Company Registration No. 08170768

THAME AND LONDON LIMITED

Report and financial statements

For the year ended 31 December 2015

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Joanna Boydell
Jonathan Ford
Peter Gowers
Paul Harvey
Gregory Olafson
Stephen Shurrock
Brian Wallace

COMPANY SECRETARY

Joanna Boydell
AG Secretarial Limited

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INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
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London
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THAME AND LONDON LIMITED

STRATEGIC REPORT

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

The group owns, leases, franchises and manages more than 525 hotels and 39,000 rooms across the UK, Ireland and Spain and employs approximately 10,000 team members.

The directors present the Strategic Report of the audited consolidated financial statements of Thame and London Limited for the year ended 31 December 2015. 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

We are delighted to announce a record year for Travelodge.

Our investment in the customer experience is delivering excellent results and our new-look rooms are driving substantial improvements in guest satisfaction. We are seeing significant growth from business customers and like for like sales growth was again substantially ahead of the UK hotel market. With record customer numbers and further growth from our new hotels, our EBITDA(1) for the full year of £105.1m was the highest in Travelodge's 30 year history.

Key performance highlights are below:

	2015	2014	Growth
UK like-for-like KPIs:			
Occupancy	76.6%	75.6%	1.0pts
Average room rate	£50.19	£45.53	10.2%
RevPAR	£38.44	£34.42	11.7%
EBITDA(1)	£105.1m	£66.2m	58.8%
Operating profit(2)	£62.9m	£30.3m	

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

UK like-for-like RevPAR was up 11.7% to £38.44, substantially outperforming the Smith Travel Midscale and Economy Sector, which was up 7.2% for the same period.

Our UK hotel modernisation programme was completed on schedule. 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. The investment we made in upgrading our guestrooms, together with our 'That's Travelodgical' advertising campaign, led to UK like-for-like occupancy rising 1.0 percentage point, to 76.6% (2014: 75.6%). UK like-for-like average room rate, supported by effective yield management was up 10.2% to £50.19 (2014: £45.53).

Total revenues were up 13% to £560m, with strong growth in both London and the UK regions. Significant further growth from business customers remained one of the principal drivers of our improved performance, with direct business sales up 45% on the prior year.

Costs remain tightly controlled and EBITDA was up by nearly 60% to £105.1m and Operating profit was up by over 100% to £62.9m.

We also made our first debt repayment since the 2012 restructuring of £10m in 2015, and during March 2016 made a second payment of £12.9m to repay the Flare facility in full.

The significant improvement in customer service and quality levels is the result of the commitment of our team-members across the UK, Spain and Ireland. The board wishes would like to extend its thanks for the significant role the team has played in the transformation of the business over the last year.

Strategy

The group continues to pursue its strategic aim of becoming the favourite hotel for value, with a clear focus on offering a great quality hotel stay at an attractive low price.

In this our 30th anniversary year, we delivered further improvements for our customers.

Investing in Quality

We continue to invest in improving the quality and consistency of our hotels:

Our £100m UK hotel modernisation programme was concluded on December 18. This marked the culmination of a three year programme, in which almost 35,000 rooms were modernised with our new more contemporary look and feel and the new Travelodge Dreamer® king-sized beds. Every UK Travelodge hotel now offers a consistent quality room experience to our guests, updated for the needs of modern travellers.

Supported by these upgraded quality levels and the great customer service provided by our team members, our average Trip Advisor scores continue to strengthen. Our UK estate now averages four out of five stars. We were pleased to receive 168 Trip Advisor certificates of excellence in 2015, more than double the number in 2014.

Strengthening the Brand and Direct Channels

We have continued to strengthen the appeal of our brand and our direct distribution channels, which account for more than 85% of our sales.

Our 'That's Travelodgical' advertising, launched in May 2015 has received tremendous customer feedback, raising our brand awareness and heightening awareness of our upgraded rooms.

In April we launched our mobile app, which has now been downloaded by c. 200,000 customers and has an average booking conversion rate almost twice that of our website as a whole.

These new initiatives contributed to web sales up 12% on prior year.

Adding Facilities and Delivering Great Value For Money

Supporting our ambition to be the favourite hotel for value for business and leisure travellers, we continue to add more hotels with restaurants to our network and more than 150 of our hotels now feature on-site bar café facilities.

In 2015 we also introduced our best ever breakfast, offering outstanding value for an all you can eat buffet which now includes Linda McCartney vegetarian sausages, Yeo Valley organic yoghurts and Lavazza coffee. Customer feedback on the new breakfast has been excellent and in 2015 we sold more than 2.5m breakfasts, with our restaurant breakfast sales up 13%.

Development - Putting Travelodge Where Customers Want To Be

We continue to broaden our network. We have identified more than 250 further UK locations suitable for Travelodge and we continue to grow our network in the major cities and key leisure destinations across the UK.

During 2015, we opened twelve new hotels and one extension in 2015, adding 1,002 rooms. This increased our total number of rooms in the UK to 37,670. These new hotels cemented our presence in London, where we have 64 hotels, and extended our reach to key regional locations.

We expect to open at least 19 hotels during 2016 including new sites in London at Finchley, Finsbury Park and Raynes Park and in key regional locations including Glasgow and Bristol.

THAME AND LONDON LIMITED

STRATEGIC REPORT

Outlook

There continues to be strong underlying growth potential for value hotels, with growing customer demand and relative under-supply compared to other key international hotel markets.

Travelodge has made strong progress over the last three years, resulting in strong revenue and profit growth, improved customer scores, a powerful direct distribution model and an accelerating development pipeline. This provides the company with a strong foundation for continuing growth in the medium term.

In the shorter term, with clear further revenue opportunities and further development potential, while our overall performance will reflect wider trends in market growth, we expect to continue to outperform the wider hotel market.

THAME AND LONDON LIMITED

STRATEGIC REPORT

Results

Results for the Group are for the full year ended 31 December 2015, with comparatives for the full year ended 31 December 2014.

