Year ended 31 December 2013		
	Notes	Before exceptional items £m	Exceptional items £m	After exceptional items £m	Before exceptional items £m	Exceptional items £m	After exceptional items £m
Revenue	4	497.2	-	497.2	432.6	-	432.6
Operating Expenses	6	(282.1)	0.6	(281.5)	(247.5)	(1.0)	(248.5)
Rent	6	(154.5)	(1.3)	(155.8)	(151.8)	(4.9)	(156.7)
EBITDA[1]	4	60.6	(0.7)	59.9	33.3	(5.9)	27.4
Depreciation/Amortisation	6	(30.3)	(4.7)	(35.0)	(27.7)	(11.2)	(38.9)
Operating Profit / (Loss)		30.3	(5.4)	24.9	5.6	(17.1)	(11.5)
Finance Costs	11	(50.6)	-	(50.6)	(45.6)	-	(45.6)
Finance Income	10	0.2	-	0.2	0.3	-	0.3
Loss before Tax		(20.1)	(5.4)	(25.5)	(39.7)	(17.1)	(56.8)
Income Tax	12	(5.5)	-	(5.5)	23.0	-	23.0
Loss for the year		(25.6)	(5.4)	(31.0)	(16.7)	(17.1)	(33.8)

Memorandum - EBITDA	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
EBITDA before IFRS rent charge	66.2	40.5
IFRS rent charge (note 6)	(5.6)	(7.2)
EBITDA pre exceptional items	60.6	33.3
Exceptional items	(0.7)	(5.9)
EBITDA after exceptional items	59.9	27.4

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Loss for the year recognised directly in the income statement	(31.0)	(33.8)
Currency translation differences	0.2	(0.1)
Net gain / (loss) recognised directly in equity	**0.2**	**(0.1)**
Total comprehensive loss for the year	**(30.8)**	**(33.9)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Share Capital £m	Foreign Exchange Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2014	-	-	(47.3)	(47.3)
Comprehensive loss				
Loss for the year	-	-	(31.0)	(31.0)
Other comprehensive gain				
Currency translation differences	-	0.2	-	0.2
Total comprehensive gain / (loss)	-	0.2	(31.0)	(30.8)
31 December 2014	-	0.2	(78.3)	(78.1)

For the year ended 31 December 2013

	Share Capital £m	Foreign Exchange Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2013	-	0.1	(13.5)	(13.4)
Comprehensive loss				
Loss for the year	-	-	(33.8)	(33.8)
Other comprehensive gain				
Currency translation differences	-	(0.1)	-	(0.1)
Total comprehensive gain / (loss)	-	(0.1)	(33.8)	(33.9)
31 December 2013	-	-	(47.3)	(47.3)

CONSOLIDATED BALANCE SHEET
As at 31 December 2014

	Notes	2014 £m	2013 £m
NON CURRENT ASSETS			
Intangible assets	14	410.2	423.6
Property, plant and equipment	15	102.2	72.9
Deferred tax asset	20	72.5	80.5
		584.9	577.0
CURRENT ASSETS			
Inventory		1.3	1.3
Trade and other receivables	16	52.0	47.1
Cash and cash equivalents	19	38.9	37.5
		92.2	85.9
TOTAL ASSETS		677.1	662.9
CURRENT LIABILITIES			
Trade and other payables	17	(85.1)	(74.7)
		(85.1)	(74.7)
NON-CURRENT LIABILITIES			
Bank loans	19	(394.3)	(373.7)
Investor loan	19	(127.0)	(110.8)
Obligations under finance leases	18	(30.5)	(29.8)
Deferred tax liability	20	(82.0)	(84.7)
Deferred Income	17	(5.3)	(4.2)
Provisions	21	(31.0)	(32.3)
		(670.1)	(635.5)
TOTAL LIABILITIES		(755.2)	(710.2)
NET LIABILITIES		(78.1)	(47.3)
EQUITY			
Share capital	22	-	-
Foreign Exchange Reserve		0.2	-
Accumulated losses		(78.3)	(47.3)
TOTAL DEFICIT		(78.1)	(47.3)

Memorandum - Analysis of net funding	*£m*	*£m*
Cash at bank	*38.9*	*37.5*
Bank debt redeemable :		
Senior 1st Lien	*(335.8)*	*(319.0)*
Senior 2nd Lien	*(35.5)*	*(32.9)*
Flare	*(23.0)*	*(21.8)*
Gross Bank debt	*(394.3)*	*(373.7)*
Net Bank debt	*(355.4)*	*(336.2)*
Investor Loan	*(127.0)*	*(110.8)*
Finance leases	*(30.5)*	*(29.8)*
Net Funding	*(512.9)*	*(476.8)*

These financial statements of Thame and London Limited on pages 17 to 37 were approved by the Board of Directors and signed on its behalf by

Joanna Boydell
8 April 2015

THAME AND LONDON LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2014

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
		£m	£m
NET CASH GENERATED FROM OPERATING ACTIVITIES	26	67.9	35.8
INVESTING ACTIVITIES			
Interest received	10	0.2	0.3
Purchases of property, plant and equipment and other intangible assets	14 / 15	(52.3)	(43.0)
Net cash used in investing activities		(52.1)	(42.7)
OPERATING ACTIVITIES			
Interest element of finance lease rental payments	11	(3.9)	(4.0)
Net cash used in operating activities		(3.9)	(4.0)
FINANCING ACTIVITIES			
Finance fees paid	11	(1.3)	(0.5)
Spanish lease cash guarantee replaced by Letter of Credit		-	7.1
Proceeds of new Investor loan		-	20.0
Interest paid	11	(9.2)	(9.4)
Net cash from financing activities		(10.5)	17.2
Net increase in aggregate cash and cash equivalents		1.4	6.3
Cash and cash equivalents at beginning of the year		37.5	31.2
Cash and cash equivalents at end of the year		38.9	37.5

