Company Registration No. **08170768**

THAME AND LONDON LIMITED

Report and financial statements

For the year ended 31 December 2018

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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THAME AND LONDON LIMITED

STRATEGIC REPORT

Founded in 1985, Travelodge is one of the UK's leading hotel brands based on number of hotels and number of rooms operated. The group leased, franchised and managed 575 hotels and 43,840 rooms across the UK, Spain and Ireland at 31 December 2018. We operate in the attractive midscale and economy sector of the hotel market (as defined by Smith Travel Research) and are positioned as a low-cost operator, offering standardised, modern guest rooms at affordable prices to both business and leisure customers. Our brand currently has brand recognition of 97% among the UK population (as measured by YouGov BrandIndex), driven by our long-standing market presence, wide geographic network and effective national marketing initiatives.

We are a predominantly UK leasehold business, representing 98% of total revenue. In addition we operate eleven hotels under management contract in the UK, five leasehold hotels in Spain and twelve hotels under franchise in Ireland and Northern Ireland. We estimate we attracted approximately 19 million customers last year and 93% of our bookings were made through our direct channels. We employ almost 12,000 people across our hotels and support offices, the majority of whom work in our hotels on hourly paid contracts.

The Directors present the Strategic Report of the audited consolidated financial statements of Thame and London Limited for the year ended 31 December 2018. 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

Our strategic focus on location, price and quality has enabled Travelodge to deliver a set of excellent results. We extended our network of hotels, remained focused on delivering attractive prices and took another step forward on quality. Once again we outperformed our competitive segment and delivered another year of strong growth.

Travelodge delivered total revenue growth of 8.8% in 2018, with 3.2% like-for-like RevPAR growth and a significant contribution from new hotels opened since 2017.

We have continued to outperform our competitive segment with our like-for-like RevPAR growth 2.3pts ahead of the STR MSE segment, which grew by 0.9%.

This strong growth has helped to mitigate the impact of significant cost increases, particularly the National Living Wage, business rates and the costs associated with our improved occupancy. EBITDA (adjusted)[3] of £122.0m was up £9.6m on the prior year.

We opened 17 hotels in 2018 with a further 3 opened shortly after year-end.

Financial Highlights

- Total revenue **up 8.8%** to £693.3m (2017: up 6.6% to £637.1m)
- RevPAR[1] **up 3.2%** to £41.69 (2017: up 2.9% to £40.40)
- RevPAR growth **2.3pts ahead** (2017: 0.7pts ahead) of competitive segment[2]
- Occupancy[1] **up 2.5pts** to 78.5% (2017: 76.0%)
- Average room rate[1] maintained at £53.09 (2017: £53.13)
- EBITDA (adjusted)[3] **up £9.6m** to £122.0m (2017: £112.4m)
- Cash of **£81.8m** at 31 December 2018 (2017: £95.0m)

Operational Highlights

- **17 new hotels** opened in the year, further 3 shortly after the year end
- **'Premium economy' SuperRooms** rolled out across 47 hotels
- First **'budget chic' Travelodge Plus** hotels launched
- Network now 575 hotels/43,840 rooms (up 4%)[4]

(1) RevPAR is computed as the product of the Average Daily Rate for a specified period multiplied by the Occupancy for that period. Like-for-like ("LFL") RevPAR compares the RevPAR in FY 2018 vs. FY 2017 on the basis of RevPAR generated by hotels that were opened before 1 January 2017.

(2) Our principle benchmark competitive segment is the Midscale and Economy Sector of the UK hotel market as reported by Smith Travel Research (STR), an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance.

(3) EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items.

(4) As at 31 December 2018

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UK like-for-like RevPAR was up 3.2% to £41.69, 2.3pts ahead of the growth rate of the STR MSE segment, which was up 0.9% for the same period.

Our investments in an improved standard room product, 'SuperRooms' and 'Travelodge Plus' have helped attract a growing number of customers and we continue to use effective revenue management to optimise the balance between occupancy and rate growth. We grew UK like-for-like occupancy by 2.5pts to 78.5%, with UK like-for-like average room rate maintained at £53.09 (2017: £53.13).

The positive like-for-like sales growth, together with good growth in food and beverage sales and the contribution from our maturing new hotels opened since the beginning of 2017, has resulted in total revenue growth of 8.8% for the year, to £693.3m.

Cost increases were driven by the pressures on the like-for-like estate and the extra costs associated with additional new hotel openings.

In the like-for-like estate, the principal regulated cost pressures included the impact of the National Living Wage, higher business rates and changes to the rules regarding charges for payment cards. Operational costs were also higher as a result of the direct costs associated with our higher occupancy levels and higher utility costs in connection with weather patterns.

For new hotels, the cost increases principally reflect the additional lease costs, wages and other operating costs from a full year of operation for hotels opened in the prior year, and those costs from the date of completion of the 17 new hotels opened during the year.

We continued our ongoing productivity and efficiency programme and this helped to mitigate the overall impact of the cost pressures, and EBITDA (adjusted)[(3)] increased by £9.6m to £122.0m (2017: £112.4m).

The business continues to generate strong cash flow with a closing cash balance of £81.8m (2017: £95.0) at the period end. We also benefit from our long-term facilities including an undrawn £50m RCF.

Strategy

We continue to make good progress towards our aim of becoming the favourite hotel for value, by delivering our customers a combination of location, price and quality that suits their travel needs.

Location

We successfully opened 17 hotels in 2018, including our first new-build 'Travelodge Plus' hotel in the City of London, which continues to perform in line with expectations, alongside our other new and maturing hotels.

The Travelodge network stood at 575 hotels across the UK, Ireland and Spain at the end of 2018 with a further 3 opened shortly after the year end. At this early stage of the year we remain on track with our new opening programme for 2019. We expect to open 20 new hotels in the year with the majority scheduled to open in the final quarter.

Price

Our value proposition continues to support our strong revenue growth, including record food and beverage sales. Our investments in the website continue to deliver improvements to the customer journey. Targeted customer offers have helped to improve website conversion, driving increased occupancy and outperformance.

Quality

We continued to strengthen quality and choice for our guests, investing in our refit upgrade programme on the core estate, adding SuperRooms to 47 hotels and launching the first 6 'Travelodge Plus' hotels. We also completed the roll-out of our new Wi-Fi network as planned, offering customers improved speed and reliability.

We maintained our average 4 star TripAdvisor rating and increased our number of certificates of excellence during the year. In 2018, for the first time, we were ranked as one of TripAdvisor's top 10 Global 'Most Excellent' Large Hotel Chains. Our continued attractiveness to business customers looking to save money in travel costs was reflected in Travelodge winning 'Best Budget Hotel' at the 2019 Business Travel Awards.

Five year review 2013-2018

Since the launch of our new strategy five years ago, Travelodge has undergone a substantial transformation.

We have extended our hotel network, opening more than 60 new hotels and increasing our presence in key city centres, business parks and leisure destinations. We now have more than 575 hotels, operating across the UK, Ireland and Spain. More than 180 of our hotels now have on-site bar cafe restaurants. The changing shape of our network reflects the changes to the needs of our customers and we have come a long way from our original beginnings as a roadside hotel chain, with the majority of our revenues now coming from city centre locations.

We have remained true to our budget roots, continuing to offer attractive prices for both businesses and leisure customers alike. More than half of all Travelodge rooms are still sold for less than £50 per night, and we have welcomed thousands of new business accounts, many taking advantage of our business account card. Our occupancy has increased significantly and we have grown our RevPAR at a compound annual growth rate (CAGR) of 7.3%, almost 3 percentage points faster than our competitive segment, which grew at a CAGR of 4.4% over the same period.

We have made significant investments to improve the quality of our hotels. We undertook a £100m modernisation programme of our core estate, introducing a new-look design, bespoke Travelodge Dreamer beds and new separate beds for children in our family rooms. We now offer more choice for customers, with the addition of 'premium economy' SuperRooms that offer an extended choice of pillows, USB charging ports, a larger desk and a Lavazza coffee pod machine. We launched our first new 'budget chic' Travelodge Plus hotels in London, Edinburgh, York, Brighton and Gatwick Airport, featuring more stylish rooms and new-look restaurants. These improved quality levels culminated in Travelodge being named for the first time as one of TripAdvisor's Top 10 Global 'Most Excellent' Large Hotel Chains in 2019, and being recognised at the 2019 Business Travel Awards as 'Best Budget Hotel Brand'.

Our transformation has been made possible by the enormous hard work and commitment of our more than 10,000 colleagues across the UK, Ireland and Spain. We are therefore proud to have been able to ensure they have also shared in the benefits of our growth, through a significantly improved employment package. We have continued to invest in our Aspire training programme, which has seen hundreds of colleagues progress from entry-level roles into management. We ended the practice of out-sourcing housekeeping, bringing our housekeeping colleagues into our directly employed team, we abolished the use of zero hour contracts, introducing minimum guaranteed hours and offering more advance notice of shift patterns. We strengthened our record on gender diversity and the majority of hotel managers are now women. Our track record in helping colleagues grow their careers was reflected in record numbers of applicants for roles with Travelodge in 2018.

The net result of these changes has been a significant improvement in our key metrics:

	2013	**2018**	**Increase**
RevPAR	£29.36	£41.69	+ £12.33
Total Revenue	£432.6m	£693.3m	+ £260.7m
EBITDA (adjusted)[(3)]	£40.5m	£122.0m	+ £81.5m
Network Size (rooms)	38,295	43,840	+ 5,545 rooms

With the strength of the value sector, UK households still spending a relatively small percentage of household income on domestic hotels, the trend for businesses to choose budget and our platform of domestic scale, international bridgeheads and established franchise operations, we believe that once the current pressures abate, we are well positioned to build on our improved position in the years ahead.

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Outlook

The UK economic situation remains uncertain and there are well documented cost pressures facing the wider sector, which together lead us to maintain a cautious short-term outlook.

The first quarter of the year is our smallest in revenue terms and our lowest occupancy period, with typically lower levels of business and leisure demand. In the first 8 weeks of the year, the STR MSE segment has seen mixed trading. Overall the STR MSE segment RevPAR is down 2.3%[(1)], with relatively strong London growth offset by declining performance in the Regions. Travelodge has continued to outperform the segment, largely as a result of stronger occupancy. Our new opening programme remains on-track, with the majority of our new hotels for 2019 expected to open in the final quarter of the year.

Accounting Standards Update

In common with many other UK operators of long-term leases, the group will be required to adopt IFRS16, a new lease accounting standard, for accounting periods beginning on or after 1 January 2019.

The new standard will have no economic impact on the business and will not change the way the business is run. Initial views from our rating agencies are that it is also not expected to have an impact on their approach to rating the business.

It will, however, have a significant impact on the presentation of the financial statements including reported EBITDA, reported profit before tax and the balance sheet treatment of leasehold obligations. As at 1 January 2019, the standard will increase fixed assets, representing the right of use relating to leasehold obligations, by approximately £2.3bn and increase liabilities, representing the discounted value of future lease liabilities, by approximately £2.5bn. In addition, based on property leases in existence as at 1 January 2019, with a weighted average discount rate of 7.0%, we estimate that 2019 reported profit before tax will be reduced by approximately £50m-60m as a result of adopting the new standard.

Further details of the expected changes to the statements as a result of the standard can be found in the notes to the financial statements.

[1] *STR MS&E RevPAR growth 27 Dec 18 to 20 Feb 19*

STRATEGIC REPORT

Results

Results for the Group are for the full year ended 31 December 2018, with comparatives for the full year ended 31 December 2017.