Revenue

	2015	2014	Growth
	£m	£m	
UK	552.1	489.9	12.7%
International	7.5	7.3	2.7%
Total Revenue	559.6	497.2	12.6%

EBITDA

	2015	2014
	£m	£m
EBITDA [(1)]	**105.1**	**66.2**
IFRS rent charge [(2)]	(4.6)	(5.6)
EBITDA after IFRS rent charge	100.5	60.6
Depreciation / amortisation	(37.6)	(30.3)
Operating Profit	**62.9**	**30.3**
Finance lease interest	(4.8)	(4.7)
Net interest on secured debt		
- Cash pay	(27.3)	(7.0)
- PIK [(3)]	-	(20.6)
Unwinding of discount on provisions	(0.8)	(1.9)
Profit/(Loss) Before Tax before exceptional items and investor loan interest	**30.0**	**(3.9)**
Exceptional items [(4)]	(8.0)	(5.4)
Interest charged on unsecured Investor Loan [(5)]	(16.1)	(16.2)
Profit/(Loss) Before Tax	**5.9**	**(25.5)**

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 2015 relate to an increase in the CVA Fund due to 2015 performance, charges for a detailed property review, financial due diligence and other costs relating to advisory fees in respect of corporate strategy and reassessment of various provisions of the Group as described in note 7. In 2014 exceptional items related to the impairment of intangible assets and onerous lease provisions, partially offset by reassessment of provisions including those relating to sites operated under franchise in Ireland.*

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:

	2015	2014
	£m	£m
EBITDA before IFRS rent charge	105.1	66.2
Working Capital	20.3	6.4
Capital Expenditure	(51.1)	(52.3)
Operating cash flow	**74.3**	**20.3**
Net interest paid	(19.0)	(14.2)
Cash spend on provisions	(4.0)	(3.6)
Exceptional items (1)	(3.3)	(1.1)
Tax paid	-	-
Other (2)	(10.0)	-
Cash inflow	38.0	1.4
Opening net bank debt	(355.4)	(336.2)
Cash inflow	38.0	1.4
Other (2)	10.0	-
Interest accrued into principal	-	(20.6)
Closing net bank debt	(307.4)	(355.4)

1) *Exceptional items in 2015 relate to expenses associated with a detailed property review, financial due diligence and other costs relating to advisory fees in respect of corporate strategy. In 2014 exceptional items related to the impairment of intangible assets and onerous lease provisions, partially offset by reassessment of provisions including those relating to sites operated under franchise in Ireland.*
2) *Other cash outflows in 2015 are the partial repayment of the Flare facility.*

Funding, Covenant Compliance & Going Concern

The net bank debt of the Group is summarised below:

			31 Dec 15	31 Dec 14
			£m	£m
Senior	-	First Lien	335.9	335.9
	-	Flare Facility	12.9	22.9
	-	Second Lien	35.5	35.5
Secured Bank Debt			**384.3**	**394.3**
Cash			**76.9**	**38.9**
Net Bank Debt			**307.4**	**355.4**

STRATEGIC REPORT

The total funding of the Group is summarised below:

	31 Dec 15	31 Dec 14
	£m	£m
Secured Bank Debt	**384.3**	**394.3**
Unsecured (Loan Notes)	143.1	127.0
Total Funding	**527.4**	**521.3**

At 31 December 2015, the Group had utilised £16.0m of the Letter of Credit Facility (with a maximum amount of £40.0m) (2014 utilised: £13.0m) in favour of the Group's credit card acquirer and lease guarantees.

Until 30 September 2016, 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 at the end of Q2 2016 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 were 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 the final fund value, claims made against the fund and then ensure satisfactory payment from the fund to compromised landlords. The minimum financial targets were not met in 2013 or 2014, but were met in 2015 so the fund value is £3.9m and this will be paid over to KPMG to administer within 30 days of 6 April 2016. KPMG continue to assess the claims made.

The Directors have reviewed the Group's financial projections for the foreseeable future, and in particular, the occupancy and rate forecasts and strategic initiatives 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 September 2016. The Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern into the foreseeable future.

Employee Involvement

The group currently employs approximately 10,000 people and is committed to engaging and developing its people.

Engaging the team in the group's decision-making

The Group provides information to its team members through a number of channels, including our Consultative Committees. There are 36 Employment Consultative Committees, including one at our Hotel Support Centre. The Consultative Committees, known as 'Team Talk' are elected groups which meet quarterly and consider a wide range of topics relating to group initiatives and policy.

Travelodge also regularly uses employee forums and trials of new initiatives 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 age, disability, gender reassignment, marriage and civil partnership, race, religion or belief, sex 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 to review and promote the group's equality and diversity agenda.

Team Member 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.

More than 70% of Travelodge hotel managers have been developed internally. In early 2016 we launched a new programme called 'Aspire' setting out the career path within Travelodge, to enhance and replace our highly successful GEM programme (Gaining Entry into Management). This will ensure internal team members who choose to develop their skills can gain externally accredited qualifications and develop to become Hotel 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 2015 Travelodge supported the senior operations teams including all 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 The 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.

Safety, Security and Corporate Social Responsibility

Travelodge places the safety and security of its customers, colleagues and the communities in which we operate as its highest priority.

We operate a number of different policies to help protect these groups as summarised below:

Safety and Security at the Hotels

We have a comprehensive and proactive approach to risk management to ensure that all our customers are always in safe accommodation, maintained and operated in compliance with the appropriate regulations and 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.

To ensure that all our practices and procedures are correctly implemented we use an independent expert company to carry out unannounced safety audits at all our hotels. In addition to this, we are of course subject to regular routine inspections from local authority Environmental Health Officers, Fire Safety Officers and officers from other various enforcement agencies.

We actively monitor our audit, enforcement and 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.

STRATEGIC REPORT

Information Security

Travelodge is committed to ensuring that customer data is held in a sensitive and secure manner.

It is Travelodge policy to manage information in compliance with the Data Protection Act (1998), and the appropriate PCI DSS standards. Guidelines for our team are set out in a clear Privacy Policy statement.