Memorandum - Analysis of free cash flow [1]

	Notes	*Year ended 31 December 2014*	*Year ended 31 December 2013*
		£m	*£m*
EBITDA before exceptional items and IFRS rent charge		*66.2*	*40.5*
Working capital - trading		*6.4*	*3.2*
		72.6	*43.7*
Net cash flows from operating activities before exceptionals			
Capital expenditure	*14 / 15*	*(52.3)*	*(43.0)*
Free cash flow generated for the year		*20.3*	*0.7*
Non-trading cash flow			
Interest costs			
- bank interest paid	*11*	*(9.2)*	*(9.4)*
- finance fees paid	*11*	*(1.3)*	*(0.5)*
Interest income	*10*	*0.2*	*0.3*
Interest element of finance lease rental payments	*11*	*(3.9)*	*(4.0)*
Spanish lease cash guarantee replaced by Letter of Credit		*-*	*7.1*
Proceeds of new Investor loan		*-*	*20.0*
Cash spend on provisions	*21 / 26*	*(3.6)*	*(2.7)*
Exceptional items [2]	*26*	*(1.1)*	*(5.2)*
Non-trading cashflow		*(18.9)*	*5.6*
Cash generated		*1.4*	*6.3*
Opening Cash		*37.5*	*31.2*
Movement in cash		*1.4*	*6.3*
Closing Cash		*38.9*	*37.5*
Opening net bank debt		*(336.2)*	*(322.7)*
Movement in cash		*1.4*	*6.3*
Interest accrued into principal	*11*	*(20.6)*	*(19.8)*
Closing net bank debt	*19*	*(355.4)*	*(336.2)*

1. Free cash flow is defined as cash generated by the Company before interest, exceptional costs, spend on provisions and financing.

2. Exceptional items relate to pre-acquisition restructuring costs.

THAME AND LONDON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2014

1 GENERAL INFORMATION

Thame and London Limited, formerly Anchor UK Bidco Limited (the Company) is a limited Company and was incorporated in the United Kingdom on 7th August 2012. The Company changed its name from Anchor UK Bidco Limited on 23rd May 2013. The Company is domiciled in the UK. The address of its registered office and principal place of business are disclosed in the introduction to the annual report. The Company acquired the Travelodge business on 12th October 2012. The principal activities of the parent Company and its subsidiaries (together the Group) are disclosed in the Directors' report.

2 SIGNIFICANT ACCOUNTING POLICIES

Going Concern

a) The Group's business activities, together with its financial position, its cash flows, liquidity position and borrowing facilities, are described in the Directors Report and Financial Review on page 2. In addition, note 19 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit and

As highlighted in note 19, the Group meets its day to day working capital requirements principally through the maintenance of adequate cash and cash equivalent balances. The Group does not operate an overdraft facility.

The Directors have reviewed the Group's financial projections for the foreseeable future and in particular, have reviewed the Group's occupancy and room rate forecasts. The Directors have reviewed the critical assumptions which underpin those projections and have also stress tested those projections and the resulting impacts on the loan covenant tests with pessimistic, but plausible, changes to those critical assumptions. As a result of these sensitivities, the Directors have a reasonable expectation that the Group has adequate resources and covenant headroom to continue to trade into the foreseeable future (being at least for the 12 months from the date of these financial statements) and, as such, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of Accounting

b) The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to Group reporting at 31st December 2014.

The consolidated financial statements have been prepared under the historical cost convention modified by the revaluation of financial assets and financial liabilities held at fair value through profit and loss, however there are no such financial instruments disclosed in the financial statements. The principal accounting policies adopted have been consistently applied throughout the year and across the Group and are set out below.

The preparation of financial statements in conformity with IFRS's requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group'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 in note 3.

The Group's exposure to interest rate risk, credit risk and liquidity risk is discussed in note 19.

New and Amended standards
The following new and amended standards have been issued and are effective for the year ended 31 December 2014. These have no material impact on the financial statements.

- Annual improvements 2012 (effective 1 July 2014)
- Annual improvements 2013 (effective 1 July 2014)

New and Amended standards that are not yet effective
The following new and amended standards have been issued, but are not yet effective for the financial year ending 31st December 2014, and have not been early adopted:

- IAS 16, 'Property plant and equipment'
- IAS 38, 'Intangible assets'
- IFRS 9, 'Financial instruments'
- IFRS 15, 'Revenue from contracts with customers'

The Directors anticipate that the adoption of these standards and interpretations in future years will have no historical impact on the financial statements of the Group.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Group and entities controlled by the Group and its subsidiaries up to 31 December 2014. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Uniform accounting policies are adopted across the Group.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the business combination are expensed through the income statement. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (Revised), Business Combinations, are recognised at their fair values at the acquisition date, except for non-current assets (or disposal companies) that are classified as held for sale in accordance with IFRS 5, Non-current assets held for sale and discontinued operations, which are recognised and measured at fair value less costs to sell.

Revenue recognition

Revenue 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 revenue stream of the Group is providing budget hotel accommodation and is recognised when customers stay.

Exceptional items

In order to understand the underlying performance of the business, material, non-recurring items are separately disclosed as exceptional items in the income statement.

Leasing

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

Minimum rentals payable under operating leases are charged to the income statement on a straight line basis over the term of the relevant lease. Incentives received by the Group to enter into leases as a lessee are credited to the income statement on a straight line basis over the lease term.