	Year ended 31 Dec 2018 £m	Year ended 31 Dec 2017 £m	Var £m	Var %
Revenue by geographical region				
Revenue	**693.3**	**637.1**	**56.2**	**8.8%**
Revenue UK	680.1	624.0	56.1	9.0%
Revenue International	13.2	13.1	0.1	0.8%
Key income statement items				
Revenue	**693.3**	**637.1**	**56.2**	**8.8%**
Operating expenses	(374.4)	(341.7)	(32.7)	(9.6)%
Of which cost of goods sold	*(42.6)*	*(39.6)*	*(3.0)*	*(7.6)%*
Of which employee costs	*(165.6)*	*(150.2)*	*(15.4)*	*(10.3)%*
Of which other operating expenses	*(166.2)*	*(151.9)*	*(14.3)*	*(9.4)%*
Net external rent payable	(196.9)	(183.0)	(13.9)	(7.6)%
EBITDA (adjusted) (1)	**122.0**	**112.4**	**9.6**	**8.5%**
Rent free adjustment (2)	(1.9)	(2.4)	0.5	20.8%
Depreciation	(42.2)	(35.0)	(7.2)	(20.6)%
Amortisation	(16.6)	(16.5)	(0.1)	(0.6)%
Operating profit (before exceptional items)	**61.3**	**58.5**	**2.8**	**4.8%**
Finance costs before investor loan interest	(39.3)	(39.9)	0.6	1.5%
Investor loan interest	(14.3)	(14.3)	-	-
Finance income	0.9	0.3	0.6	200.0%
Income tax	0.9	(1.9)	2.8	147.4%
Profit for the year (before exceptional items)	**9.5**	**2.7**	**6.8**	**251.9%**
Exceptional items	(13.7)	(13.4)	(0.3)	(2.2)%
Loss for the year	**(4.2)**	**(10.7)**	**6.5**	**60.7%**

(1) - EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items (which is consistent with our internal management reporting and statutory reporting of our main UK trading entity under FRS 102). Exceptional items have been removed as they relate to non-recurring, one-off items.

(2) - In many of our leases we receive a rent free period at the beginning of the lease term. Under IFRS, the benefit of this rent free period is held as deferred income on our balance sheet and is recognised in our income statement as a deduction to the actual rent expense in each period, on a straight line basis, over the full life of the lease. As a result, our IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA in each period recognises the portion of the credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, which is the measure which is used for internal management reporting.

Revenue

Revenue increased by £56.2m, or 8.8%, from £637.1m for the year ended 31 December 2017 to £693.3m for the year ended 31 December 2018. This increase was primarily due to like-for-like UK RevPAR growth of 3.2%, maturity of the 15 new hotels opened in 2017 and the 17 new hotels opened in the year. We also achieved strong revenue growth in food and beverage. Like-for-like UK RevPAR growth of 3.2% was ahead of the STR MSE segment by 2.3pts, which showed growth of 0.9%. Spain's growth was impacted by the political uncertainty in Catalonia during the first half of the year.

Operating expenses

Operating expenses (before exceptional items) increased by £32.7m, or 9.6%, from £341.7m for the year ended 31 December 2017 to £374.4m for the year ended 31 December 2018. Cost increases were driven by a combination of occupancy growth, the cost pressures on the like-for-like estate and by increased costs from our new and maturing hotels opened since 2017.

Employee cost increases reflect the impact of the National Living Wage and pension auto-enrolment in the like-for-like estate and the new colleagues in our new hotels.

Other operating expenses are largely driven by higher utility costs as a result of price increases and the impact of weather-related usage, changes to the regulation of payment card charges and increases in business rates, as well as new hotels.

Net external rent payable (before rent free adjustment)

Net external rent payable (before rent free adjustment) increased by £13.9m, or 7.6%, from £183.0m for the year ended 31 December 2017 to £196.9m for the year ended 31 December 2018. This increase was primarily due to 17 new hotel openings during the year, the annualisation of 15 new hotel openings in 2017 and upwards only rent reviews predominantly linked to RPI.

Depreciation / amortisation

Depreciation increased by £7.2m, or 20.6%, from £35.0m for the year ended 31 December 2017 to £42.2m for the year ended 31 December 2018. This is mainly due to new hotel openings and investment in maintenance, refurbishment and upgrading our hotels to offer SuperRooms, Travelodge Plus and improved Wi-Fi.

Amortisation increased by £0.1m, or 0.6%, from £16.5m for the year ended 31 December 2017 to £16.6m for the year ended 31 December 2018. This is mainly due to ongoing website development.

Finance costs

Finance costs before investor loan interest decreased by £0.6m, or 1.5%, from £39.9m for the year ended 31 December 2017 to £39.3m for the year ended 31 December 2018. The decrease was primarily due to the lower bond interest costs following the refinancings in April 2017 and January 2018. Finance fees of £1.8m include the amortisation of capitalised finance fees and movement in the fair value of the swap option of £0.3m.

Finance income

Finance income of £0.9m for the year ended 31 December 2018 is bank interest received. The year on year increase of £0.6m from £0.3m for the year ended 31 December 2017 was primarily due to amounts received in respect of 2017 in April 2018 and an increase in the LIBOR rate during 2018.

Taxation

Income tax is recognised based on management's best estimate of the income tax rate expected for the financial year, which includes the impact of recently enacted legislation in relation to hybrid mismatches, corporate interest restriction and amendments to the use of carried forward losses.

There is an overall income tax credit of £0.9m for the period 1 January 2018 to 31 December 2018. This breaks down between a current tax charge of £1.9m and a deferred tax credit of £2.8m. The overall income tax charge of £1.9m for the period from 1 January 2017 to 31 December 2017 related to deferred tax only.

The current tax charge of £1.9m for the period from 1 January 2018 to 31 December 2018 relates to profits for the period charged at the current rate of corporation tax, including charges relating to items disallowed for tax purposes, offset by differences between accounting depreciation and capital allowances and the use of brought forward tax losses. The current tax charge principally arises as a result of the impact of the legislative changes in relation to the deductibility of interest and the use of carried forward losses. Also included in the current tax charge is £0.8m overseas tax relating to taxable profits arising from Spanish operations. There was no current tax charge for the period from 1 January 2017 to 31 December 2017.

The deferred tax credit of £2.8m for the period from 1 January 2018 to 31 December 2018 is made up of a current period charge of £2.8m and a prior period adjustment of £5.6m (credit). The current year deferred tax charge of £2.8m relates to differences between accounting depreciation and capital allowances as well as the use of brought forward tax losses, offset by changes in deferred tax on intangible assets and unrelieved interest. The prior period adjustment of £5.6m (credit) relates principally to an adjustment in the difference between accounting depreciation and capital allowances. The deferred tax charge for the period from 1 January 2017 to 31 December 2017 was £1.9m.

Cash tax payments of £0.7m were made during the year (2017: £nil).

Exceptional items

Exceptional items before taxation increased by £0.3m, or 2.2%, from £13.4m for the year ended 31 December 2017 to £13.7m for the year ended 31 December 2018.

Exceptional items before taxation of £13.7m for the year ended 31 December 2018 included £6.7m for the impairment of fixed assets, £6.6m for charges in respect of the costs of early redemption (which includes a charge of £0.5m relating to the release of prepaid fees following the partial repayment of the fixed rate bond), legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities. Also included are a net provision reassessment charge of £1.1m, a £0.8m loss relating to the surrender of the lease at the closed Gatwick Airport hotel and an inflow of £1.5m relating to the surrender of the lease at Cambridge Lolworth.

Exceptional charges of £13.4m for the year ended 31 December 2017 included £8.6m of charges in respect of the costs of early redemption, legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities, together with a charge of £3.2m relating to the relevant portion of 2016 prepaid fees released on repayment of the previous floating rate bond and a net rent provision reassessment charge of £2.9m, partially offset by other provision reassessment credits of £1.3m.

Cash flow

As at 31 December 2018, we had cash of £81.8m, a decrease of £13.2m compared to £95.0m as at 31 December 2017. The year-end cash balance is beneficially impacted by the timing of some rent and creditor payments which naturally fell shortly after year end.

Our cash cycle reflects the monthly payment of creditors and staff and fluctuates throughout the quarter with rent paid quarterly in advance around the end of each quarter. As a result, our quarterly cash position is generally at a low just after the end of March, June, September and December following payment of the quarterly rent bill, monthly creditor payments and payroll.

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

	2018	2017
	£m	£m
EBITDA (adjusted)	122.0	112.4
Working Capital	4.9	8.2
Capital Expenditure	(59.0)	(50.6)
Free cash flow	**67.9**	**70.0**
Net interest paid	(36.2)	(38.1)
Cash spend on provisions	(9.4)	(2.7)
Exceptional items	(1.2)	(9.1)
Other	(34.3)	1.0
Cash (outflow) / inflow	(13.2)	21.1
Opening external net debt[1]	(323.4)	(306.0)
Cash (outflow) / inflow	(13.2)	21.1
Other	(1.0)	(36.0)
Issue costs within debt	(1.4)	(2.5)
Closing external net debt[1]	(339.0)	(323.4)

(1) External net debt excluding finance leases

Working capital

Our working capital inflow of £4.9m in the year ended 31 December 2018 compared to an inflow of £8.2m in the year ended 31 December 2017 and is impacted mainly by the timing of creditor payments over the year ends.

Capital expenditure

Capital expenditure of £59.0m in the year to 31 December 2018 has mainly been in relation to on-going maintenance and refits, including SuperRooms and Travelodge Plus. We expect to refit the entire estate over a 7 to 8 year period, with interim works as appropriate in the heavier use hotels. Investment in IT and the energy efficiency projects as well as development pipeline spending have also contributed to spending.

Net interest paid

Net interest paid decreased by £1.9m from £38.1m for the year to 31 December 2017 to £36.2m for the year to 31 December 2018. The decrease was primarily due to the lower bond interest costs following the refinancings in April 2017 and January 2018.

Cash spend on provisions

Cash spend on provisions increased by £6.7m, relating mainly to the surrender of the lease at the closed Gatwick Airport hotel.

Exceptional items

Spend on exceptional items in 2018 and 2017 relates mainly to the costs of refinancing.

Other cash flows

Other cash outflows in 2018 relate to the repayment of accrued interest relating to the investor loan of £34.6m and corporation tax payments on account of £0.7m, partially offset by proceeds arising from the refinancing in January 2018 of £1.0m (repayment of the existing senior secured fixed rate sterling denominated notes of £29.0m, offset by the issue of new senior secured floating rate sterling denominated notes of £30.0m). In 2017 other cash inflows relate to proceeds arising from the refinancing in April 2017 of £36.0m (repayment of the existing senior secured floating rate sterling denominated notes of £100.0m and senior secured fixed rate sterling denominated notes of £29.0m, offset by the issue of new senior secured floating rate sterling denominated notes of £165.0m), partially offset by the repayment of accrued interest relating to the investor loan of £35.0m.

Funding, Covenant Compliance & Going Concern

The external net debt (excluding finance leases) of the Group is summarised below:

			31 Dec 18	31 Dec 17
			£m	£m
Bonds	-	Fixed rate	232.0	261.0
	-	Floating rate	195.0	165.0
	-	Issue costs	(6.2)	(7.6)
Secured Debt			**420.8**	**418.4**
Cash			**(81.8)**	**(95.0)**
External Net Debt			**339.0**	**323.4**

The total funding of the Group is summarised below:

	31 Dec 18	31 Dec 17
	£m	£m
Bonds	**420.8**	**418.4**
Unsecured (Loan Notes)	97.0	117.4
Total Funding	**517.8**	**535.8**

At 31 December 2018, the Group had utilised £14.8m of the Letter of Credit Facility (with a maximum amount of £30.0m) (2017 utilised: £14.9m) in favour of the Group's credit card acquirer and lease guarantees.

The Group refinanced in May 2016, issuing £390m of Bonds due May 2023, together with a £50m revolving credit facility (currently undrawn) and a £30m letter of credit facility. In April 2017 the Group refinanced again, repaying £129m of bonds and issuing £165m of new bonds, and in January 2018 the Group completed a further refinancing, repaying £29m of fixed rate bonds and issuing £30m of floating rate bonds.

Under our current financing structure covenants are generally tested upon the occurrence of an event rather than on an ongoing basis, failure to maintain a specified level of financial health will not cause a default under the Indenture so long as interest payments can be 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 May 2023 and no ongoing maintenance covenant tests unless the RCF is substantially drawn. The Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern into the foreseeable future.

Employee Involvement

Nearly 12,000 Travelodge colleagues work together to look after our customers each day.

We offer a wide range of roles, including front-line guest service positions and maintenance teams and a range of positions in our support centre.