All credit card information is kept confidential through industry-standard encryption techniques. Sensitive 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 in accordance with current EU data governance requirements.

Accessibility

As a business we recognise the wide range 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 consider accessibility in all product development and meet the latest requirements.

We also recognise that team members who can understand the needs of our customers are also vital, and therefore carry out accessibility training for our staff.

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

We continue to work 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.

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 works with energy consultants to consider future improvements, including more efficient hot water generation equipment and other alternative energy generation methods.

Engagement in the Community

Our team members have again selected MacMlillan Cancer Support as our chosen charity partner, continuing the relationship which commenced 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 £470,000 for Macmillan in the process.

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

THAME AND LONDON LIMITED

STRATEGIC REPORT

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.

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.

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 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 shares 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 the regulatory requirements of both the DPA and PCI DSS.

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

Joanna Boydell, CFO

6 April 2016

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 2015.

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 2015, with comparatives for the full year ended 31 December 2014.

For 2015, the Group made EBITDA before IFRS rent charge of £105.1m, Operating Profit of £62.9m and Profit Before Tax of £5.9m.

Ownership

At 31 December 2015, the Directors regarded Anchor Holdings SCA (Luxembourg) as the ultimate controlling party.

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

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. Avenue is headquartered in New York with offices in London, Luxembourg, Madrid, Milan and Munich, as well as offices throughout Asia.

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 14.

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 officers against any such liabilities as referred to in Section 234 of the Companies Act 2006. This insurance was in force during the financial year and also at the date of approval of the financial statements.

Taxation

The underlying tax charge for the year was £(3.8)m due to deferred tax movements relating to capital allowance claims and tax losses.

THAME AND LONDON LIMITED

DIRECTORS' REPORT

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
6 April 2016

THAME AND LONDON LIMITED

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.

THAME AND LONDON LIMITED

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)

As Executive Vice President and Chief Commercial Officer, Stephen Shurrock leads Travelport's customer-focused teams in Air, Agency, Hospitality and Digital Media around the world, as well as having global responsibility for customer engagement, product strategy, marketing and market research.

Prior to joining Travelport in January 2016, Stephen was Chief Executive Officer for the Consumer Division of Telefonica, one of the largest telecommunications companies in the world, where he was responsible for the company's consumer business and digital divisions globally. His prior roles with Telefonica included CEO of O2 Ireland and CEO of Telefonica's New Digital Business and Innovation division, where he was responsible for establishing and running digital businesses to take advantage of new growth markets in security, advertising, financial services, over the top content and big data. Before joining Telefonica/O2 in 2001, Stephen was CFO of UK-based web portal, Excite.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

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

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to Auditors

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Boydell

Joanna Boydell
6 April 2016

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

Report on the group financial statements

Our opinion

In our opinion, Thame and London Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its profit 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.

What we have audited

The financial statements, included within the Report and financial statements (the "Annual Report"), comprise:

- the consolidated balance sheet as at 31 December 2015;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the 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 the preparation of the financial statements 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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in 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 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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 parent 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 2015.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 April 2016

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2015

		Year ended 31 December 2015			Year ended 31 December 2014		
		Before exceptional items	Exceptional items	After exceptional items	Before exceptional items	Exceptional items	After exceptional items
	Notes	£m	£m	£m	£m	£m	£m
Revenue	*4*	559.6	-	**559.6**	497.2	-	**497.2**
Operating expenses	*6 / 7*	(298.0)	(8.4)	**(306.4)**	(282.1)	0.6	(281.5)
Rent	*6 / 7*	(161.1)	0.4	**(160.7)**	(154.5)	(1.3)	(155.8)
EBITDA[1]	*4*	**100.5**	**(8.0)**	**92.5**	**60.6**	**(0.7)**	**59.9**
Depreciation/amortisation	*6*	(37.6)	-	**(37.6)**	(30.3)	(4.7)	(35.0)
Operating profit/(loss)		**62.9**	**(8.0)**	**54.9**	**30.3**	**(5.4)**	**24.9**
Finance costs	*11*	(49.5)	-	**(49.5)**	(50.6)	-	(50.6)
Finance income	*10*	0.5	-	**0.5**	0.2	-	0.2
Profit/(loss) before tax		**13.9**	**(8.0)**	**5.9**	**(20.1)**	**(5.4)**	**(25.5)**
Income tax	*12*	(3.8)	-	**(3.8)**	(5.5)	-	(5.5)
Profit/(loss) for the year		**10.1**	**(8.0)**	**2.1**	**(25.6)**	**(5.4)**	**(31.0)**

Memorandum - EBITDA

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
EBITDA before IFRS rent charge	**105.1**	**66.2**
IFRS rent charge (note 6)	(4.6)	(5.6)
EBITDA pre exceptional items	100.5	60.6
Exceptional items	(8.0)	(0.7)
EBITDA after exceptional items	**92.5**	**59.9**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Profit / (Loss) for the year recognised directly in the income statement	2.1	(31.0)
Currency translation differences	0.2	0.2
Net income recognised directly in equity	**0.2**	**0.2**
Total comprehensive income / (expense) for the year	**2.3**	**(30.8)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share Capital £m	Foreign Exchange Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2015	-	**0.2**	**(78.3)**	**(78.1)**
Comprehensive income				
Profit for the year	-	-	2.1	**2.1**
Other comprehensive income				
Currency translation differences	-	0.2	-	**0.2**
Total comprehensive income	-	**0.2**	**2.1**	**2.3**
31 December 2015	-	**0.4**	**(76.2)**	**(75.8)**

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 income				
Currency translation differences	-	0.2	-	**0.2**
Total comprehensive income / (loss)	-	**0.2**	**(31.0)**	**(30.8)**
31 December 2014	-	**0.2**	**(78.3)**	**(78.1)**