Rental income from operating leases (sub-lets) is recognised on a straight line basis over the term of the relevant lease.

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Foreign currencies

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

Lease premiums

Values attributed to lease premiums include those values attributed to those hotels in the UK and Spain which were open and operational or under construction at the time of the acquisition of the Travelodge business at 12th October 2012. The values attributed are amortised on a straight line basis over the length of each lease. Values of interests in hotels held under operating leaseholds at 12th October 2012 have been attributed by estimating the net cash flows expected to be received over the lives of the lease agreements. The resulting cash flows were then discounted back to the date of acquisition using an expected rate implicit within each lease to determine the net present value.

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

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.

Brand

The brand name acquired through the acquisition of the Travelodge business was assigned a fair market value at the date of acquisition. The value for the brand name was derived by estimating the amount of royalty income that could be generated from the brand name if it was owned by an independent third-party using a royalty rate Travelodge would expect to receive on forecast future revenues. This is considered to be the market value that could be achieved. The resulting cash flow was discounted back to the acquisition date using the Group's pre-tax weighted average cost of capital. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained almost indefinitely and is therefore not amortised. The Group supports the value of the brand name through investment in consumer marketing and advertising, public relations and hotel maintenance and refurbishment across the business. The value of the brand name is reviewed annually for impairment.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Cost includes original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use.

These are depreciated on a straight line basis, over their estimated useful lives as follows:

- Freehold land is not depreciated.
- Freehold buildings are depreciated to their estimated residual values over periods up to fifty years.
- Leasehold buildings are depreciated to their estimated residual values over fifty years or, where shorter, their remaining lease periods.
- Fixtures and fittings are depreciated over five years for plant and machinery, fixtures, fittings, equipment and over three years for information technology hardware.
- Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Assets in the course of construction 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets

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

The recoverable amount is the higher of the fair value less costs to sell and value in use of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 as an expense immediately.

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.

Inventory

Inventory comprises food, bar stocks and hotel consumables and are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

Financial Instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of any direct issue costs.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Pension costs

The Group offers, by way of recommending a third party stakeholder scheme with The Scottish Widows plc, a defined contribution scheme to its employees and National Employment Savings Trust (NEST). The amount charged to the income statement for this scheme in respect of pension costs and other post-retirement benefits is the contributions payable by the Group in respect of the year. Differences between Group contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Provisions recognised as at 31 December 2014 principally relate to onerous leases.

Share Capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Prepaid Room Purchases

Prepaid room purchases are where cash is received at time of room booking prior to arrival date and is recognised when customers stay.

3 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 year. 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.

Brand

The Group has assigned a fair market value to the Travelodge brand name, acquired through the acquisition of the Travelodge business. Impairment testing is performed annually by comparing the present value of the expected future cash flows from the business with the carrying amount of its net assets, including attributable intangible assets.

The brand name acquired through the acquisition of the Travelodge business was assigned a fair market value at the date of acquisition. The value of the brand name is reviewed annually for impairment. This is derived by estimating the amount of royalty income that could be generated from the brand name if it was owned by an independent third party using a royalty of 4% on forecast future revenues, which is considered to be the market value that could be achieved. The sales forecast is based on a sales forecast for the period 2014 - 16 and a long term growth rate of 2.5% per annum for subsequent years. This is discounted at the weighted average cost of capital for the Group of 10.0%. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained almost indefinitely and is therefore not amortised. The model can be sensitised to reduced the royalty rate to 3% and the long term growth rate to 1.7% before an impairment is triggered.

Intangible assets - Lease premiums

Significant judgement is involved in the process of identifying and evaluating intangible assets. Intangible assets with a finite life are reviewed for impairment when an impairment trigger is identified. Calculating any subsequent impairment, principally in the estimation of the future cash flows of the cash generating units and the discount rate applied to each cash generating unit involves judgement. The Company prepares cash flow forecasts derived from the most recent financial budgets and financial plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated long term growth rate of 2.5%. The key assumptions are consistent with past experience and with external sources of information. The resulting cash flows are discounted back at the Company's pre tax weighted average cost of capital, adjusted appropriately to reflect the property yields implicit in the leases to give a rate of 7.5%. Reviews are performed on a site by site basis over the length of the lease. The Directors have considered the Group's financial projections and the assumptions which underpin those projections including future growth of the budget hotel sector, brand demand and occupancy, the new hotel opening profile and development pipeline opportunities. For the purposes of testing for intangible asset impairment, growth rates are assumed to broadly follow the Retail Price Index beyond the life of the financial plan. After considering the sensitivity of the principal assumptions, the Directors do not believe any further impairment is required in 2014.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (CONTINUED)

Onerous lease provisions

The Group has provided for operating lease rentals where these were above the market rate or where the Group 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 Group. The element of the rental which is above market or above any rental cost paid relating to vacated properties is charged against the provision. Provisions are also made for the rates that the Group is liable to on empty sites. 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. The cash flows are discounted at 4% representing a risk free rate of return adjusted for property risk.

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.