With a mix of full-time and part time roles, we are an ideal employment choice for people who are looking to build their careers in hospitality, or fit work around other commitments, including working parents, students and people looking for a second career later in life.

New colleagues undergo an induction programme to support them in being successful in their role and further training is made available for team members to progress and advance their careers. Over more than thirty years, we have helped thousands of people grow their careers and make the journey from entry-level jobs to management positions. Our management development programme, 'Aspire' is central to our approach, helping delegates acquire practical management skills and secure promotion. Our colleagues develop through on the job training and some through professional qualifications.

The Group provides information to its team members through a number of internal channels, including an Equality & Diversity Governance Group which meets quarterly and considers a wide range of topics relating to initiatives and policy. We use the organisation's communication framework to engage the team in organisational initiatives.

We also collate feedback using an employee engagement survey to gauge opinions, gain important people insight and to enable actions to encourage high levels of engagement throughout the business.

Travelodge recognises the benefits of having a diverse workforce with different backgrounds and experiences, employed on ability and it supports this belief with clear policies on equality and diversity and a track record of strong representation at all levels from people of all backgrounds. Travelodge monitors the diversity of job applicants, as well as the composition of our existing workforce by each protected characteristic in order to support a culture of equality, diversity and inclusion. We remain committed to evolving our approach to ensure it is embedded as a way of life across the organisation.

Gender Diversity

Travelodge recognises the great benefits of having a diverse workforce with different backgrounds, solely employed on ability and it supports the belief with policies on equality and diversity.

Our workforce gender diversity is broadly in line with occupational gender trends in the wider UK hospitality industry, with high levels of female applications, particularly in housekeeping roles and strong career progression from these and other entry level roles into management positions. Travelodge monitors the composition of our existing workforce by each protected characteristic in order to support a culture of equality, diversity and inclusion. We remain committed to evolving our approach to ensure it remains embedded as a way of life across the organisation.

At 31 December 2018 the Group employed 11,714 people with the following gender breakdown:

	Female	**Male**
Board*	25%	75%
Senior Management (Ops Board)	38%	63%
Other	73%	27%
Total	**73%**	**27%**

* in addition there are 3 male non-executive Directors who are not employed by the Group.

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STRATEGIC REPORT

Human Rights

Travelodge firmly supports and endeavours to carry out its business in a manner compatible with the protection of individuals' human rights. The Company does this through its compliance with relevant legislation and through an insistence on ethical business practices. Where relevant Travelodge Hotels Limited has company policies that reflect the rights granted to individuals under the Human Rights Act 1998 as well as the UK Modern Slavery Act 2015. This included such areas as treatment and non-discrimination, data protection, equality and diversity and health and safety. Our statement as required by the Modern Slavery Act is available on our website.

Pensions

The Company offers a defined contribution pension scheme to its employees. Eligible employees are auto-enrolled into one of two schemes provided by Scottish Widows and NEST, with employer contributions 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, endeavouring 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 Primary Authority Partnerships with key enforcement agencies and externally with other organisations.

To aid us 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 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 assists us to prevent any reoccurrences and continually work to reduce risk to our customers and team.

Information Security

Travelodge is committed to ensuring that personal data including both our customers and staff members is held in a safe and secure manner.

It is Travelodge policy to manage information in compliance with the General Data Protection Regulations ("GDPR"), which replaced the Data Protection Act (1998) from May 2018. 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.

Travelodge also works within the provisions of PCI DSS 3.2, and is audited as a tier one merchant annually. Credit card information is secured through industry-standard encryption techniques.

Accessibility

As a business we recognise the wide range of customers that use our premises and aim to make them accessible to all. We 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 assist us to 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.

STRATEGIC REPORT

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 such as LED
- Carpet that is C2C (Cradle to Cradle) certified
- Aerated showers
- Full insulation
- Windows and external fixtures fitted accurately for minimum energy leakage
- Stipulated sites will have a BREEAM[(1)] Rating and green travel plans
- Smart meters installed
- Variable Refrigerant Flow (VRF) heating and cooling system
- Dual flush toilets
- Combined Heat & Power boilers

(1) BREEAM stands for Building Research Establishment Environmental Assessment Method. It is an established method of measuring the sustainability of buildings.

In addition to the above measures Travelodge works with energy consultants to consider future improvements, including during 2018 to begin a retrofit of common area and back office lighting to energy LED technology. Travelodge has an Energy Governance group whose responsibility is to monitor the changing energy landscape and provide guidance and recommendation to the business.

Engagement in the Community

Our charity partner is chosen by a company-wide team member vote. Since February 2017 our partner has been the British Heart Foundation and we have raised over £150,000 in 2018 for this charity. We raise funds through activities across the length and breadth of the country, from cricket matches to cycle rides and 'DECHOX diets'. We are also making life-saving CPR training available to colleagues, which commenced in 2017.

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 BHF as part of the online booking process.

For each customer who chooses to purchase their own Travelodge Dreamer bed, our partner Sleepeezee also makes a donation to our charity partner.

Risk Management

Travelodge has a risk management framework including internal controls to protect our business as far as reasonably possible against known and emerging risks and a periodic review of those controls to reduce the risk of failing to achieve our business objectives, in particular we seek to reduce the risk to:

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

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

Brexit risk

The UK electorate voted in favour of a UK exit from the EU, via an in-or-out referendum, which was held on June 23, 2016 ("Brexit"). A process of negotiation has commenced between the UK Government and the EU to determine the future terms of the United Kingdom's relationship with the European Union.

STRATEGIC REPORT

We are headquartered and tax domiciled in the United Kingdom and the consequences of Brexit could be materially adverse to our business, results of operations and financial condition. Despite the Article 50 Notice having been served, there remains insufficient information about the likely terms of the post-Brexit arrangements between the UK and the EU, as well as about any possible transitional arrangements, to draw any firm conclusions about the probable impact.

Depending on the terms of Brexit, the United Kingdom could lose access to the EU single market and to the global trade deals negotiated by the European Union on behalf of its members. Such a decline in trade could affect the attractiveness of the United Kingdom as a global investment centre and, as a result, could have a detrimental impact on UK growth. Uncertainty around the timing and terms of Brexit, as the UK government seek to implement the results of the referendum, could also have a negative impact on the UK economy. We could be adversely affected by reduced growth in the UK economy and greater volatility in the Pound. Changes to UK border and immigration policy could likewise occur as a result of Brexit, affecting the number of travellers to the United Kingdom and the freedom of employers to recruit staff from outside the United Kingdom. A portion of Travelodge's workforce comprises of non-UK EU citizens and a decline in the number of such citizens in the UK could have a detrimental effect on Travelodge's ability to recruit staff. While Travelodge is predominantly a domestic business, it is possible that any of the foregoing factors could have a material adverse effect on our business, results of operations or financial condition. There is also a risk of the creation of a data frontier between the UK and the EU: the inability to move data freely between the UK and EU countries might cause us, who rely on third party data hosting where that data is stored in EU countries, to efficiently operate our booking and reservation systems.

A cross functional team has developed, is developing and continues to review mitigation plans to these risks where appropriate and possible to do so, should any of the probable scenarios concerning Brexit crystallise.

Macroeconomic risk

Challenging macroeconomic circumstances or a further economic downturn in Europe, in particular the UK, or declines or disruptions in consumer discretionary spending could have a material adverse effect on our business, results of operations, financial condition or prospects.

Historically, the performance of the UK hotel industry has correlated with the strength of the UK economy generally. Within the UK hotel market, the value branded sector is the largest and has demonstrated strong growth and resilience. Other macro-economic factors also influence the demand for hotel accommodation from domestic travellers, particularly employment levels, wages, business and consumer spending, business and consumer confidence and reduced spending following terrorist attacks or other unexpected events. The performance of the UK hotel industry is also affected by the number of travellers coming to the UK from other countries.

Financial risk including inflation and interest rate risk

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

The costs we incur under our leases may increase, and we may not be able to pass on increased costs.

Most of our operating leases are standard triple net operating leases with typical commercial terms and an initial term of 25 years (although properties in city centers and in London are occasionally operated on an initial lease term of 35 years or longer). A triple net lease designates the lessee as solely responsible for all costs relating to the property, such as property tax, building maintenance and buildings insurance. Most of our leases are subject to standard five-yearly upwards-only rent reviews, indexed against the RPI, RPIX or, increasingly, the CPI. Some of these leases have caps and collars, thus granting us an upper and lower limit on the rent adjustment, usually at 4% and 1% respectively. A small number have fixed uplifts of about 2.5% per annum. Due to the high fixed-cost structure of our leased properties, an increase in rental cost may have a material adverse effect on our results of operations and financial condition.

Regulatory risk

The Group's industry is heavily regulated in addition to those health and safety, data or payment card regulations noted above. A failure to comply with regulatory requirements may result in a material adverse effect on our business, results of operations or financial condition. Travelodge takes its legislative responsibilities seriously and endeavours to ensure compliance with all relevant applicable laws.

STRATEGIC REPORT

Health and Safety risk

Failure to comply with environmental, health and safety laws and regulations, including emerging legislative or regulatory change in relation to building control or other fire certification, may result in a material adverse effect on our business. A major safety incident, such as a hotel fire or building defect, could result in serious injury to customers and colleagues, with attendant risk of reputation damage and litigation. 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.

The Group has policies and procedures which address Health and Safety risks alongside dedicated resource, systems and processes. Primary Authority Partnerships are established for fire, food and general Health & Safety. 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 and documented at internal Health & Safety meetings. At hotel level, a cycle of 'pit stop' training provides regular and systematic skills transfer, and hotel teams are briefed on their responsibilities and the Group's escalation mechanisms, covering incident, accident, disaster recovery and interaction with emergency services. To aid us 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. 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 meetings with their District colleagues.

The Group also maintains relevant insurance cover to an appropriate level both where required under regulation or where consider supportive to mitigate a specific risk.

Terrorism risk

Our operations are exposed to risks such as acts of terrorism, conditions of political instability, events of military action that could adversely affect domestic or international travel or may be adversely affected by natural disasters (including floods), contagious diseases, epidemics or acts of God.

Our results have been and will continue to be affected by political crises outside our control that affect the level of global travel and business activity, including terrorist attacks, war, and other political instability, whether occurring in the United Kingdom or elsewhere. Disruptions to our business operations as a result of political instability or other adverse conditions in the countries in which we operate could negatively affect our profitability, especially if such disruptions take place during peak travel periods. For example, the terror attacks that took place in London in 2005, affected our business by reducing the number of tourists visiting London and the United Kingdom. The occurrence and consequences of such events are unpredictable, and further attacks, political instability or military action could have a material adverse effect on the travel, hospitality and leisure industries in general, affecting the locations in which we operate and our business and results of operations.

Cyber risk

There is a risk that customer data, including payment card data, could be compromised, either by external or internal parties. The Group is committed to ensuring that customer data is held in a sensitive and secure manner and we maintain a Privacy Policy statement which is reviewed regularly.

The Group processes large numbers of transactions via its proprietary website and in-hotel payment systems. 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. With regard to credit card data, the Group works to the provisions of PCI DSS 3.2, and audits as a tier one merchant. All credit card information is kept confidential through industry-standard encryption techniques.

It is Group policy to manage information in compliance with relevant Data Protection regulations including the Data Protection Bill (2018) and General Data Protection Regulation. The Group reviews general data security regularly and invests in proportionate and appropriate resource, systems and processes to endeavour to ensure the security of its systems, its customer, card data, and its compliance with the regulatory requirements of both PCI DSS and data protection regulations.

STRATEGIC REPORT

The Group has invested in cyber insurance to mitigate the consequences of major unforeseen, or unavoidable service disruptions which might be caused by a cyber-related risk.

Continuity of booking and payment system risk

Failures of our website, pricing software or other technology systems, delays in the operation of our technology systems or system enhancement failures could reduce our revenue and profits and harm the reputation of our brand and our business.

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 could 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 back-up systems and seeks to remove or mitigate single points of failure. The Group also conducts on-going risk assessments and business continuity planning.