CONSOLIDATED BALANCE SHEET
As at 31 December 2015

	Notes	2015 £m	2014 £m
NON CURRENT ASSETS			
Intangible assets	14	402.5	410.2
Property, plant and equipment	15	123.9	102.2
Deferred tax asset	20	59.4	72.5
		585.8	584.9
CURRENT ASSETS			
Inventory		1.4	1.3
Trade and other receivables	16	43.3	52.0
Cash and cash equivalents	19	76.9	38.9
		121.6	92.2
TOTAL ASSETS		707.4	677.1
CURRENT LIABILITIES			
Trade and other payables	17	(116.5)	(85.1)
		(116.5)	(85.1)
NON-CURRENT LIABILITIES			
Bank loans	19	(384.3)	(394.3)
Investor loan	19	(143.1)	(127.0)
Obligations under finance leases	18	(31.1)	(30.5)
Deferred tax liability	20	(72.5)	(82.0)
Deferred Income	17	(7.1)	(5.3)
Provisions	21	(28.6)	(31.0)
		(666.7)	(670.1)
TOTAL LIABILITIES		(783.2)	(755.2)
NET LIABILITIES		(75.8)	(78.1)
EQUITY			
Share capital	22	-	-
Foreign Exchange Reserve		0.4	0.2
Accumulated losses		(76.2)	(78.3)
TOTAL DEFICIT		(75.8)	(78.1)

Memorandum - Analysis of net funding	*£m*	*£m*
Cash at bank	*76.9*	*38.9*
Bank debt redeemable :		
Senior 1st Lien	*(335.9)*	*(335.9)*
Senior 2nd Lien	*(35.5)*	*(35.5)*
Flare	*(12.9)*	*(22.9)*
Gross Bank debt	*(384.3)*	*(394.3)*
Net Bank debt	*(307.4)*	*(355.4)*
Investor Loan	*(143.1)*	*(127.0)*
Finance leases	*(31.1)*	*(30.5)*
Net Funding	*(481.6)*	*(512.9)*

These financial statements of Thame and London Limited on pages 18 to 38 were approved by the Board of Directors and signed on its behalf by

Joanna Boydell
6 April 2016

Company registration number 08170768

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2015

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
		£m	£m
NET CASH GENERATED FROM OPERATING ACTIVITIES	26	118.1	67.9
INVESTING ACTIVITIES			
Interest received	10	0.4	0.2
Purchases of property, plant and equipment and other intangible assets	14 / 15	(51.1)	(52.3)
Net cash used in investing activities		(50.7)	(52.1)
FINANCING ACTIVITIES			
Finance fees paid	11	(0.4)	(1.3)
Interest element of finance lease rental payments	11	(4.2)	(3.9)
Repayment of Flare facility	19	(10.0)	-
Interest paid	11	(14.8)	(9.2)
Net cash used in financing activities		(29.4)	(14.4)
Net increase in aggregate cash and cash equivalents		38.0	1.4
Cash and cash equivalents at beginning of the year		38.9	37.5
Cash and cash equivalents at end of the year		76.9	38.9

Memorandum - Analysis of free cash flow [1]

	Notes	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
EBITDA before exceptional items and IFRS rent charge		105.1	66.2
Working capital		20.3	6.4
Net cash flows from operating activities before exceptionals		125.4	72.6
Capital expenditure	14 / 15	(51.1)	(52.3)
Free cash flow generated for the year		74.3	20.3
Non-trading cash flow			
Interest costs			
- bank interest paid	11	(14.8)	(9.2)
- finance fees paid	11	(0.4)	(1.3)
Interest income	10	0.4	0.2
Interest element of finance lease rental payments	11	(4.2)	(3.9)
Repayment of Flare facility		(10.0)	-
Cash spend on provisions	21 / 26	(4.0)	(3.6)
Exceptional items [2]	26	(3.3)	(1.1)
Non-trading cash flow		(36.3)	(18.9)
Cash generated		38.0	1.4
Opening Cash		38.9	37.5
Movement in cash		38.0	1.4
Closing Cash		76.9	38.9
Opening net bank debt		(355.4)	(336.2)
Movement in cash		38.0	1.4
Repayment of flare facility		10.0	-
Interest accrued into principal		-	(20.6)
Closing net bank debt	19	(307.4)	(355.4)

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

2. Exceptional items mainly relate to the strategic review of the Group.

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 liquidity risk.

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 2015.

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 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 2015, and have not been early adopted:

- Annual improvements 2014 (effective 1 January 2016) endorsed
- IAS 1, 'Presentation of financial statements'
- IAS 7, 'Statement of cash flows'
- IAS 12, 'Income taxes'
- IAS 16, 'Property, plant and equipment'
- IAS 38, 'Intangible assets'
- IFRS 9, 'Financial instruments'
- IFRS 15, 'Revenue from contracts with customers'
- IFRS 16, 'Leases'

The Directors' are yet to assess the impact of the above standards.

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 2015. 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 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 the original purchase price of the assets and the costs attributable to bringing the asset to 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 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.
- Long 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 under 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 2015 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 the 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 2016 - 18 and a long term growth rate that broadly follows the Retail Price Index 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 1.3% and the discount factor rate would need to increase to 23.6% 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 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 impairment is required in 2015.

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 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 business rates that the Group is liable to on empty sites and on hotels where it is considered improbable that trading profits will be generated. 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 2015 £m	Year ended 31 December 2014 £m
Revenue		
UK	552.1	489.9
International	7.5	7.3
	559.6	497.2
EBITDA before exceptionals[1]		
UK before IFRS rent charge	105.3	68.7
IFRS rent charge	(4.6)	(5.6)
UK	100.7	63.1
International	(0.2)	(2.5)
	100.5	60.6
Operating profit/(loss) before exceptionals		
UK	63.1	33.0
International	(0.2)	(2.7)
	62.9	30.3
Profit/(loss) before tax before exceptionals		
UK	14.3	(17.4)
International	(0.4)	(2.7)
	13.9	(20.1)
Exceptional items (note 7)	(8.0)	(5.4)
Profit/(loss) before tax after exceptionals	5.9	(25.5)