4 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Revenue		
UK	489.9	426.4
International	7.3	6.2
	497.2	432.6
EBITDA before exceptionals[1]		
UK before IFRS rent charge	68.7	43.7
IFRS rent charge	(5.6)	(7.2)
UK	63.1	36.5
International	(2.5)	(3.2)
	60.6	33.3
Operating Profit / (Loss) before exceptionals		
UK	33.0	9.0
International	(2.7)	(3.4)
	30.3	5.6
Loss before tax before exceptionals		
UK	(17.4)	(36.3)
International	(2.7)	(3.4)
	(20.1)	(39.7)
Exceptional items (note 7)	(5.4)	(17.1)
Loss before tax after exceptionals	(25.5)	(56.8)

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

5 ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

		2014 £m	2013 £m
Assets			
Other Intangible assets		410.2	423.6
Trading assets	- UK[1]	154.1	118.6
	- International[2]	1.4	2.7
Non trading assets		72.5	80.5
Total operations		638.2	625.4
Cash		38.9	37.5
Total assets		677.1	662.9
Liabilities			
Trading liabilities	- UK[3]	(119.0)	(109.2)
	- International[4]	(2.4)	(2.0)
Non trading liabilities[5]		(82.0)	(84.7)
Total operations		(203.4)	(195.9)
Bank debt		(394.3)	(373.7)
Investor Loans		(127.0)	(110.8)
Finance lease creditor		(30.5)	(29.8)
Total liabilities		(755.2)	(710.2)
Net assets / liabilities			
Other Intangible assets		410.2	423.6
Trading net assets	- UK	35.1	9.4
	- International	(1.0)	0.7
Non trading assets		72.5	80.5
		106.6	90.6
Non trading net liabilities[5]		(82.0)	(84.7)
		434.8	429.5
Cash		38.9	37.5
Bank debt		(394.3)	(373.7)
Net Bank Debt		(355.4)	(336.2)
Investor Loan		(127.0)	(110.8)
Finance lease creditor		(30.5)	(29.8)
Net liabilities		(78.1)	(47.3)

1. UK operating assets of £154.1m (2013: £118.6m) comprise £102.2m (2013: £72.9m) of fixed assets, £1.3m (2013: £1.3m) of stock, £6.3m (2013: £4.3m) of trade amounts receivable, £1.6m (2013: £2.0m) of other receivables and £42.7m (2013: £38.1m) of prepayments and accrued income.

2. International operating assets of £1.4m (2013: £2.7m) comprise £1.4m (2013: £2.7m) of other receivables.

3. UK operating liabilities of £119.0m (2013: £109.2m) comprise £31.0m (2013: £32.3m) of provisions, £3.8m (2013: £6.8m) of other payables, £9.9m (2013: £7.0m) of taxation and other social security, £2.8m (2013: £7.6m) of trade payables, £37.3m (2013: £22.8m) of accruals, £22.3m (2013: £19.2m) of prepaid room deposits, £5.3m (2013: £4.2m) of deferred income, and £6.6m (2013: £9.3m) of capital payables.

4. International operating liabilities of £2.4m (2013: £2.0m) comprise £2.4m (2013: £2.0m) of trade payables.

5. Non trading liabilities of £82.0m (2013: £84.7m) relate to deferred tax liabilities of £82.0m (2013: £84.7m).

6 NET OPERATING EXPENSES (BEFORE EXCEPTIONAL ITEMS)

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Cost of goods sold	**37.3**	32.6
Employee costs (note 8)	**99.7**	88.6
Fees payable to the Company's auditors[1]		
- audit for for the parent company and consolidated financial statements	**0.1**	0.1
- audit fee for subsidiaries	**0.2**	0.2
Operating expenses	**144.8**	126.0
Net operating expenses before rent, depreciation and amortisation	**282.1**	**247.5**
Rent payable (third party landlords) for operating leases	**152.1**	147.6
Rent receivable	**(3.2)**	(3.0)
Net external rent payable	**148.9**	144.6
IFRS rent charge[2]	**5.6**	7.2
Net rent	**154.5**	**151.8**
Net operating expenses	**436.6**	**399.3**
Depreciation	**14.3**	12.0
Amortisation	**16.0**	15.7
Net depreciation and amortisation	**30.3**	**27.7**
Total net operating expenses	**466.9**	**427.0**

1. In the year ended 31 December 2014, remuneration for non audit fees was £16k (2013: £20k).
2. The IFRS rent charge is a non-cash adjustment which reflects spreading lease incentives received by the Group to enter into leases over the full life of the lease rather than to the next rent review.

7 EXCEPTIONAL ITEMS

In the financial year to 31 December 2014, the results include exceptional charges of £10.4m in Spain relating to the impairment of intangible assets, provisions for rent liabilities at three hotels where it is considered improbable that trading profits will be generated, and in relation to the closure of one hotel during 2014, a charge of £6.9m in the UK relating to the impairment of intangible assets, provisions for rent liabilities at five UK hotels where it is considered improbable that trading profits will be generated, and provisions for rent and rates liabilities at one hotel which is not being traded, partially offset by a release of £11.9m from provisions which includes £10.9m relating to three sites operated under franchise in Ireland.

In the financial year to 31 December 2013, the results include exceptional charges relating to the write off of previously capitalised fixtures and fittings at certain hotels which were refurbished during 2013 or were due to be refurbished in 2014 of £11.2m (being £4.3m refurbished under the first phase of the rebranding of the whole portfolio and £6.9m in 2014) and a charge of £5.9m to provisions for rent and rates liabilities at one hotel where a proportion of the site was not being traded.

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors of the Company are considered to be the key management of the Group.

Directors' emoluments	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Directors' emoluments	**2.0**	1.8
Pension costs	**-**	0.1
Total	**2.0**	**1.9**
Remuneration of the highest paid director	**0.7**	**0.7**
	Number	**Number**
Number of directors accruing benefits under the defined contribution scheme	**-**	**3**

Employee benefit expense

Employee costs during the year / period (including Directors)	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Wages and salaries	**92.5**	82.8
Social security costs	**5.5**	4.9
Other pension costs	**1.7**	0.9
Total employee costs	**99.7**	**88.6**

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

		Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
Average number of persons employed[1]	- UK	3,651	3,231
	- International	58	88
		3,709	3,319

		Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
Total number of persons employed[4]	- UK	7,110	6,296
	- International	46	84
		7,156	6,380

The total number of employees for the year ended 31 December 2014 includes all employees whether full time or part time. The average number of employees has been calculated as the average number of people who were included on the groups payroll during the year.