Competitor risk

The Group operates in a competitive industry with other branded competition and there is a risk that competitor actions or failure to compete effectively in the market could have a detrimental impact on the Group. The Group reviews the market continually, which is regularly reviewed in line with competitor decisions and actions.

Supplier risk

Our business depends on our relationships with our third-party suppliers and outsourcing partners. The Group is reliant on certain third-party 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 satisfactorily perform services to the Group, that our business would be interrupted. The Group and key suppliers meet regularly to consider operational, commercial and legal issues as appropriate and the Group maintains contingency plans where possible in the event of any key supplier failure.

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

Boydell

Joanna Boydell, CFO

4 April 2019

DIRECTORS' REPORT

The Directors present the Directors Report for the audited consolidated accounts for Thame and London Limited for the year ended 31 December 2018.

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 2018, with comparatives for the full year ended 31 December 2017.

For 2018, the Group made EBITDA (adjusted) of £122.0m (2017: £112.4m), Operating Profit of £49.0m (2017: £50.5m) and Loss Before Tax of £5.1m (2017: £8.8m).

Ownership

At 31 December 2018, the Directors regarded Anchor Holdings SCA Luxembourg as the ultimate controlling party.

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

GoldenTree Asset Management is an asset management firm that specialises in opportunities across the credit universe in sectors such as high yield bonds, leveraged loans, distressed debt, structured products, emerging markets and credit-themed equities. The firm was founded in 2000 with offices in New York, London and Singapore, and manages over $29 billion in assets under management.

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 and Milan, 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 pages 17 and 18.

Currency

The majority of the Group's revenue is earned in sterling. The majority of the Group's costs are paid 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.

DIRECTORS' REPORT

Taxation

The underlying current tax credit for the year of £0.9m breaks down between a current tax charge of £1.9m and a deferred tax credit of £2.8m. The overall income tax charge of £1.9m for the period from 1 January 2017 to 31 December 2017 related to deferred tax only.

Cash tax payments of £0.7m were made during the year (2017: £nil).

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

Boydell

Joanna Boydell, CFO

4 April 2019

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, Scottish & Newcastle plc, FirstGroup plc and Softcat 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.

Peter Gowers (Chief Executive Officer)

Peter is an experienced Chief Executive with a functional leadership background in strategy, marketing and operations.

Peter joined Travelodge in November 2013, having previously served as Chief Executive of the main market listed real estate investment trust, Safestore Holdings plc.

Prior to Safestore, Peter held a series of senior leadership roles with the international hotel group IHG plc, serving as Chief Executive, Asia-Pacific, and in group roles as Chief Marketing Officer, Head of Global Brand Services and Head of Strategy.

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

Peter 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 overseeing all of the Company's finance functions, as well as overseeing the legal, procurement and risk functions for the business.

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

Jo Boydell joined DFS Furniture plc in December 2018 as an Independent Non-Executive Director and became Chair of their Audit Committee on 1 April 2019.

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 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)

Mr. Ford is a Senior Portfolio Manager and Co-Head of Europe Strategy, with joint responsibility for directing the investment activities of the Avenue Europe Strategy.

Prior to joining Avenue in 2009, Mr. Ford 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, Mr. Ford 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, Mr. Ford was an Assistant Manager in the Banking & Capital Markets division of PricewaterhouseCoopers (London).

Mr. Ford 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.

THAME AND LONDON LIMITED

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

On behalf of the Board

Joanna Boydell

Director

4 April 2019

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Thame and London Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and financial statements (the "Annual Report"), which comprise: the consolidated and parent company balance sheets; the consolidated income statement and statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall group materiality: £3.1 million (2017: £2.8 million), based on 2.5% of EBITDA.
- Overall parent company materiality: £1.0 million (2017: £1.2 million), based on 1% of total liabilities.
- The focus of our work was over the main trading entity Travelodge Hotels Limited. We have also audited all UK statutory entities consolidated into the Group accounts and have confirmed with the auditors of the immaterial Spanish trading entity any matters of which we needed to be aware for the purpose of the Group audit.
- Impairment of hotel fixed assets (Group).
- Onerous lease provisions (Group).
- Disclosures around IFRS 16 (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of hotel fixed assets As at 31 December 2018, the carrying value of the lease premiums on the hotels is £206.8m (FY17: £221.5m). See note 14 for details of intangible assets. Management have performed a full fixed asset impairment review at the year end and have identified ten sites where the carrying amount exceeds the recoverable amount. An impairment charge of £6.7m has therefore been recorded in the income statement in relation to these sites. *Impairment of assets was a key area of focus as it involves high levels of judgement as to the future cashflows from each hotel.*	We have reviewed the impairment model prepared by management and the assumptions used, challenging the key inputs as follows: We have verified the completeness of the model and obtained explanations for why certain sites were not impaired, particularly if they were loss making in the prior year. For each of these sites, an impairment is not required as they are due to be profitable in the next few years. We evaluated the directors' future cash flow forecasts and the process by which they were drawn up, including comparing them to the latest Board-approved budgets. We challenged the directors' key assumptions for: • short-term sales growth rates and profit margins in the forecasts by comparing them to short-term historical results and economic industry forecasts • long-term growth rates in the forecasts by comparing them to long-term historical results and economic industry forecasts • the discount rate, by assessing the cost of capital for all cash generating units (CGUs), using our specialist valuations knowledge and comparing the Company's key inputs to externally derived data. Using our own independent analysis, we performed sensitivity analysis around the key drivers of the value in use, which were: • the discount rate • the projected EBITDA margins This was to identify how much each of these key drivers needed to change, either individually or collectively, before the assets were impaired. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the assets to be impaired, we considered the likelihood of such a movement in those key assumptions arising.

Key audit matter	*How our audit addressed the key audit matter*
	No significant issues were noted from our work.
Onerous lease provisions At 31 December 2018 the onerous lease provision was £12.0m (FY17: £19.7m). See note 21 for details. This represents provisions for loss making hotels, closed hotels and the rental shortfalls on co-located restaurants. The movement during the year related principally to the utilisation of provisions (£9.3m), £3.4m of additional provision recognised, £0.6m of discount unwind and (£2.3m) relating to a release of property provisions. *We focused on this area because the determination of whether or not an onerous lease provision is required involves significant judgement, including forecasting the future results of the hotel under lease by estimating future sales growth rates, profit margins and inflation rates and determining the discount rate for the calculations.*	We have reviewed management's model for identifying onerous leases, including reviewing the actual 2018 results by hotel and the 2019 forecast to confirm the accuracy and reasonableness of the cash flows used in the models, and challenging management regarding the rationale for those with provisions and those without. Based on these enquiries, we have concluded that no additional sites require provisions as at 31 December 2018. We have updated our understanding of the provisions in place through enquiry of management and have challenged the reasonableness of the key assumptions used in their estimates. We have tested the release of other provisions, and reviewed the utilisation. We concur with the treatment of this release as exceptional, in line with its original treatment. We also agree that the amounts provided are appropriate based on the evidence available. PwC Valuations have reviewed management's methodology and the resulting discount factor used by management for onerous lease provisions, and found that the discount rate used was marginally below the current acceptable range. A risk free rate (c. 1.3%) would be most appropriate for Travelodge's onerous leases, as solely the rental expense is being provided for. Management have added a premium to reflect the fact they are considering property interests which are less liquid than gilts. We sensitised this and noted that no material difference arose if 1.3% were used instead.
IFRS 16 IFRS 16 is a new accounting standard, effective for accounting periods commencing on or after 1 January 2019, which will bring a right-of-use asset and corresponding lease liability onto the balance sheet for every property lease held by the Travelodge Group. See Note 2 for details. This standard will have a significant impact on the Group financial statements. Travelodge have chosen to adopt the modified retrospective approach to the implementation of IFRS 16, calculating opening balances based on data as at 1 January 2019, rather than calculating balances from the commencement of the lease. They have implemented a new system in order to do this (Reportwise). The requirement this year relates to disclosure. Due to the materiality of the balances involved, we have designated this disclosure an elevated risk for the FY18 audit.	We have performed the following procedures to obtain sufficient comfort that the disclosures in the FY18 financial statements are accurate, complete and in line with the standard: • Reviewed disclosure in financial statements and compared to the requirements of IFRS 16; • Agreed the figures through to underlying workings and Reportwise output; • Understood the process for implementing Reportwise, and tested the inputs to the system by agreeing data points back to leases; and • Re-performed the ROU asset and lease liability calculation, and compared our result to the Reportwise output, investigating any material differences. We have reviewed the basis for the discount rates used, and assessed them for reasonableness, including performing sensitivity analysis. We have also confirmed with our Valuations team that the methodology and resulting discount rates used by management for their leases are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	*Parent company financial statements*
Overall materiality	£3.1 million (2017: £2.8 million).	£1.0 million (2017: £1.2 million).
How we determined it	2.5% of EBITDA.	1% of total liabilities.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, Earnings before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA), as defined in the Consolidated income statement, is the primary measure used by the shareholders and banks in assessing the performance of the group, and is a generally accepted auditing benchmark.	We believe that total liabilities is the key performance benchmark of the parent company as it is a holding company for the group and does not trade.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1.0m and £2.9m.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £154,000 (Group audit) (2017: £140,000) and £50,000 (Parent company audit) (2017: £100,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 21, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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 required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 April 2019

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

		Year ended 31 December 2018			Year ended 31 December 2017		
	Note(s)	Before exceptional items £m	Exceptional items £m	After exceptional items £m	Before exceptional items £m	Exceptional items £m	After exceptional items £m
Revenue	4	693.3	-	**693.3**	637.1	-	**637.1**
Operating expenses	6 / 7	(374.4)	(5.2)	**(379.6)**	(341.7)	(5.1)	(346.8)
Net rent	6 / 7	(198.8)	(0.4)	**(199.2)**	(185.4)	(2.9)	(188.3)
EBITDA after rent free adjustment	4	**120.1**	**(5.6)**	**114.5**	**110.0**	**(8.0)**	**102.0**
Depreciation / Amortisation	6 / 7	(58.8)	(6.7)	**(65.5)**	(51.5)	-	(51.5)
Operating profit/(loss)		**61.3**	**(12.3)**	**49.0**	**58.5**	**(8.0)**	**50.5**
Finance costs	11	(53.6)	(1.4)	**(55.0)**	(54.2)	(5.4)	(59.6)
Finance income	10	0.9	-	**0.9**	0.3	-	0.3
Profit/(loss) before tax		**8.6**	**(13.7)**	**(5.1)**	**4.6**	**(13.4)**	**(8.8)**
Income tax	12	0.6	0.3	**0.9**	(1.9)	-	(1.9)
Profit/(loss) for the year		**9.2**	**(13.4)**	**(4.2)**	**2.7**	**(13.4)**	**(10.7)**

All results are derived from continuing operations.

Memorandum - EBITDA (adjusted) [(1)]

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
EBITDA (adjusted) [(1)]	**122.0**	**112.4**
Rent free adjustment[(2)] (note 6)	**(1.9)**	(2.4)
EBITDA after rent free adjustment	120.1	110.0
Exceptional items	(5.6)	(8.0)
EBITDA after rent free adjustment and exceptional items	**114.5**	**102.0**

1. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items (which is consistent with our internal management reporting and statutory reporting of our main UK trading entity under FRS 102). Exceptional items have been removed as they relate to non-recurring, one-off items.