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

5 ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

		2015 £m	2014 £m
Assets			
Intangible assets		402.5	410.2
Trading assets	- UK[1]	167.2	154.1
	- International[2]	1.4	1.4
Non trading assets		59.4	72.5
Total operations		630.5	638.2
Cash		76.9	38.9
Total assets		707.4	677.1
Liabilities			
Trading liabilities	- UK[3]	(149.9)	(119.0)
	- International[4]	(2.3)	(2.4)
Non trading liabilities[5]		(72.5)	(82.0)
Total operations		(224.7)	(203.4)
Bank debt		(384.3)	(394.3)
Investor Loans		(143.1)	(127.0)
Finance lease creditor		(31.1)	(30.5)
Total liabilities		(783.2)	(755.2)
Net assets / liabilities			
Other Intangible assets		402.5	410.2
Trading net assets	- UK	17.3	35.1
	- International	(0.9)	(1.0)
Non trading assets		59.4	72.5
		75.8	106.6
Non trading net liabilities[5]		(72.5)	(82.0)
		405.8	434.8
Cash		76.9	38.9
Bank debt		(384.3)	(394.3)
Net Bank Debt		(307.4)	(355.4)
Investor Loan		(143.1)	(127.0)
Finance lease creditor		(31.1)	(30.5)
Net liabilities		(75.8)	(78.1)

1. UK operating assets of £167.2m (2014: £154.1m) comprise £123.9m (2014: £102.2m) of fixed assets, £34.7m (2014: £42.7m) of prepayments and accrued income, £5.5m (2014: £6.3m) of trade amounts receivable, £1.7m (2014: £1.6m) of other receivables and £1.4m (2014: £1.3m) of stock.

2. International operating assets of £1.4m (2014: £1.4m) comprise £1.4m (2014: £1.4m) of other receivables.

3. UK operating liabilities of £149.9m (2014: £119.0m) comprise £40.7m (2014: £37.3m) of accruals, £28.6m (2014: £31.0m) of provisions, £23.9m (2014: £22.3m) of prepaid room deposits, £20.5m (2014: £3.8m) of other payables, £14.7m (2014: £2.8m) of trade payables, £7.3m (2014: £9.9m) of taxation and other social security, £7.1m (2014: £5.3m) of deferred income, and £7.1m (2014: £6.6m) of capital payables.

4. International operating liabilities of £2.3m (2014: £2.4m) comprise £2.3m (2014: £2.4m) of trade payables.

5. Non trading liabilities of £72.5m (2014: £82.0m) relate to deferred tax liabilities of £72.5m (2014: £82.0m).

6 NET OPERATING EXPENSES (BEFORE EXCEPTIONAL ITEMS)

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Cost of goods sold	**35.8**	35.0
Employee costs (note 8)	**118.7**	99.7
Fees payable to the Company's auditors[1]		
- audit for the parent company and consolidated financial statements	**0.1**	0.1
- audit fee for subsidiaries	**0.2**	0.2
Operating expenses	**143.2**	147.1
Net operating expenses before rent, depreciation and amortisation	**298.0**	**282.1**
Rent payable (third party landlords) for operating leases	**160.0**	152.1
Rent receivable	**(3.5)**	(3.2)
Net external rent payable	**156.5**	148.9
IFRS rent charge[2]	**4.6**	5.6
Net rent	**161.1**	**154.5**
Net operating expenses	**459.1**	**436.6**
Depreciation	**22.4**	14.3
Amortisation	**15.2**	16.0
Net depreciation and amortisation	**37.6**	**30.3**
Total net operating expenses	**496.7**	**466.9**

1. In the year ended 31 December 2015, remuneration for non audit fees was £1,066k (2014: £16k) mainly related to financial due diligence.

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 2015, the results include a £1.4m charge relating to the increase in the CVA Fund due to 2015 performance, charges of £1.9m for a detailed property review, £1.1m for financial due diligence, £4.1m for other costs relating to advisory fees in respect of corporate strategy including other operating matters, and a net credit of £0.5m relating to reassessment of various provisions of the Group.

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.

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 2015 £m	Year ended 31 December 2014 £m
Directors' emoluments	**2.0**	2.0
Pension costs	**-**	-
Total	**2.0**	**2.0**
Remuneration of the highest paid director	**0.8**	**0.7**
	Number	**Number**
Number of directors accruing benefits under the defined contribution scheme	**-**	**-**

Employee benefit expense

Employee costs during the year / period (including Directors)	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Wages and salaries	**111.5**	93.0
Social security costs	**5.9**	5.5
Other pension costs	**1.3**	1.2
Total employee costs	**118.7**	**99.7**

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

		Year ended 31 December 2015 Number	Year ended 31 December 2014 Number
Average FTE number of persons employed[1]	- UK	**4,644**	3,651
	- International	**56**	58
		4,700	**3,709**

		Year ended 31 December 2015 Number	Year ended 31 December 2014 Number
Total number of persons employed[2]	- UK	**9,024**	7,110
	- International	**56**	46
		9,080	**7,156**

The total number of employees at the year ended 31 December 2015 includes all employees whether full time or part time. The average FTE number of employees has been calculated as the average FTE number of people who were included on the group's payroll during the year.

1. Average FTE 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:

	Year ended 31 December 2015			Year ended 31 December 2014		
	UK £m	International £m	Total £m	UK £m	International £m	Total £m
Due within one year	**170.3**	**3.6**	**173.9**	158.9	4.1	163.0
Due between two and five years	**700.4**	**14.4**	**714.8**	641.6	16.3	657.9
Due beyond five years	**2,933.6**	**46.8**	**2,980.4**	2,842.4	59.6	2,902.0
Total	**3,804.3**	**64.8**	**3,869.1**	**3,642.9**	**80.0**	**3,722.9**
	UK	**International**	**Total**	UK	International	Total
Average lease term remaining	**Years**	**Years**	**Years**	Years	Years	Years
Rent payable	**19.3**	**15.9**	**19.3**	**19.9**	**16.9**	**19.9**

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 upward only rent reviews, with the majority based on RPI indices (though some with caps and collars, some have a fixed up-lift review at 2.5% pa and subsequently to RPI, and others based on CPI), with Group only renewal rights at the end of the lease.