1. Average number of persons employed includes executive Directors.
2. Total number of persons employed includes executive Directors.

9 OPERATING LEASE COMMITMENTS

Total commitments under operating leases amounted to £3,722.9m (2013: £3,780.4m)

	Year ended 31 December 2014			Year ended 31 December 2013		
	UK £m	International £m	Total £m	UK £m	International £m	Total £m
Due within one year	158.9	4.1	163.0	151.6	4.3	155.9
Due between two and five years	641.6	16.3	657.9	623.3	16.3	639.6
Due beyond five years	2,842.4	59.6	2,902.0	2,921.2	63.7	2,984.9
Total	3,642.9	80.0	3,722.9	3,696.1	84.3	3,780.4
	UK Years	International Years	Total Years	UK Years	International Years	Total Years
Average lease term remaining						
Rent payable	19.9	16.9	19.9	20.8	15.0	20.8

The leases are standard operating leases with normal commercial terms, typically 25 years (though a number of city centre and London properties have 35 year terms), subject to standard upwards only rent reviews, usually based on RPI indices (though some have fixed up-lift reviews, at 2.5% pa and subsequently to RPI), with Group only renewal rights at the end of the lease.

10 FINANCE INCOME

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Interest on bank deposits	0.2	0.3

11 FINANCE COSTS

	Year ended 31 December 2014			Year ended 31 December 2013		
	Paid £m	Capitalised / accrued £m	Total £m	Paid £m	Capitalised / accrued £m	Total £m
Interest on bank loans	10.5	17.3	27.8	9.9	16.9	26.8
Interest on obligations under finance leases	3.9	0.8	4.7	4.0	0.5	4.5
Unwinding of discount on provisions	-	1.9	1.9	-	1.3	1.3
Finance costs before Investor Loan interest	14.4	20.0	34.4	13.9	18.7	32.6
Investor Loan	-	16.2	16.2	-	13.0	13.0
Finance costs	14.4	36.2	50.6	13.9	31.7	45.6

12 INCOME TAX

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Current tax		
UK Corporation tax	-	-
Foreign tax	(0.2)	(0.2)
Deferred tax		
Origination and reversal of temporary timing differences (note 20)	(5.3)	22.5
Effect of change in tax rate	-	0.7
Income tax (charge) / credit	(5.5)	23.0

12 INCOME TAX (CONTINUED)

During the year a number of changes to the UK Corporation tax system were announced and substantively enacted. These included a reduction in the mainstream rate of corporation tax to 21% for the financial year commencing 1 April 2014, and a further 1% reduction to 20% from the financial year commencing 1 April 2015.

Deferred tax balances at the balance sheet date have been calculated using a rate of 20%, on the basis that this rate had been substantively enacted at the balance sheet date.

Corporation tax is calculated at 21.50% (2013: 23.25%) of the estimated assessable profit for the year.

The total charge for the year can be reconciled to the loss per the income statement as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
	£m	£m
Loss before tax	(25.5)	(56.8)
Tax at the UK corporation tax rate of 21.50% (2013: 23.25%)	5.5	13.2
Tax effect of:		
Items not deductible for tax purposes	(5.0)	8.8
Capital allowances in excess of depreciation	1.0	(4.2)
Tax losses	(6.8)	4.7
Foreign tax	(0.2)	(0.2)
Effect of change in tax rate	-	0.7
Income tax (charge) / credit for the year	**(5.5)**	**23.0**

A tax charge of £5.5m arose in 2014. The tax charge arose principally on the Company's deferred tax movements, and in particular relating to the reassessment and amortisation of the intangible assets (brand and lease premiums), and to tax losses arising in the year.

The deferred tax charge arising in the year is comprised as follows:

	Intangible assets £m	Accelerated tax depreciation £m	Tax losses £m	Total £m
(Charge) / credit due to movement in the year (note 20)	2.7	1.5	(9.5)	**(5.3)**
Charge to income statement	**2.7**	**1.5**	**(9.5)**	**(5.3)**

13 SUBSIDIARIES

The material subsidiaries of the Group are listed below.

Name of subsidiary undertaking	Business Description	Country of Incorporation	% of equity held
Travelodge Hotels Limited	Trading Company	England	100
Travelodge Hoteles Espana SL	Trading Company	Spain	100
Full Moon Holdco 4 Limited*	Holding Company	England	100
Full Moon Holdco 5 Limited	Holding Company	England	100
Full Moon Holdco 6 Limited	Holding Company	England	100
TLLC Limited	Holding Company	England	100
Travelodge Holdings (Malta) Limited	Holding Company	Malta	100

** Directly owned*

All shares held are ordinary shares

14 INTANGIBLE ASSETS

An analysis of other intangible assets for the year ended 31 December 2014 is given below:

	Brand £m	Assets under construction[1] £m	Lease premiums £m	IT Software £m	Total £m
Cost					
At 1 January 2014	145.0	1.7	286.8	9.1	442.6
Capital expenditure	-	5.3	-	-	5.3
Movement on capital creditors	-	-	(1.1)	-	(1.1)
Capitalisation	-	(5.5)	1.9	3.6	-
Write off fully depreciated assets	-	-	(0.2)	(5.0)	(5.2)
Reclassification	-	0.7	-	-	0.7
Impairment	-	-	(2.4)	-	(2.4)
At 31 December 2014	**145.0**	**2.2**	**285.0**	**7.7**	**439.9**
Amortisation Accumulated					
At 1 January 2014	-	-	(15.7)	(3.3)	(19.0)
Charge for the year	-	-	(12.4)	(3.6)	(16.0)
Write off fully depreciated assets			0.2	5.0	5.2
Reclassification	-	-	-	0.1	0.1
At 31 December 2014	**-**	**-**	**(27.9)**	**(1.8)**	**(29.7)**
Carrying amount at 31 December 2014	**145.0**	**2.2**	**257.1**	**5.9**	**410.2**
Carrying amount at 31 December 2013	145.0	1.7	271.1	5.8	423.6

1. Assets under construction predominantly consists of costs in relation to the construction of new hotels which have not opened yet.

The brand intangible asset arose on the acquisition of Travelodge. This is not be subject to annual amortisation but is assessed for impairment on an annual basis.

Lease premiums are amortised on a straight line basis over the lease period. Each hotel to which a lease premium asset is assigned is considered to be a separate cost generating unit when assessing impairment.

Impairment reviews are performed annually. The Company prepares cash flow forecasts derived from the most recent financial budgets and financial plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated long term growth rate of 2.5%. The key assumptions are consistent with past experience and with external sources of information. The resulting cash flows are discounted back at the Company's pre-tax weighted average cost of capital. Reviews are performed on a site by site basis over the length of the lease.

IT software is measured initially at purchase cost and is amortised on a straight line basis over three years.

15 PROPERTY, PLANT AND EQUIPMENT

An analysis of property, plant and equipment for 31 December 2014 is given below:

	Assets under construction[1] £m	Freehold and long leaseholds £m	Finance leased land and buildings £m	Fixtures and fittings £m	Total £m
Cost					
At 1 January 2014	0.8	1.8	18.3	58.2	79.1
Capital expenditure	47.0	-	-	-	47.0
Movement on capital creditors	-	-	-	(1.5)	(1.5)
Capitalisation	(46.6)	-	-	46.6	-
Abortive costs	(0.2)	-	-	-	(0.2)
Write-down of fully depreciated assets	-	-	-	(16.1)	(16.1)
Reclassification	(0.8)	-	-	-	(0.8)
Impairment	-	-	-	(1.0)	(1.0)
At 31 December 2014	**0.2**	**1.8**	**18.3**	**86.2**	**106.5**
Accumulated depreciation					
At 1 January 2014	-	-	(0.6)	(5.6)	(6.2)
Charge for the year	-	-	(0.5)	(13.8)	(14.3)
Write-back of depreciation on fully depreciated assets	-	-	-	16.1	16.1
Reclassification	-	-	0.1	(0.2)	(0.1)
Impairment	-	-	-	0.2	0.2
At 31 December 2014	**-**	**-**	**(1.0)**	**(3.3)**	**(4.3)**
Net book value at 31 December 2014	**0.2**	**1.8**	**17.3**	**82.9**	**102.2**
Carrying amount at 31 December 2013	0.8	1.8	17.7	52.6	72.9

1. Assets under construction predominantly consists of costs in relation to the construction of new hotels which have not opened yet.

Freehold and long leasehold properties are stated at cost. Depreciation is provided on cost in equal annual instalments over the estimated remaining useful lives of the assets.

16 TRADE AND OTHER RECEIVABLES

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	6.4	4.4
- Bad debt provision[1]	(0.1)	(0.1)
- Net amounts receivable	6.3	4.3
Other amounts receivable	3.0	4.7
Prepayments and accrued income[2]	42.7	38.1
	52.0	47.1

1. A provision of £0.1m is held against trade receivables more than 30 days past their due date (2013: £0.1m).

2. Prepayments and accrued income mainly include prepayments of rent and rates.

Management have estimated the fair value of trade and other receivables to be equal to the book value.

Receivables that are neither past due or impaired are considered to be fully recoverable.

Trade Receivable Ageing

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Current	4.9	1.3
Past due		
30 days	0.4	1.5
60 days	0.3	1.2
90+ days	0.7	0.3
Total	6.3	4.3

17 TRADE AND OTHER PAYABLES

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Trade payables	(5.2)	(9.6)
Other payables	(3.8)	(6.8)
Social security and other taxation	(9.9)	(7.0)
Accruals	(37.3)	(22.8)
Prepaid room purchases [1]	(22.3)	(19.2)
Capital payables	(6.6)	(9.3)
Amounts falling due within one year	(85.1)	(74.7)
Amounts falling due after one year		
Deferred income	(5.3)	(4.2)
Total	(90.4)	(78.9)

1. Prepaid room purchases of £22.3m (2013: £19.2m) relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay. Of which 76% (2013: 85%) would be non-refundable on cancellation of the room booking.

The Company pays its trade payables in line with the terms that it has agreed with its suppliers. Typically these terms vary from 30 days to 90 days.

Management have estimated the fair value of trade and other payables to be equal to the book value.

18 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2014 £m	Capital liability 2014 £m	Minimum lease payments 2013 £m	Capital liability 2013 £m
Amounts payable under finance leases:				
Within one year	(4.2)	-	(3.9)	-
In the second to fifth years inclusive	(18.0)	-	(17.3)	-
Greater than five years	(352.2)	(30.5)	(346.8)	(29.8)
	(374.4)	(30.5)	(368.0)	(29.8)
Less: future finance charges	343.9		338.2	
Amount due for settlement after 12 months	(30.5)		(29.8)	

The Company holds 5 properties (2013: 5 properties) which have been classified as finance leases with an average lease term of 50 years (2013: 51 years).