2. In many of our leases we receive a rent free period at the beginning of the lease term. Under IFRS, the benefit of this rent free period is held as deferred income on our balance sheet and is recognised in our income statement as a deduction to the actual rent expense in each period, on a straight line basis, over the full life of the lease. As a result, our IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, which is the measure which is used for internal management reporting and external bond reporting.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Loss for the year	(4.2)	(10.7)
Items that will subsequently be reclassified into profit and loss:		
Movement on fair value of cash flow hedges	(0.1)	(0.1)
Currency translation differences	0.3	(0.4)
Other comprehensive income / (expense) for the year, net of tax	**0.2**	**(0.5)**
Total comprehensive expense for the year	**(4.0)**	**(11.2)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share Capital £m	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total Equity £m
At 1 January 2018	-	**(0.6)**	**0.5**	**(89.5)**	**(89.6)**
Loss for the year	-	-	-	(4.2)	**(4.2)**
Other comprehensive (income) / expense					
Movement in fair value of hedging derivatives	-	-	(0.1)	-	**(0.1)**
Currency translation differences	-	0.3	-	-	**0.3**
Total comprehensive income / (expense)	-	**0.3**	**(0.1)**	**(4.2)**	**(4.0)**
At 31 December 2018	-	**(0.3)**	**0.4**	**(93.7)**	**(93.6)**

For the year ended 31 December 2017

	Share Capital £m	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total Equity £m
At 1 January 2017	-	**(0.2)**	**0.6**	**(78.8)**	**(78.4)**
Loss for the year	-	-	-	(10.7)	**(10.7)**
Other comprehensive expense					
Movement in fair value of hedging derivatives	-	-	(0.1)	-	**(0.1)**
Currency translation differences	-	(0.4)	-	-	**(0.4)**
Total comprehensive expense	-	**(0.4)**	**(0.1)**	**(10.7)**	**(11.2)**
At 31 December 2017	-	**(0.6)**	**0.5**	**(89.5)**	**(89.6)**

CONSOLIDATED BALANCE SHEET
As at 31 December 2018

	Note	2018 £m	2017 £m
NON CURRENT ASSETS			
Intangible assets	14	365.5	380.0
Property, plant and equipment	15	140.3	132.4
Financial derivative asset	19	-	0.7
Deferred tax asset	20	47.4	48.6
		553.2	561.7
CURRENT ASSETS			
Financial derivative asset	19	0.5	-
Inventory		1.1	1.0
Trade and other receivables	16	53.7	48.7
Cash and cash equivalents	19	81.8	95.0
		137.1	144.7
TOTAL ASSETS		690.3	706.4
CURRENT LIABILITIES			
Trade and other payables	17	(138.9)	(129.3)
Provisions	21	(1.7)	(2.0)
		(140.6)	(131.3)
NON-CURRENT LIABILITIES			
Bond related debt	19	(420.8)	(418.4)
Investor loan	19	(97.0)	(117.4)
Obligations under finance leases	18	(32.8)	(32.2)
Deferred tax liability	20	(60.5)	(64.5)
Deferred income	17	(15.3)	(11.2)
Provisions	21	(16.9)	(21.0)
		(643.3)	(664.7)
TOTAL LIABILITIES		(783.9)	(796.0)
NET LIABILITIES		(93.6)	(89.6)
EQUITY			
Share capital	23	-	-
Foreign exchange reserve		(0.3)	(0.6)
Cash flow hedge reserve	19	0.4	0.5
Accumulated losses		(93.7)	(89.5)
TOTAL EQUITY		(93.6)	(89.6)

Memorandum - Analysis of net funding	*£m*	*£m*
Cash at bank	*81.8*	*95.0*
External debt redeemable (excluding finance leases) :		
Fixed Rate Bond	*(232.0)*	*(261.0)*
Floating Rate Bond	*(195.0)*	*(165.0)*
Issue Costs	*6.2*	*7.6*
Gross debt	*(420.8)*	*(418.4)*
External net debt	*(339.0)*	*(323.4)*
Investor loan	*(97.0)*	*(117.4)*
Finance leases	*(32.8)*	*(32.2)*
Net Debt	*(468.8)*	*(473.0)*

These financial statements of Thame and London Limited on pages 27 to 48 were approved by the Board of Directors and signed on its behalf by:

Joanna Boydell
Director

4 April 2019

Thame and London Limited

Company registration number 08170768

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2018

	Note(s)	Year ended 31 December 2018	Year ended 31 December 2017
		£m	£m
CASH GENERATED FROM OPERATING ACTIVITIES	27	**117.1**	**113.1**
Corporate tax		**(0.7)**	**-**
NET CASH GENERATED FROM OPERATING ACTIVITIES		**116.4**	**113.1**
INVESTING ACTIVITIES			
Interest received	10	**0.8**	**0.2**
Purchases of property, plant and equipment and intangible assets	14 / 15	**(59.0)**	**(50.6)**
Net cash used in investing activities		**(58.2)**	**(50.4)**
FINANCING ACTIVITIES			
Finance fees paid (including exceptional items)	11	**(0.6)**	**(2.3)**
Interest paid	11	**(31.9)**	**(33.6)**
Finance lease payments	11	**(4.5)**	**(4.5)**
Issue of floating rate bonds	19	**30.0**	**165.0**
Repayment of fixed and floating rate bonds	19	**(29.0)**	**(129.0)**
Finance issue transaction costs	11	**(0.8)**	**(2.2)**
Repayment of accrued interest on investor loan	11 / 19	**(34.6)**	**(35.0)**
Net cash used in financing activities		**(71.4)**	**(41.6)**
Net (decrease) / increase in aggregate cash and cash equivalents		**(13.2)**	**21.1**
Cash and cash equivalents at beginning of the year		95.0	73.9
Cash and cash equivalents at end of the year		**81.8**	**95.0**

Memorandum - Analysis of free cash flow[1]	*Note(s)*	*Year ended 31 December 2018 £m*	*Year ended 31 December 2017 £m*
EBITDA (adjusted) [2]		***122.0***	***112.4***
Working capital[3]		***4.9***	***8.2***
Cash flows from operating activities before exceptionals		***126.9***	***120.6***
Capital expenditure	14 / 15	***(59.0)***	***(50.6)***
Free cash flow generated for the year		***67.9***	***70.0***
Non-trading cash flow			
Interest costs			
- bank interest paid	11	***(1.5)***	***(1.9)***
- bond interest paid	11	***(30.4)***	***(31.7)***
- finance fees paid	11	***(0.6)***	***(0.2)***
Interest income	10	***0.8***	***0.2***
Interest element of finance lease rental payments	11	***(4.5)***	***(4.5)***
Cash spend on provisions and exceptional items[4]		***(10.6)***	***(11.8)***
Corporate tax		***(0.7)***	***-***
Non-trading cash flow		***(47.5)***	***(49.9)***
Cash generated / (used)		***20.4***	***20.1***
Opening cash		***95.0***	***73.9***
Movement in cash		***20.4***	***20.1***
Net refinancing proceeds	19	***1.0***	***36.0***
Repayment of investor loan	11 / 19	***(34.6)***	***(35.0)***
Closing cash		***81.8***	***95.0***
Opening external net debt		***(323.4)***	***(306.0)***
Net increase / (decrease) in aggregate cash		***(13.2)***	***21.1***
Net refinancing		***(1.0)***	***(36.0)***
Net amortised bond transaction costs		***(1.4)***	***(2.5)***
Closing net debt	19	***(339.0)***	***(323.4)***

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

2. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items (which is consistent with our internal management reporting and statutory reporting of our main UK trading entity under FRS 102). Exceptional items have been removed as they relate to non-recurring, one-off items.

Reconciliation of net cash flows from operating activities before exceptionals to cash generated from operating activities (note 27)

Cash flows from operating activities before exceptionals	***126.9***	***120.6***
Cash spend on exceptional items through profit and loss	***0.1***	***(8.5)***
Cash spend on exceptional items through working capital[5]	***(9.9)***	***1.0***
Cash generated from operating activities	***117.1***	***113.1***

3. Working capital movement of £4.9m (2017: £8.2m) is before exceptional inflows of £5.2m (2017: £1.1m), cash spend on provisions of £(9.4)m (2017: £(2.7)m), and after rent free adjustment of £1.9m (2017: £2.4m). Working capital movement of £2.6m (2017: £9.0m) in note 27 to these financial statements is stated after exceptional movements and movement in provisions, and before rent free adjustment.

4. In 2018, cash spend on provisions and exceptional items of £10.6m includes transaction costs of refinancing the Travelodge Group of £0.9m and other costs of £10.4m, including the costs of early redemption, legal and advisor's fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities, plus £0.8m relating to the surrender of the lease at the closed Gatwick Airport hotel, partially offset by an inflow of funds related to the surrender of the lease at Cambridge Lolworth of £1.5m. In 2017, cash spend on provisions and exceptional items of £11.8m includes costs of refinancing of £8.7m, including costs of early redemption, legal and advisor's fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities and other costs of £3.1m.

5. Cash spend on exceptional items through working capital of £9.9m includes £9.4m cash spend on provisions and £0.5m spend relating to accruals.

1 GENERAL INFORMATION

Thame and London Limited, formerly Anchor UK Bidco Limited (the Company) is a private company limited by share capital 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 Strategic 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 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 to continue to trade into the foreseeable future (being at least for the 12 months from the date of approval 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, IFRS IC interpretations and the Companies Act 2006 applicable to Group reporting at 31 December 2018.

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. 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 .

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

New and Amended standards

The following new and amended standards are effective for the year ending 31 December 2018 and have been adopted in these financial statements:

IFRS 9, 'Financial Instruments'
IFRS 15, 'Revenue from contracts with customers'

The Company adopted IFRS 9 on January 1, 2018, the date of initial application. IFRS 9 has not had a material impact on the Group.

Effective January 1, 2018, the Group adopted IFRS 15 using the cumulative effect method, with the effect of adopting this standard recognized on January 1, 2018, the date of initial application. Accordingly, the information presented for 2017 has not been restated. It remains as previously reported under IAS 18 and related interpretations.

Adoption of IFRS 15 has not affected the accounting for any of the principal revenue streams of the Group and the total impact is immaterial and has been recognised in the income statement for 2018."

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 2018, and have not been early adopted:

- IFRS 16, 'Leases'

The group's assessment of the impact of adoption of this new standard is set out below.

In common with many other UK operators of long-term leases, the Group will be required to adopt IFRS 16, a new lease accounting standard, for accounting periods beginning on or after 1 January 2019. The Group's evaluation of the effect of adoption of this standard is now completed.

The new standard will have no economic impact on the business and will not change the way the business is run. Initial views from our rating agencies are that it is also not expected to have an impact on the rating of the business.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

It will, however, have a significant impact on the presentation of the financial statements including reported EBITDA, reported profit before tax and the balance sheet treatment of leasehold obligations. IFRS 16 will materially increase the Group's recognised assets and liabilities in the Consolidated Balance Sheet introducing right-of-use assets and lease liabilities calculated based on discounted future committed lease payments. It will also materially change the presentation and timing of recognition of charges in the Consolidated Income Statement. The operating lease expense currently reported under IAS 17, typically on a straight-line basis, within EBITDA (adjusted), will be replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability. This will result in increased 'lease-related expenses' being charged to the Consolidated Income Statement in the early years of a lease due to the front-loaded notional financing costs, significantly reducing reported Profit (Loss) Before Tax.

In addition, the presentation of the Consolidated Cash Flow Statement will be affected. Actual lease payments, which are currently part of Operating Profit / (Loss) or Movements in Payables within Net Cash Generated from Operating Activities, will now be split into a notional repayment of principal lease liability and a notional interest payment within financing activities. Cash flows from Operating Activities will be positively impacted and cash flows from Financing Activities will be negatively impacted by offsetting amounts of approximately £50m to £60m. Though presented in different parts of the Consolidated Cash Flow Statement, actual total pre-tax cash payments will remain unchanged.

In adopting IFRS 16 an entity is permitted to follow one of two approaches: the full retrospective approach or the modified retrospective approach. This is a single choice that must be applied to all leases. The Group has chosen to adopt the modified retrospective approach, which does not require restatement of comparative periods. Instead the cumulative impact of applying IFRS 16 is accounted for as an adjustment to equity at the start of the accounting period in which it is first applied, known as the 'date of initial application'. Discount rates will be applied to future committed lease payments to calculate the lease liability and are an area of significant judgement and estimation, particularly given the term of our leases.

The Group has calculated the impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below.

As at 31 December 2018, the Group had non-cancellable operating lease commitments of £4,394m.

Reconciliation of opening lease liability at 1 January 2019	Reported as per IAS 17 £m	IFRS 16 discount adjustment[2] £m	Reported as per IFRS 16 £m
Operating lease commitments (Note 9)	4,394	(2,101)	2,293
Existing finance leases	33	-	33
Lease commitments	4,427	(2,101)	2,326
Lessor only extension options[1]	790	(596)	194
Total lease commitments	5,217		
Discounted at 7.02%[2]		(2,697)	
Lease liability at 1 January 2019			**2,520**
Comprising:			
Lease liability in respect of leases previously classified as operating leases			2,487
Lease liability in respect of leases previously classified as finance leases			33
			2,520

[1] Lessor only extension options relate to additional lease liabilities required to be recognised under IFRS 16, where a landlord has a non-rebuttable option to extend a lease.