10 FINANCE INCOME

	Year ended 31 December 2015			Year ended 31 December 2014		
	Paid £m	Accrued £m	Total £m	Paid £m	Accrued £m	Total £m
Interest on bank deposits	0.4	0.1	**0.5**	0.2	-	**0.2**

11 FINANCE COSTS

	Year ended 31 December 2015			Year ended 31 December 2014		
	Paid £m	Capitalised / accrued £m	Total £m	Paid £m	Capitalised / accrued £m	Total £m
Finance fees	0.4	1.0	**1.4**	1.3	-	1.3
Interest on bank loans	14.8	11.6	**26.4**	9.2	17.3	26.5
Interest on obligations under finance leases	4.2	0.6	**4.8**	3.9	0.8	4.7
Unwinding of discount on provisions	-	0.8	**0.8**	-	1.9	1.9
Finance costs before Investor Loan interest	**19.4**	**14.0**	**33.4**	**14.4**	**20.0**	**34.4**
Investor Loan	-	16.1	**16.1**	-	16.2	16.2
Finance costs	**19.4**	**30.1**	**49.5**	**14.4**	**36.2**	**50.6**

12 INCOME TAX

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Current tax		
UK Corporation tax	-	-
Foreign tax	**(0.2)**	(0.2)
Deferred tax		
Origination and reversal of temporary timing differences (note 20)	**(5.1)**	(5.3)
Effect of change in tax rate	**1.5**	-
Income tax (charge) / credit	**(3.8)**	**(5.5)**

12 INCOME TAX (CONTINUED)

The main rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. Further changes are expected to the main rate of UK corporation tax – on 1 April 2017 there will be a reduction to 19%, with a further reduction to 17% from 1 April 2020.

Deferred tax balances have neen measured at a rate of 18%, being the rate substantively enacted at the balance sheet date.

Corporation tax is calculated at 20.25% (2014: 21.50%) of the estimated assessable profit for the year.

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

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Profit/(loss) before tax	**5.9**	**(25.5)**
Tax at the UK corporation tax rate of 20.25% (2014: 21.50%)	**(1.2)**	**5.5**
Tax effect of:		
Items not deductible for tax purposes	**(9.7)**	(5.0)
Capital allowances in excess of depreciation	**4.3**	1.0
Tax losses	**1.5**	(6.8)
Effect of change in tax rate	**1.5**	-
Foreign tax	**(0.2)**	(0.2)
Income tax (charge)/credit for the year	**(3.8)**	**(5.5)**

A tax charge of £3.8m arose in 2015. The tax charge arose principally of the movement on the deferred tax balance, and in particular relating to capital allowances claims and tax losses.

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)	9.5	(6.5)	(6.6)	**(3.6)**
Charge to income statement	**9.5**	**(6.5)**	**(6.6)**	**(3.6)**

13 SUBSIDIARIES

The subsidiaries of the Group are listed below.

Name of subsidiary undertaking	Business Description	Country of Incorporation	% of equity held
Travelodge Hotels Limited	Trading Company	Great Britain	100
Travelodge Hoteles Espana SL	Trading Company	Spain	100
Full Moon Holdco 4 Limited*	Holding Company	Great Britain	100
Full Moon Holdco 5 Limited	Holding Company	Great Britain	100
Full Moon Holdco 6 Limited	Holding Company	Great Britain	100
Full Moon Holdco 7 Limited	Holding Company	Great Britain	100
TLLC Holdings2 Limited	Holding Company	Great Britain	100
Travelodge Holdings (Malta) Limited	Holding Company	Malta	100
FullMoonPropco1 Limited	Holding Company	Great Britain	100
Travelodge Limited	Dormant Company	Great Britain	100

** Directly owned*
All shares held are ordinary shares

14 INTANGIBLE ASSETS

An analysis of other intangible assets for the year ended 31 December 2015 is given below:

	Brand £m	Assets under construction[1] £m	Lease premiums £m	IT Software £m	Total £m
Cost					
At 1 January 2015	145.0	2.2	285.0	7.7	439.9
Capital expenditure	-	6.2	-	-	6.2
Movement on capital creditors	-	0.7	-	0.6	1.3
Capitalisation	-	(4.8)	1.9	2.9	-
Write off fully depreciated assets	-	-	-	(1.4)	(1.4)
At 31 December 2015	**145.0**	**4.3**	**286.9**	**9.8**	**446.0**
Amortisation Accumulated					
At 1 January 2015	-	-	(27.9)	(1.8)	(29.7)
Charge for the year	-	-	(12.3)	(2.9)	(15.2)
Write off fully depreciated assets	-	-	-	1.4	1.4
At 31 December 2015	**-**	**-**	**(40.2)**	**(3.3)**	**(43.5)**
Carrying amount at 31 December 2015	**145.0**	**4.3**	**246.7**	**6.5**	**402.5**
Carrying amount at 31 December 2014	145.0	2.2	257.1	5.9	410.2

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

The brand intangible asset arose on the acquisition of Travelodge. This is not 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 cash 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 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 2015 is given below:

	Assets under construction[1] £m	Freehold land, freehold and long leasehold buildings £m	Assets held under finance leases £m	Fixtures and fittings £m	Total £m
Cost					
At 1 January 2015	0.2	1.8	18.3	86.2	106.5
Capital expenditure	44.8	-	-	0.1	44.9
Movement on capital creditors	0.4	-	-	(1.2)	(0.8)
Capitalisation	(44.0)	-	-	44.0	-
Write-down of fully depreciated assets	-	-	-	(5.5)	(5.5)
At 31 December 2015	**1.4**	**1.8**	**18.3**	**123.6**	**145.1**
Accumulated depreciation					
At 1 January 2015	-	-	(1.0)	(3.3)	(4.3)
Charge for the year	-	(0.1)	(0.4)	(21.9)	(22.4)
Write-back of depreciation on fully depreciated assets	-	-	-	5.5	5.5
At 31 December 2015	**-**	**(0.1)**	**(1.4)**	**(19.7)**	**(21.2)**
Net book value at 31 December 2015	**1.4**	**1.7**	**16.9**	**103.9**	**123.9**
Carrying amount at 31 December 2014	0.2	1.8	17.3	82.9	102.2