19 FINANCIAL ASSETS AND LIABILITIES

	Maturity Date	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Cash at bank and in hand		38.9	37.5
Bank debt redeemable:			
Senior 1st Lien	June 2017	(335.8)	(319.0)
Senior 2nd Lien	June 2018	(35.5)	(32.9)
Flare	June 2017	(23.0)	(21.8)
Bank debt		(394.3)	(373.7)
Net Bank debt		(355.4)	(336.2)
Investor Loan Note	January 2026	(127.0)	(110.8)
Net debt before finance leases		(482.4)	(447.0)
Finance leases		(30.5)	(29.8)
Net debt including finance leases		(512.9)	(476.8)

In addition, the Company can utilise a letter of credit up to a maximum of £40.0m, at 31 December 2014 the Company utilised £13.0m (2013: £19.0m).

The weighted average interest rate paid in the year ended 31 December 2014 was 1.1% (2013: 1.1%).

The weighted average interest rate charged in the year ended 31 December 2014 was 6.5% (2013: 6.5%).

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

The carrying value of the assets and liabilities of the Group represent their fair value.

	2014 Carrying amount £m	2014 Fair value £m	2013 Carrying amount £m	2013 Fair value £m
Financial instrument categories				
Loans and receivables[1]	9.3	9.3	9.0	9.0
Bank debt	(394.3)	(394.3)	(373.7)	(373.7)
Investor Loan Note	(127.0)	(127.0)	(110.8)	(110.8)
Financial liabilities[2]	(46.1)	(46.1)	(55.5)	(55.5)
	(558.1)	(558.1)	(531.0)	(531.0)

The fair values of financial assets and liabilities are determined as follows:

1. Loans and receivables of are made up of trade receivables £6.3m (2013: £4.3m) and other receivables £3.0m (2013: £4.7m).

2. Financial liabilities of £46.1m (2013: £55.5m) are made up of finance lease payables £30.5m (2013: £29.8m), trade payables £5.2m (2013: £9.6m), capital payables £6.6m (2013: £9.3m) and other payables £3.8m (2013: £6.8m).

Loans and receivables and financial liabilities are due within one year.

Risk

Capital risk management: The group manages its capital to ensure that entities in the Company will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes borrowings disclosed above, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Interest rate risk: The group finances its operations through borrowings. The group borrows at fixed and floating rates. The group manages its interest risk through a periodic review of interest rates. The interest rates are reviewed against the forward interest rates curve.

19 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Interest rate sensitivity: The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year.

At 31 December 2014, if interest rates had been 25 basis points higher or lower with all other variables held constant, the group's net profit and cash interest payment would be unaffected, due to the minimum cash pay interest rate being set at the greater of LIBOR and 1.00% in the year ended 31 December 2014.

A sensitivity of 25 basis points is considered a reasonable sensitivity because it reflects a potential interest rate rise.

Liquidity risks: The group has built an appropriate liquidity risk management framework for the management of the group's short, medium and long term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves and by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Credit risk: The group does not have any significant credit risk exposure to any single counterparty. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. No collateral is held against liquid funds.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Currency exposures: At 31 December 2014 the group had no material currency exposures that would give rise to net currency gains or losses being recognised in the income statement.

20 DEFERRED TAX

The following are the major deferred tax (liabilities) and assets recognised by the Company and movements thereon during the current and prior reporting year.

	Accelerated tax depreciation	Tax losses and Hold-over relief	Deferred tax asset	Intangible assets	Deferred tax liability	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2014	29.7	50.8	**80.5**	(84.7)	**(84.7)**	**(4.2)**
(Charge)/credit to income	1.5	(9.5)	**(8.0)**	2.7	**2.7**	**(5.3)**
At 31 December 2014	31.2	41.3	**72.5**	(82.0)	**(82.0)**	**(9.5)**

During the year a number of changes to the UK Corporation tax system were announced and substantively enacted. These included a reduction in the mainstream rate of corporation tax to 21% for the financial year commencing 1 April 2014, and a further 1% reduction to 20% from the financial year commencing 1 April 2015. Deferred tax balances at the balance sheet date have been calculated using a rate of 20%, on the basis that this rate had been substantively enacted at the balance sheet date.

21 PROVISIONS

	Total
	£m
At 1 January 2014	(32.3)
Cash spend	3.6
Reassessment in provisions	(0.4)
Unwinding of discount of provisions	(1.9)
At 31 December 2014	**(31.0)**

A discount rate of 4% being the risk free rate is used to calculate the net present value of the provisions.

Provisions of £31.0m can be analysed as: due in less than one year of £4.0m and due after one year of £27.0m and comprise onerous lease provisions of £17.3m relating to future rent and rates liabilities on sub leased historic restaurant units, £2.6m relating to five UK hotels where it is considered improbable that trading profits will be generated and £7.1m 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 17 years and have been discounted at a risk free rate of 4%.

22 SHARE CAPITAL

	2014 & 2013 shares	2014 & 2013 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1

23 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 as well as the refurbishment of current hotels. At 31 December 2014 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £7.0m (2013: £11.0m).

24 CONTINGENT LIABILITIES

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

At 31 December 2014 the estimated annual contingent rental liability was £47k (2013: £47k), represented by 3 units (2013: 3 units), with an average annual rental cost per unit of £16k (2013: £16k) and an average lease term remaining of 35 years (2013: 36 years).

25 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2014, the Directors regard Anchor Holdings SCA as the ultimate parent undertaking and controlling party, a company incorporated in Luxembourg.