[2] The discount rate of 7.02% is the weighted average, by lease, of the estimated incremental borrowing rates calculated for each individual lease as at transition. The estimated incremental borrowing rate for each lease has been calculated, based on a number of factors, to approximate the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar nature to and value of the right-of-use asset, in a similar economic environment.

The balance sheet impact is further analysed as follows:	£m
Right of use asset in respect of leases previously classified as operating leases	2,336
Lease liability in respect of leases previously classified as operating leases	(2,487)
Deferred Tax Asset	26
Adjustment for prepayments, accruals and onerous lease provisions	(3)
Changes to Equity[3]	**(128)**

[3] The decrease in equity arises from those selected larger right-of-use property assets which have been measured on transition as if the new rules had applied from inception of the lease, rather than equal to the lease liability.

Based on property leases in existence as at 1 January 2019, with a calculated weighted average discount rate of 7.02%, we estimate that 2019 reported profit before tax will be reduced by approximately £50 - £60m as a result of adopting the new rules. The operating lease expense, currently reported under IAS 17 as rent payable within EBITDA (adjusted), will be replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The group has 5 property leases that were previously classified under IAS 17 as finance leases. For these leases the carrying amounts of the right-of-use asset and the lease liability at the date of initial application are equal to the carrying amounts of the lease asset and the lease liability immediately before that date as measured applying IAS 17. IFRS 16 is applied to such right-of-use assets and the lease liabilities from the date of initial application.

The group generates rent receivable from sub-leases of some of its properties. Its activities as a sub-lessor are not material and the group does not expect any changes to the way these sub-leases are reported in the financial statements. However, some additional disclosures will be required from next year.

The terms and conditions which govern the group's corporate bonds and banking facilities are based on "frozen GAAP", the GAAP in existence at the time of issue, and are therefore not affected by the adoption of IFRS 16. IFRS 16 is also not expected to have any impact on future strategy or commercial negotiations.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 2018. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Uniform accounting policies are adopted across the Group.

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition 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 Group's principal performance obligation is to provide budget hotel accommodation and other goods and services to guests. Revenue includes rooms revenue and food and beverage sales, which is recognised when the guests stay. When payment is received at the time of room booking, prior to arrival date, a liability for prepaid room purchases is recognised and held on the balance sheet. Revenue is recognised when the customer stays. A proportion of the prepaid room purchases would be non-refundable on cancellation of the room booking.

Under management agreements, the Group's performance obligation is to provide hotel management services. Base and incentive management fees are typically charged. Base management fees are typically a percentage of total hotel revenues and incentive management fees are generally based on the hotel's profitability. Both are treated as variable consideration. Base management fees are recognised as the underlying hotel revenues occur. Incentive management fees are recognised over time when it is considered highly probable that the related performance criteria will be met, provided there is no expectation of a subsequent reversal of the revenue.

Prepaid Room Purchases

Prepaid room purchases are where cash is received at the time of room booking, prior to arrival date. When the cash is received, a liability is held on the balance sheet. Revenue is recognised when the 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Transactions and balances
The presentational currency of the Group is sterling. Foreign currency transactions are translated into sterling using average exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Group companies
The presentational currency of the Group is 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 are translated into sterling at rates prevailing at the balance sheet date. Income statement items are translated at the average rates of exchange. All resulting exchange differences are recognised in other comprehensive income.

Taxation

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

The tax 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.

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 to other comprehensive income or to equity, in which case the deferred tax is also dealt with in other comprehensive income or 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 accumulated 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.

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 (see also 'Brand' policy above).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Derivative financial instruments and hedge accounting

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. Derivatives are not basic financial instruments. They are initially recognised at fair value, changes in which are recognised in profit or loss unless they are included in a hedging arrangement.

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses interest rate swap contracts to hedge these exposures and they are designated as cash flow hedges of floating rate borrowings. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives.

The fair value of the derivative financial instruments is shown as non-current if the maturity date of the hedged item is more than 12 months after the balance sheet date.

Changes in the fair value of the derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same year in which the hedge item affects net profit or loss.

Interest hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 16 for further information about the group's accounting for trade receivables.

Under the previous accounting policy, before the introduction of IFRS 9, trade receivables were initially measured at fair value. Appropriate allowances for estimated irrecoverable amounts were recognised in profit or loss when there was objective evidence that the asset was impaired. The allowance recognised was 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. The change in accounting policy under IFRS 9 did not have a material impact on the measurement of trade receivables.

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 a defined contribution scheme to its employees by way of recommending a third party stakeholder scheme with The Scottish Widows plc and the 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 2018 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.

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 at the date of acquisition 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 2019 - 21 and an estimated long term growth rate of 3.0% (2017: 2.5%). The key assumptions are consistent with past experience and with external sources of information. This is discounted at the pre-tax weighted average cost of capital of 8.8% (2017: 8.8%) which is calculated by dividing the assumed pre-tax cost of the debt and the investor notes by the value of the debt and the investor notes with a risk premium then added broadly based on 10 year government gilt. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained indefinitely and is therefore not amortised. A sensitivity was performed and confirmed that the royalty rate could be reduced to 1.0% or the discount factor rate would need to increase to 26.0% before an impairment is triggered.

Intangible assets and tangible assets - hotel assets

Significant judgement is involved in the process of identifying and evaluating hotel carrying values. These 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 Group prepares cash flow forecasts derived from the most recent financial budgets and financial plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated long term growth rate of 3.0% (2017: 2.5%). The key assumptions are consistent with past experience and with external sources of information. The resulting cash flows are discounted back at the Group's risk adjusted pre-tax weighted average cost of capital of 9.0% (2017 9.0%). When calculating the discount rate, the market-weighted average cost of capital for the sector was used based on a portfolio of similar hotel businesses. 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. A sensitivity performed concluded that a combined effect of a reduction in the growth rate to 2% and an increase in the discount rate to 10.05% would have no material impact to the reported numbers.

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 4.0% (2017: 4.0%) which represents a risk-free and pre-tax rate based on 25 year government gilt and further 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 2018 £m	Year ended 31 December 2017 £m
Revenue		
UK	**680.1**	**624.0**
International	**13.2**	**13.1**
	693.3	**637.1**
EBITDA (before exceptionals)		
UK EBITDA (adjusted) [1]	**120.4**	**110.5**
Rent free adjustment	**(1.9)**	**(2.4)**
UK after rent free adjustment	**118.5**	**108.1**
International	**1.6**	**1.9**
EBITDA after rent free adjustment	**120.1**	**110.0**
Operating profit before exceptionals		
UK	**59.9**	**56.7**
International	**1.4**	**1.8**
	61.3	**58.5**
Profit before tax before exceptionals		
UK	**7.1**	**2.7**
International	**1.5**	**1.9**
	8.6	**4.6**
Exceptional items (note 7)	**(13.7)**	**(13.4)**
Loss before tax	**(5.1)**	**(8.8)**

There is only one operating segment, which is the provision of budget hotel accommodation and related sales.

1. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items (which is consistent with our external bond reporting and statutory reporting of our main UK trading entity under FRS 102). Exceptional items have been removed as they relate to non-recurring, one-off items.

5 ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

		2018 £m	2017 £m
Assets			
Intangible assets		**365.5**	**380.0**
Trading assets	- UK[1]	**193.4**	**179.8**
	- International[2]	**1.7**	**2.3**
Non-trading assets[5]		**47.9**	**49.3**
Total operations		**608.5**	**611.4**
Cash		**81.8**	**95.0**
Total assets		**690.3**	**706.4**
Liabilities			
Trading liabilities	- UK[3]	**(167.2)**	**(156.3)**
	- International[4]	**(5.6)**	**(7.2)**
Non-trading liabilities[6]		**(60.5)**	**(64.5)**
Total operations		**(233.3)**	**(228.0)**
Bond related debt		**(420.8)**	**(418.4)**
Investor Loans		**(97.0)**	**(117.4)**
Finance lease creditor		**(32.8)**	**(32.2)**
Total liabilities		**(783.9)**	**(796.0)**
Net assets / (liabilities)			
Other Intangible assets		**365.5**	**380.0**
Trading net assets / (liabilities)	- UK	**26.2**	**23.5**
	- International	**(3.9)**	**(4.9)**
Non-trading assets[6]		**47.9**	**49.3**
		70.2	**67.9**
Non-trading net liabilities[5]		**(60.5)**	**(64.5)**
		375.2	**383.4**
Cash		**81.8**	**95.0**
Bond related debt		**(420.8)**	**(418.4)**
External net debt (before finance leases)		**(339.0)**	**(323.4)**
Investor Loan		**(97.0)**	**(117.4)**
Finance lease creditor		**(32.8)**	**(32.2)**
Net liabilities		**(93.6)**	**(89.6)**

1. UK trading assets of £193.4m (2017: £179.8m) comprise £139.8m (2017: £132.4m) of fixed assets, £37.7m (2017: £36.3m) of prepayments and accrued income, £7.1m (2017: £6.3m) of trade amounts receivable, £7.2m (2017: £3.8m) of other receivables and £1.1m (2017: £1.0m) of stock.

2. International trading assets of £1.7m (2017: £2.3m) comprise £1.7m (2017: £2.3m) of other receivables.

3. UK trading liabilities of £167.2m (2017: £156.3m) comprise £54.9m (2017: £52.7m) of accruals, £16.6m (2017: £19.0m) of provisions, £35.9m (2017: £33.2m) of prepaid room deposits, £7.3m (2017: £7.4m) of other payables, £12.7m (2017: £12.5m) of trade payables, £14.2m (2017: £10.7m) of taxation and other social security, £16.9m (2017: £12.0m) of deferred income, and £8.7m (2017: £8.8m) of capital payables.

4. International trading liabilities of £5.6m (2017: £7.2m) comprises £2.0m (2017: £4.0m) of provisions and £2.8m (2017: £3.2m) of trade payables and £0.8m (2017: £nil) of other payables.

5. Non-trading assets of £47.9m (2017: £49.3m) relate to deferred tax assets of £47.4m (2017: £48.6m) and financial derivative assets of £0.5m (2017: £0.7m).

6. Non-trading liabilities of £60.5m (2017: £64.5m) relate to deferred tax liabilities of £60.5m (2017: £64.5m).

6 NET OPERATING EXPENSES (BEFORE EXCEPTIONAL ITEMS)

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Cost of goods sold	**42.6**	39.6
Employee costs (note 8)	**165.6**	150.2
Fees payable to the Company's auditors[1]		
- audit for the parent company and consolidated financial statements	**0.2**	0.1
- audit fee for subsidiaries	**0.2**	0.2
Operating expenses	**165.8**	151.6
Net operating expenses before rent, depreciation and amortisation	**374.4**	**341.7**
Rent payable (third party landlords) for operating leases	**201.0**	186.8
Rent receivable	**(4.1)**	(3.8)
Net external rent payable	**196.9**	183.0
Rent free adjustment[2]	**1.9**	2.4
Net rent	**198.8**	**185.4**
Net operating expenses before depreciation and amortisation	**573.2**	**527.1**
Depreciation	**42.2**	35.0
Amortisation	**16.6**	16.5
Net depreciation and amortisation	**58.8**	**51.5**
Total net operating expenses	**632.0**	**578.6**

1. In the year ended 31 December 2018, remuneration for non audit fees was £0.3m (2017: £0.3m) mainly related to tax advice in 2018 and assistance with the refinancing process in 2017.

2. In many of our leases we receive a rent free period at the beginning of the lease term. Under IFRS, the benefit of this rent free period is held as deferred income on our balance sheet and is recognised in our income statement as a deduction to the actual rent expense in each period, on a straight line basis, over the full life of the lease. As a result, our IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, which is the measure which is used for internal management reporting and external bond reporting.