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 2015 £m	Year ended 31 December 2014 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	**5.6**	6.4
- Bad debt provision	**(0.1)**	(0.1)
- Net amounts receivable	**5.5**	6.3
Other amounts receivable	**3.1**	3.0
Prepayments and accrued income[1]	**34.7**	42.7
	43.3	**52.0**

1. 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 2015 £m	Year ended 31 December 2014 £m
Current	**4.1**	4.9
Past due		
30 days	**0.6**	0.4
60 days	**0.3**	0.3
90+ days	**0.5**	0.7
Total	**5.5**	**6.3**

17 TRADE AND OTHER PAYABLES

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Trade payables	**(17.0)**	(5.2)
Other payables	**(20.5)**	(3.8)
Social security and other taxation	**(7.3)**	(9.9)
Accruals	**(40.7)**	(37.3)
Prepaid room purchases [1]	**(23.9)**	(22.3)
Capital payables	**(7.1)**	(6.6)
Amounts falling due within one year	**(116.5)**	**(85.1)**
Amounts falling due after one year		
Deferred income	**(7.1)**	(5.3)
Total	**(123.6)**	**(90.4)**

1. Prepaid room purchases of £23.9m (2014: £22.3m) relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay. Of which 40% (2014: 40%) would be non-refundable on cancellation of the room booking.

The group 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 2015 £m	Capital liability 2015 £m	Minimum lease payments 2014 £m	Capital liability 2014 £m
Amounts payable under finance leases:				
Within one year	(4.5)	-	(4.2)	-
In the second to fifth years inclusive	(18.4)	-	(18.0)	-
Greater than five years	(347.3)	(31.1)	(352.2)	(30.5)
	(370.2)	(31.1)	(374.4)	(30.5)
Less: future finance charges	339.1		343.9	
Amount due for settlement after 12 months	(31.1)		(30.5)	

The group holds 5 properties (2014: 5 properties) which have been classified as finance leases with an average lease term of 49 years (2014: 50 years).

19 FINANCIAL ASSETS AND LIABILITIES

	Maturity Date	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Cash at bank and in hand		**76.9**	38.9
Bank debt redeemable:			
Senior 1st Lien	June 2017	**(335.9)**	(335.9)
Senior 2nd Lien	June 2018	**(35.5)**	(35.5)
Flare	June 2017	**(12.9)**	(22.9)
Bank debt		**(384.3)**	(394.3)
Net Bank debt		**(307.4)**	(355.4)
Investor Loan Note	January 2026	**(143.1)**	(127.0)
Net debt before finance leases		**(450.5)**	(482.4)
Finance leases		**(31.1)**	(30.5)
Net debt including finance leases		**(481.6)**	**(512.9)**

In addition, the group can utilise a letter of credit up to a maximum of £40.0m, at 31 December 2015 the Company utilised £16.0m (2014: £13.0m).

The weighted average interest rate paid in the year ended 31 December 2015 was 6.1% (2014: 1.1%).

The weighted average interest rate charged in the year ended 31 December 2015 was 6.1% (2014: 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.

Financial instrument categories	2015 Carrying amount £m	2015 Fair value £m	2014 Carrying amount £m	2014 Fair value £m
Loans and receivables[1]	**8.6**	8.6	9.3	9.3
Bank debt	**(384.3)**	(384.3)	(394.3)	(394.3)
Investor Loan Note	**(143.1)**	(143.1)	(127.0)	(127.0)
Financial liabilities[2]	**(75.7)**	(75.7)	(46.1)	(46.1)
	(594.5)	**(594.5)**	(558.1)	(558.1)

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

1. Loans and receivables of are made up of trade receivables £5.5m (2014: £6.3m) and other receivables £3.1m (2014: £3.0m).

2. Financial liabilities of £75.7m (2014: £46.1m) are made up of finance lease payables £31.1m (2014: £30.5m), trade payables £17.0m (2014: £5.2m), capital payables £7.1m (2014: £6.6m) and other payables £20.5m (2014: £3.8m).

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 group 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 2015, 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 2015.

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 2015 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 which are expected to be recovered or settled more than twelve months after the reporting period 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 2015	31.2	41.3	**72.5**	(82.0)	**(82.0)**	**(9.5)**
(Charge)/credit to income	(6.5)	(6.6)	**(13.1)**	9.5	**9.5**	**(3.6)**
At 31 December 2015	24.7	34.7	**59.4**	(72.5)	**(72.5)**	**(13.1)**

The main rate of UK corporation tax reduced from 21% to 20% on 1 April 2015. Further changes are expected to the main rate of UK corporation tax – on 1 April 2017 there will be a reduction to 19%, with a further reduction to 17% from 1 April 2020. Deferred tax balances have neen measured at a rate of 18%, being the rate substantively enacted at the balance sheet date.

21 PROVISIONS

	Total
	£m
At 1 January 2015	(31.0)
Cash spend	4.0
Reassessment in provisions	(0.9)
Unwinding of discount of provisions	(0.8)
Foreign exchange rate movement	0.1
At 31 December 2015	**(28.6)**

A discount rate of 4% (2014: 4%) being the risk free rate adjusted for property risk is used to calculate the net present value of the provisions.

Provisions of £28.6m can be analysed as: due in less than one year of £9.5m and due after one year of £19.1m which comprises onerous lease provisions of £16.6m relating to future rent and rates liabilities on sub leased historic restaurant units and vacant sites, £2.2m relating to five UK hotels where it is considered improbable that trading profits will be generated within a period of seven years and £9.8m 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 16 years and have been discounted at a risk free rate of 4%.