Thame and London Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2014. The consolidated financial statements of Thame and London Limited are available from Sleepy Hollow, Aylesbury Road, Thame, Oxfordshire, OX9 3AT.

Anchor Holdings SCA has provided the Company with an investor loan of £95.0m (2013: £95.0m). The loan accrues interest at 17.0% per annum.

Interest accrued in the year is £16.2m (2013: £13.0m) and the total balance including accrued interest was £127.0m (2013: £110.8m). The loan note is due for repayment in 2026.

During the year certain property leases the group had entered into with an external third party were sold on an arms length basis to an entity which is controlled by the group's ultimate owners. All terms of these property leases and the value the group is liable to pay have remained the same. During 2014 the property costs charged since the transfer of ownership of these leases was £7.4m and there were no balances outstanding at 31 December 2014.

26 NOTE TO THE CASH FLOW STATEMENT

	Year ended 31 December 2014			Year ended 31 December 2013		
	Before Exceptional Items £m	Exceptional Items[1] £m	Total £m	Before Exceptional Items £m	Exceptional Items £m	Total £m
Operating profit / (loss)	**30.3**	**(5.4)**	**24.9**	**5.6**	**(17.1)**	**(11.5)**
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	14.3	-	**14.3**	12.0	-	12.0
Amortisation of other intangible assets	16.0	-	**16.0**	15.7	-	15.7
Write-off of fixed assets (note 14 and 15)	-	4.7	**4.7**	-	11.2	11.2
Operating cash flows before movements in working capital	**60.6**	**(0.7)**	**59.9**	**33.3**	**(5.9)**	**27.4**
Increase in inventory	-	-	-	(0.1)	-	(0.1)
Movement in receivables	(4.5)	-	**(4.5)**	0.1	-	0.1
Movement in payables	16.5	(0.8)	**15.7**	10.4	(5.2)	5.2
Movement in provisions	(3.6)	0.4	**(3.2)**	(2.7)	5.9	3.2
Total working capital movement	**8.4**	**(0.4)**	**8.0**	**7.7**	**0.7**	**8.4**
CASH FLOWS FROM OPERATING ACTIVITIES	**69.0**	**(1.1)**	**67.9**	**41.0**	**(5.2)**	**35.8**

1. Exceptional items of £1.1m (2013: £5.2m) are payments in connection with the financial restructure of the Group which was undertaken in 2012.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THAME AND LONDON LIMITED

Report on the parent company financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2014;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The parent company financial statements (the "financial statements"), which are prepared by Thame and London Limited, comprise:

- the parent company balance sheet as at 31 December 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors Report and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THAME AND LONDON LIMITED (CONTINUED)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors Responsibilities set out on page 14, 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 ISAs (UK & 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.

Other matter

We have reported separately on the group financial statements of Thame and London Limited for the year ended 31 December 2014.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 April 2015

THAME AND LONDON LIMITED

PARENT COMPANY BALANCE SHEET
As at 31 December 2014

	Notes	2014 £m	2013 £m
FIXED ASSETS			
Investments	29	-	-
Debtors	30	127.0	110.8
TOTAL CURRENT ASSETS		127.0	110.8
NET CURRENT ASSETS		127.0	110.8
TOTAL ASSETS LESS CURRENT LIABILITIES		127.0	110.8
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Investor Loan	34	(127.0)	(110.8)
TOTAL LIABILIITES		(127.0)	(110.8)
NET ASSETS		-	-
CAPITAL AND RESERVES			
Called Up Share Capital	31	-	-
Profit and Loss account	33	-	-
TOTAL SHAREHOLDERS' FUNDS		-	-

These financial statements on pages 40 to 42 were approved by the Board of Directors and signed on its behalf by:

Joanna Boydell
8 April 2015

27 BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. The principal accounting policies adopted have been consistently applied throughout the year and are set out in note 28.

28 SIGNIFICANT ACCOUNTING POLICIES

Turnover
Turnover comprises interest income on cash and cash equivalents held during the year.

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

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

Employees
The Company has no employees.

Cash flow statement
Under Financial Reporting Standard 1 "Cash flow statement" (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its included the Company's cash flows in its own published consolidated financial statements.

29 FIXED ASSET INVESTMENTS

	Shares in subsidiaries £
Cost and net book value	
At 1 January 2014	1
At 31 December 2014	**1**

The Parent Company has investments in the subsidiary undertakings, as listed in the Subsidiary Undertakings note (consolidated financial statements note 13), which principally affect the profits or net assets of the Company. The directors consider the value of the investment to be supported by the value of the underlying assets.

All subsidiary undertakings were acquired on 12 October 2012. The investment of £1 represents investment in Full Moon Holdco 4 Limited, the only directly owned subsidiary.

30 DEBTORS

	2014 £m	2013 £m
Amounts owed by Group undertakings	127.0	110.8

Amounts owed by Group undertakings are repayable on demand.

Interest accrued in the year is £16.2m (2013: £13.0m) and the total balance including accrued interest was £127.0m (2013: £110.8m).

31 CALLED UP SHARE CAPITAL

	2013 & 2014 Number of shares	2013 & 2014 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1

32 PROFIT AND LOSS

As permitted by Section 408(4) of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year.

The Company did not make a profit or loss in the year.

33 PROFIT AND LOSS ACCOUNT

	2014 £m	2013 £m
At 1 January 2014	-	-
Profit for the financial year	-	-
At 31 December 2014	-	-

34 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2014, the Directors regard Anchor Holdings SCA as the ultimate parent undertaking and controlling party, a company incorporated in Luxembourg.

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