7 EXCEPTIONAL ITEMS (BEFORE TAXATION)

Exceptional items (before taxation) of £13.7m for the year ended 31 December 2018 included £6.7m for the impairment of fixed assets, £6.6m for charges in respect of the costs of early redemption (which includes a charge of £0.5m relating to the release of prepaid fees following the partial repayment of the fixed rate bond), legal and advisors' fees and management incentives relating to the restructuring of the Group's debt, and other exceptional corporate activities. Also included is £3.4m of additional provisions recognised, less a provision reassessment release of £2.3m, a £0.8m loss relating to the surrender of the lease at the closed Gatwick Airport hotel and an inflow of £1.5m relating to the surrender of the lease at Cambridge Lolworth.

In the financial year to 31 December 2017, exceptional charges of £13.4m include £8.6m of charges in respect of the costs of early redemption, legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities, together with a charge of £3.2m relating to the relevant portion of 2016 prepaid fees on repayment of the previous floating rate bond, and a net rent provision reassessment charge of £2.9m, partially offset by other provision reassessment credits of £1.3m.

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 2018 £m	Year ended 31 December 2017 £m
Directors' emoluments	**6.1**	**6.9**
Total	**6.1**	**6.9**
Remuneration of the highest paid Director	**2.8**	**2.7**
	Number	**Number**
Number of Directors accruing benefits under the defined contribution scheme	**-**	**-**

Employee benefit expense	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Employee costs during the year (including Directors)		
Wages and salaries	**154.0**	140.8
Social security costs	**9.0**	7.7
Other pension costs	**2.6**	1.7
Total employee costs	**165.6**	**150.2**

In 2018, £3.6m of directors emoluments (which exclude employers national insurance) (2017: £4.7m) was in respect of incentives paid in relation to the refinancing and other exceptional corporate activities, which have been charged to exceptional items (together with employers national insurance). There are further deferred amounts as part of these incentives, linked to continuing employment, which are due to be paid in December 2019, with further related amounts due to be charged to exceptional items over the year to December 2019.

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

		Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Average FTE number of persons employed[1]	- UK	**7,131**	6,671
	- International	**79**	69
		7,210	**6,740**

		Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Total number of persons employed[2]	- UK	**11,635**	11,071
	- International	**79**	69
		11,714	**11,140**

The total number of employees at the year ended 31 December 2018 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 2018			Year ended 31 December 2017		
	UK £m	International £m	Total £m	UK £m	International £m	Total £m
Due within one year	**206.3**	**4.6**	**210.9**	190.8	4.5	195.3
Due between two and five years	**861.4**	**18.2**	**879.6**	806.6	17.9	824.5
Due beyond five years	**3,258.4**	**45.0**	**3,303.4**	3,083.6	48.4	3,132.0
Total	**4,326.1**	**67.8**	**4,393.9**	**4,081.0**	**70.8**	**4,151.8**
	UK Years	**International Years**	**Total Years**	**UK Years**	**International Years**	**Total Years**
Average lease term remaining	**17.4**	**12.9**	**17.4**	**17.8**	**13.9**	**17.8**

The leases are standard operating leases with normal commercial terms, typically 25 years (though a number of city centre and London properties have 35 year terms), subject to standard upward only rent reviews, with the majority based on RPI indices (though some with caps and collars, some at open market value and others based on CPI), with Group only renewal rights at the end of the lease. The figures above exclude landlord options to extend leases. These will be brought in under IFRS 16.

10 FINANCE INCOME

	Year ended 31 December 2018			Year ended 31 December 2017		
	Received £m	Accrued £m	Total £m	Received £m	Accrued £m	Total £m
Interest on bank deposits	0.8	0.1	**0.9**	0.2	0.1	0.3
Finance income	**0.8**	**0.1**	**0.9**	**0.2**	**0.1**	**0.3**

11 FINANCE COSTS

	Year ended 31 December 2018			Year ended 31 December 2017		
	Paid £m	Accrued £m	Total £m	Paid £m	Accrued £m	Total £m
Finance fees	0.6	1.2	**1.8**	2.3	(0.5)	1.8
Interest on bank loans	1.5	(0.3)	**1.2**	1.9	(0.4)	1.5
Interest on fixed and floating rate bonds	30.4	0.1	**30.5**	31.7	(0.7)	31.0
Interest on obligations under finance leases	4.5	0.7	**5.2**	4.5	0.4	4.9
Unwinding of discount on provisions	-	0.6	**0.6**	-	0.7	0.7
Finance costs before interest on investor loan and exceptional items	**37.0**	**2.3**	**39.3**	**40.4**	**(0.5)**	**39.9**
Interest on investor loan	34.6	(20.3)	**14.3**	35.0	(20.7)	14.3
Finance costs before exceptional items	**71.6**	**(18.0)**	**53.6**	**75.4**	**(21.2)**	**54.2**
Exceptional items						
Fees in relation to restructuring of debt	0.8	0.6	**1.4**	2.2	3.2	5.4
Finance costs	**72.4**	**(17.4)**	**55.0**	**77.6**	**19.1**	**59.6**

12 INCOME TAX

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Current tax		
UK Corporation tax	**(1.1)**	-
Foreign tax	**(0.8)**	-
Total current tax (charge)	**(1.9)**	-
Deferred tax		
Origination and reversal of temporary timing differences	**(3.3)**	(3.2)
Adjustment in respect of previous periods	**5.6**	-
Effect of change in tax rate	**0.5**	1.3
Total deferred tax credit / (charge) (note 20)	**2.8**	(1.9)
Income tax credit / (charge)	**0.9**	**(1.9)**

The main rate of UK corporation tax was 20% up to 31 March 2017, and 19% thereafter. A further reduction in the main rate of UK corporation tax to 17% is due on 1 April 2020.

Deferred tax balances have been measured at a rate of 17%, being the rate substantively enacted at the balance sheet date.

Corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable profit for the year.

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

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Loss before tax	**(5.1)**	**(8.8)**
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	**(1.0)**	**(1.7)**
Tax effect of:		
Items not deductible for tax purposes	**5.5**	2.4
Non-qualifying depreciation / amortisation	**0.5**	-
Effect of change in tax rates	**(0.5)**	(1.3)
Effect of overseas tax rates	**0.2**	-
Adjustments from prior years	**(5.6)**	-
Restriction on interest expense	**-**	2.5
Income tax (credit) / charge for the year	**(0.9)**	**1.9**

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

	Intangible assets £m	Tax losses and hold-over relief £m	Accelerated tax depreciation £m	Total £m
(Credit) / charge due to movement in the year (note 20)	(4.0)	1.7	(0.5)	**(2.8)**
(Credit) / charge to income statement	**(4.0)**	**1.7**	**(0.5)**	**(2.8)**

As part of their review of the 2015 and 2016 tax returns, HMRC have requested information in relation to the group restructuring and refinancing in those years. The business has been responding to those information requests.

13 SUBSIDIARIES

The subsidiaries of the Group are listed below.

Name of subsidiary undertaking	Registered Office	Business Description	Country of Incorporation	% of equity held
Travelodge Hotels Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Trading Company	Great Britain	100
Travelodge Hoteles Espana SL	Calle Santa Leonor, 34, 28037, Madrid, Spain	Trading Company	Spain	100
Full Moon Holdco 4 Limited*	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 5 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 6 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 7 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
TVL Finance PLC	47 Esplanade, St Helier, Jersey, JE1 0BD	Financing Company	Great Britain	100
TLLC Holdings2 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Travelodge Holdings (Malta) Limited	The Landmark, Level 1, Suite 2, Triq L-Iljun, Qormi QRM3800, Malta	Holding Company	Malta	100
FullMoonPropco1 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Trading Company	Great Britain	100
Travelodge Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Dormant Company	Great Britain	100

** Directly owned*
All shares held are ordinary shares

14 INTANGIBLE ASSETS

An analysis of intangible assets for the year ended 31 December 2018 is given below:

	Brand £m	Assets under construction[1] £m	Lease premiums £m	IT Software £m	Total £m
Cost					
At 1 January 2018	145.0	4.4	284.2	13.9	447.5
Capital expenditure	-	6.3	-	-	6.3
Movement on capital creditors	-	-	0.4	(0.2)	0.2
Transfers	-	(6.8)	1.4	5.4	-
Write off fully depreciated assets	-	-	(0.2)	(3.0)	(3.2)
Disposals	-	-	(0.3)	-	(0.3)
At 31 December 2018	**145.0**	**3.9**	**285.5**	**16.1**	**450.5**
Accumulated amortisation					
At 1 January 2018	-	-	(62.7)	(4.8)	(67.5)
Charge for the year	-	-	(12.1)	(4.5)	(16.6)
Write off fully depreciated assets	-	-	0.2	3.0	3.2
Disposals	-	-	0.3	-	0.3
Impairment	-	-	(4.4)	-	(4.4)
At 31 December 2018	**-**	**-**	**(78.7)**	**(6.3)**	**(85.0)**
Carrying amount at 31 December 2018	**145.0**	**3.9**	**206.8**	**9.8**	**365.5**
Carrying amount at 31 December 2017	145.0	4.4	221.6	9.1	380.0

An analysis of intangible assets for the year ended Year ended 31 December 2017 is given below:

	Brand £m	Assets under construction[1] £m	Lease premiums £m	IT Software £m	Total £m
Cost					
At 1 January 2017	145.0	3.1	282.0	14.1	444.2
Capital expenditure	-	7.4	-	-	7.4
Movement on capital creditors	-	-	-	(0.5)	(0.5)
Transfers	-	(6.1)	2.2	3.9	-
Write off fully depreciated assets	-	-	-	(3.6)	(3.6)
At 31 December 2017	**145.0**	**4.4**	**284.2**	**13.9**	**447.5**
Accumulated amortisation					
At 1 January 2017	-	-	(50.6)	(4.0)	(54.6)
Charge for the year	-	-	(12.1)	(4.4)	(16.5)
Write off fully depreciated assets	-	-	-	3.6	3.6
At 31 December 2017	**-**	**-**	**(62.7)**	**(4.8)**	**(67.5)**
Carrying amount at 31 December 2017	**145.0**	**4.4**	**221.5**	**9.1**	**380.0**
Carrying amount at 31 December 2016	145.0	3.1	231.4	10.1	389.6

1. Assets under construction predominantly consists of costs in relation to the construction of new hotels which have not opened yet and investment in IT. Once complete the costs are transferred to the appropriate asset category.

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.

In line with it's accounting policy, the Group assesses underperforming hotels for impairment. The Group prepares cash flow forecasts derived from the most recent financial budgets and plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated long term growth rate of 3.0% (2017: 2.5%). The key assumptions are consistent with past experience and with external sources of information. The resulting cash flows are discounted back at the Group's risk adjusted pre-tax weighted average cost of capital of 9.0% (2017 9.0%). When calculating the discount rate, the market-weighted average cost of capital for the sector was used based on a portfolio of similar hotel businesses. 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. A sensitivity performed concluded that a combined effect of a reduction in the growth rate to 2% and an increase in the discount rate to 10.05% would have no material impact to the reported numbers.

An impairment of £4.4m was made in 2018 (2017: £nil).