22 SHARE CAPITAL

	2015 & 2014 shares	2015 & 2014 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1

	2015 & 2014 shares	2015 & 2014 £
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 2015 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £1.2m (2014: £7.0m).

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 2015 the estimated annual contingent rental liability was £81k (2014: £81k), represented by 7 units (2014: 7 units) with an average annual rental cost per unit of £12k (2014: £12k) and an average lease term remaining of 34 years (2014: 35 years).

25 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, 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 2015. 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 (2014: £95.0m). The loan accrues interest at 17.0% per annum.

Interest accrued in the year is £16.1m (2014: £16.2m) and the total balance including accrued interest was £143.1m (2014: £127.0m). The loan note is due for repayment in 2026.

During 2014, certain property leases the group had previously 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 were unchanged as a result of the transaction. In the year ended 31 December 2015, the property costs charged on these leases were £35.9m (2014: £7.4m from transfer of ownership) and there were no balances outstanding at 31 December 2015.

26 NOTE TO THE CASH FLOW STATEMENT

	Year ended 31 December 2015			Year ended 31 December 2014		
	Before Exceptional Items £m	Exceptional Items[1] £m	Total £m	Before Exceptional Items £m	Exceptional Items £m	Total £m
Operating profit / (loss)	**62.9**	**(8.0)**	**54.9**	**30.3**	**(5.4)**	**24.9**
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	22.4	-	**22.4**	14.3	-	14.3
Amortisation of other intangible assets	15.2	-	**15.2**	16.0	-	16.0
Write-off of fixed assets (note 14 and 15)	-	-	**-**	-	4.7	4.7
Operating cash flows before movements in working capital	**100.5**	**(8.0)**	**92.5**	**60.6**	**(0.7)**	**59.9**
Increase in inventory	(0.1)	-	**(0.1)**	-	-	-
Movement in receivables	7.7	-	**7.7**	(4.5)	-	(4.5)
Movement in payables	17.3	3.8	**21.1**	16.5	(0.8)	15.7
Movement in provisions	(4.0)	0.9	**(3.1)**	(3.6)	0.4	(3.2)
Total working capital movement	**20.9**	**4.7**	**25.6**	**8.4**	**(0.4)**	**8.0**
CASH FLOWS FROM OPERATING ACTIVITIES	**121.4**	**(3.3)**	**118.1**	**69.0**	**(1.1)**	**67.9**

1. Exceptional items of £3.3m (2014: £1.1m) relate to expenses associated with a detailed property review, financial due diligence and other costs relating to advisory fees in respect of corporate strategy.

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

Report on the parent company financial statements

Our opinion

In our opinion, Thame and London Limited's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2015;
- 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.

What we have audited

The financial statements, included within the Report and financial statements (the "Annual Report"), comprise:

- the parent company balance sheet as at 31 December 2015; 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 the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("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 parent 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 2015.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 April 2016

PARENT COMPANY BALANCE SHEET
As at 31 December 2015

	Notes	2015 £m	2014 £m
FIXED ASSETS			
Investments	29	-	-
Debtors	30	143.1	127.0
TOTAL CURRENT ASSETS		143.1	127.0
NET CURRENT ASSETS		143.1	127.0
Creditors: Amounts falling due within one year	31	(3.0)	-
TOTAL ASSETS LESS CURRENT LIABILITIES		140.1	127.0
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Investor Loan	35	(143.1)	(127.0)
TOTAL LIABILIITES		(143.1)	(127.0)
NET LIABILITIES		(3.0)	-
CAPITAL AND RESERVES			
Called Up Share Capital	32	-	-
Profit and Loss account	34	(3.0)	-
TOTAL SHAREHOLDERS' FUNDS		(3.0)	-

These financial statements on pages 41 to 43 were approved by the Board of Directors and signed on its behalf by:

Joanna Boydell
6 April 2016

27 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS102) with certain exemptions of the reduced disclosure framework applied as detailed below. FRS102 was adopted by the Company in the year ended 31 December 2015.

The principal accounting policies adopted have been consistently applied throughout the year and are set out in note 28.

28 SIGNIFICANT ACCOUNTING POLICIES

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 FRS102 (section 33) 'Related party disclosure' 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 FRS102 (section 1), the Company is exempt from the requirement to prepare a cash flow statement as it has included the Company's cash flows in its own published consolidated financial statements.

29 INVESTMENTS

	Shares in subsidiaries £
Cost and net book value	
At 1 January 2015	1
At 31 December 2015	**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

	2015 £m	2014 £m
Amounts owed by Group undertakings	**143.1**	**127.0**

Amounts owed by Group undertakings are repayable on demand.

Interest accrued in the year is £16.1m (2014: £16.2m) and the total balance including accrued interest was £143.1m (2014: £127.0m).

31 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £m	2014 £m
Amounts owed to group undertakings	(1.3)	-
Other payables	(1.7)	-
Amounts falling due within one year	(3.0)	-

Amounts owed by Group undertakings are repayable on demand.

32 CALLED UP SHARE CAPITAL

	2014 & 2015 Number of shares	2014 & 2015 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1

	2014 & 2015 Number of shares	2014 & 2015 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1

33 PROFIT AND LOSS

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

The Company made a loss in the year of £3.0m (2014: £nil) due to £3.0m of exceptional costs consisting of £1.1m for financial due diligence and £1.9m for other costs relating to advisory fees in respect of corporate strategy including other operating matters.

34 PROFIT AND LOSS ACCOUNT

	2015 £m	2014 £m
At 1 January	-	-
Loss for the financial year	(3.0)	-
At 31 December	(3.0)	-

35 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, the Directors regard Anchor Holdings SCA as the ultimate parent undertaking and controlling party, a company incorporated in Luxembourg.

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Interest accrued in the year is £16.1m (2014: £16.2m) and the total balance including accrued interest was £143.1m (2014: £127.0m). The loan note is due for repayment in 2026.

36 TRANSITION TO FRS102

This is the first year that the Company has presented the results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There were no changes to the accounting policies of the Company, as a result of the transition, that required an adjustment to previously reported numbers.