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 the year ended 31 December 2018 is given below:

	Assets under construction[1] £m	Freehold land, freehold and long leasehold buildings[2] £m	Assets held under finance leases £m	Fixtures and fittings £m	Total £m
Cost					
At 1 January 2018	3.7	1.8	18.3	178.4	202.2
Capital expenditure	52.7	-	-	-	52.7
Movement on capital creditors	-	-	-	(0.3)	(0.3)
Transfers	(55.0)	-	-	55.0	-
Write-down of fully depreciated assets	-	-	-	(34.5)	(34.5)
Disposals	-	-	-	(0.1)	(0.1)
At 31 December 2018	**1.4**	**1.8**	**18.3**	**198.5**	**220.0**
Accumulated depreciation					
At 1 January 2018	-	(0.2)	(2.3)	(67.3)	(69.8)
Charge for the year	-	-	(0.5)	(41.7)	(42.2)
Write-back of depreciation on fully depreciated assets	-	-	-	34.5	34.5
Disposals	-	-	-	0.1	0.1
Impairment	-	-	-	(2.3)	(2.3)
At 31 December 2018	**-**	**(0.2)**	**(2.8)**	**(76.7)**	**(79.7)**
Carrying amount at 31 December 2018	**1.4**	**1.6**	**15.5**	**121.8**	**140.3**
Carrying amount at 31 December 2017	3.7	1.6	16.0	111.1	132.4

An analysis of property, plant and equipment for the year ended 31 December 2017 is given below:

	Assets under construction[1] £m	Freehold land, freehold and long leasehold buildings[2] £m	Assets held under finance leases £m	Fixtures and fittings £m	Total £m
Cost					
At 1 January 2017	3.4	1.8	18.3	142.4	165.9
Capital expenditure	43.2	-	-	-	43.2
Movement on capital creditors	-	-	-	2.9	2.9
Transfers	(42.9)	-	-	42.9	-
Write-down of fully depreciated assets	-	-	-	(9.8)	(9.8)
At 31 December 2017	**3.7**	**1.8**	**18.3**	**178.4**	**202.2**
Accumulated depreciation					
At 1 January 2017	-	(0.2)	(1.8)	(42.6)	(44.6)
Charge for the year	-	-	(0.5)	(34.5)	(35.0)
Write-back of depreciation on fully depreciated assets	-	-	-	9.8	9.8
At 31 December 2017	**-**	**(0.2)**	**(2.3)**	**(67.3)**	**(69.8)**
Carrying amount at 31 December 2017	**3.7**	**1.6**	**16.0**	**111.1**	**132.4**
Carrying amount at 31 December 2016	3.4	1.6	16.5	99.8	121.3

1. Assets under construction predominantly consists of on-going maintenance and refits, including SuperRooms and Travelodge Plus. Once complete the costs are transferred to the appropriate asset category.

2. Includes Freehold land stated at cost of £20,100 (2017: £20,100) which is not depreciated.

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.

In line with it's accounting policy, the Group assesses underperforming hotels for impairment. Impairment reviews are performed annually at the Group's year end of 31 December. The Group prepares cash flow forecasts derived from the most recent financial budgets and financial plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated long term growth rate of 3.0% (2017: 2.5%). The key assumptions are consistent with past experience and with external sources of information. The resulting cash flows are discounted back at the Group's risk adjusted pre-tax weighted average cost of capital of 9.0% (2017: 9.0%). When calculating the discount rate, the market-weighted average pre-tax cost of capital for the sector was used based on a portfolio of similar hotel businesses. 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. A sensitivity performed concluded that a combined effect of a reduction in the growth rate to 2% and an increase in the discount rate to 10.05% would have no material impact to the reported numbers.

An impairment of £2.3m was made in 2018 (2017: £nil).

16 TRADE AND OTHER RECEIVABLES

	31 December 2018 £m	31 December 2017 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	**7.5**	6.3
- Bad debt provision	**(0.4)**	(0.2)
- Net amounts receivable	**7.1**	6.1
Other amounts receivable	**8.9**	6.3
Accrued income	**1.8**	1.3
Prepayments[1]	**35.9**	35.0
	53.7	**48.7**

1. Prepayments 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.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The group estimates expected credit losses based on historical experience. The transition from IAS 39 to IFRS 9 has had no material impact on the expected loss allowance or its movements in the year. Trade receivables are all considered stage 2, except for £0.1m of stage 3 assets.£0.2m (2017: £0.1m) was recognised in the profit and loss in the year in respect of bad debts written off or provided for.

Trade Receivable Ageing	31 December 2018 £m	31 December 2017 £m
Current	**6.0**	4.6
Past due		
30 days	**0.4**	0.7
60 days	**0.3**	0.5
90+ days	**0.8**	0.6
Total	**7.5**	**6.3**

17 TRADE AND OTHER PAYABLES

	31 December 2018 £m	31 December 2017 £m
Trade payables	**(15.5)**	(15.7)
Other payables	**(8.1)**	(7.4)
Social security and other taxation	**(14.2)**	(10.7)
Accruals	**(54.9)**	(52.7)
Deferred income[1]	**(1.6)**	(0.8)
Prepaid room purchases[2]	**(35.9)**	(33.2)
Capital payables	**(8.7)**	(8.8)
Amounts falling due within one year	**(138.9)**	**(129.3)**
Amounts falling due after one year		
Deferred income[1]	**(15.3)**	(11.2)
Total	**(154.2)**	**(140.5)**

1. Certain hotel leases include a rent-free period at the beginning of the lease term. Under IFRS, the benefit of this rent free period is held on the balance sheet and is recognised in the income statement as a deduction to the actual rent expense in each period, on a straight line basis, over the full life of the lease.

2. Prepaid room purchases of £35.9m (2017: £33.2m) relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay, of which 47% (2017: 42%) would be non-refundable on cancellation of the room booking. Customer stays are within 1 year of the booking date so contract liabilities at the start of the period are recognised within revenue in the year.

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 2018 £m	Minimum lease payments 2017 £m
Amounts payable under finance leases:		
Within one year	**(4.5)**	**(4.6)**
In the second to fifth years inclusive	**(20.1)**	**(19.6)**
Greater than five years	**(341.6)**	**(346.6)**
	(366.2)	**(370.8)**
Less: future finance charges	**333.4**	**338.6**
Amount due for settlement after 12 months (Capital liability)	**(32.8)**	**(32.2)**

The Group holds 5 properties (2017: 5 properties) which have been classified as finance leases with a weighted average lease term remaining of 46 years (2017: 47 years).

Capital liability due within one year is £nil (2017: £nil)

19 FINANCIAL ASSETS AND LIABILITIES

	Maturity Date	31 December 2018 £m	31 December 2017 £m
Cash at bank and in hand		**81.8**	95.0
External debt redeemable:			
Fixed Rate Bond	May 2023	**(232.0)**	(261.0)
Floating Rate Bond	May 2023	**(195.0)**	(165.0)
Issue Costs		**6.2**	7.6
External debt		**(420.8)**	(418.4)
Net external debt		**(339.0)**	(323.4)
Investor Loan Note	January 2026	**(97.0)**	(117.4)
Net debt before finance leases		**(436.0)**	(440.8)
Finance leases		**(32.8)**	(32.2)
Net funding including finance leases		**(468.8)**	**(473.0)**

Senior secured notes
Senior secured fixed rate sterling denominated notes of £290.0m were issued on 10 May 2016 with a termination date of 11 May 2023. Of these, £29.0m were repaid on 28 April 2017, and a further £29.0m were repaid on 3 January 2018. Interest is fixed at 8.5% and is payable on a semi-annual basis.

Senior secured floating rate sterling denominated notes of £100.0m were issued on 10 May 2016 with a termination date of 11 May 2023. These were repaid on 28 April 2017 with early repayment fees of £2.1m applied. Interest was floating at three month LIBOR plus a margin of 7.5%.

New senior secured floating sterling denominated notes of £165.0m and £30.0m were issued on 28 April 2017 and 3 January 2018 respectively, with a termination date of 15 May 2023. Interest is floating at three month LIBOR plus a margin of 4.875% and is payable on a quarterly basis.

Revolving credit facility
A sterling denominated revolving credit facility of £50m is available to the Group until April 2022. At 31 December 2018, no drawings on this facility had been made.

Letter of credit facility
The letter of credit facility has a maximum usage of £30.0m and is available until April 2022. At 31 December 2018, the group had utilised £14.8m.

Issue costs
Costs incurred in issuing the senior secured sterling denominated notes, revolving credit and letter of credit facility have been deducted from the fair value of the notes and facilities, which are carried at amortised cost.

Investor loan note
The interest rate charged on the investor loan is 15%. During the year, £34.6m of the loans' outstanding capitalised interest was repaid (following a repayment of £35.0m in 2017).

The weighted average interest rate paid in the year ended 31 December 2018 was 7.1% (2017: 7.4%), and the weighted average interest rate charged in the year ended 31 December 2018 was 7.1% (2017: 7.4%).

19 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	Finance Leases	Fixed rate bond	Floating rate bond	Total External Debt	Investor loan note	Total
	£m	£m	£m	£m	£m	£m
Balance at 1st January 2018	(32.2)	(261.0)	(165.0)	**(458.2)**	(117.4)	**(575.6)**
Finance lease repayments in year	4.6	-	-	**4.6**	-	**4.6**
Interest on obligations under finance leases	(5.2)	-	-	**(5.2)**	-	**(5.2)**
Bonds repaid in year	-	29.0	-	**29.0**	-	**29.0**
Bonds issued in the year	-	-	(30.0)	**(30.0)**	-	**(30.0)**
Accrued investor loan interest repaid in year	-	-	-	-	34.7	**34.7**
Accrued investor loan interest	-	-	-	-	(14.3)	**(14.3)**
Net movement in year	(0.6)	29.0	(30.0)	**(1.6)**	20.4	**18.8**
Balance at 31st December 2018	**(32.8)**	**(232.0)**	**(195.0)**	**(459.8)**	**(97.0)**	**(556.8)**

A comparison of the carrying value and fair value of the Group's financial assets and liabilities is shown below.

	2018	2018	2017	2017
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial instrument categories				
Cash and Cash Equivalents	**81.8**	**81.8**	95.0	95.0
Loans and receivables[1]	**17.8**	**17.8**	13.7	13.7
Financial derivative asset	**0.5**	**0.5**	0.7	0.7
Bond related debt	**(420.8)**	**(432.3)**	(418.4)	(451.5)
Investor Loan Note	**(97.0)**	**(97.0)**	(117.4)	(117.4)
Financial liabilities[2]	**(138.6)**	**(138.6)**	(139.8)	(139.8)
	(556.3)	**(567.8)**	(566.2)	(599.3)

1. Loans and receivables are made up of trade receivables £7.1m (2017: £6.1m), other receivables of £8.9m (2017: £6.3m) and accrued income of £1.8m (2017: £1.3m).

2. Financial liabilities of £138.6m (2017: £139.8m) are made up of finance lease payables £32.8m (2017: £32.2m), provisions £18.6m (2017: £23.0m), trade payables £15.5m (2017: £15.7m), capital payables £8.7m (2017: £8.8m), accruals £54.9m (2017: £52.7m) and other payables £8.1m (2017: £7.4m).

Loans and receivables and financial liabilities (excluding finance lease payables) are due within one year.

Interest rate hedge (swap)
The Group uses an interest rate hedge to manage its exposure to interest rate movements relating to the old floating rate bonds. Contracts with nominal values of £100m (2017: £100m) have fixed interest payments at a rate of 0.376% (2017: 0.376%) and have floating rate interest receipts at LIBOR for periods up to and including August 2019.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Swaption
On 30 June 2017, Travelodge entered into a swaption in relation to the new senior secured floating sterling denominated notes of £165m.

The swaption commences on 15 May 2019 and terminates on 15 May 2021. If, on 15 May 2019, LIBOR is greater than 1.5%, Travelodge will receive a cash settlement on the difference between LIBOR and 1.5% on £100m to cover a portion of the scheduled quarterly payments on the floating rate notes of £165m, up to 15 May 2021.

If, on 15 May 2019, LIBOR is less than 1.5%, the product will not be activated and will expire.

At 31 December 2018, the fair value of the swaption was £0.1m.

	Level 1 £m	Level 2 £m	Level 3 £m	31 December 2018 Total £m
Financial assets measured at fair value through profit and loss				
Derivatives (interest rate swaps)	-	0.4	-	0.4
Swaption	-	0.1	-	0.1
Total Derivatives	-	0.5	-	**0.5**

	Level 1 £m	Level 2 £m	Level 3 £m	31 December 2017 Total £m
Financial assets measured at fair value through profit and loss				
Derivatives (interest rate swaps)	-	0.5	-	0.5
Swaption	-	0.2	-	0.2
Total Derivatives	-	0.7	-	**0.7**

Cash flow hedge reserve
The fair value of the Group interest rate hedge reserve is £0.4m (2017: £0.5m). This interest rate hedge is designated and effective as a cash flow hedge and the movement in fair value of £(0.1)m (2017: £(0.1)m) has been taken through equity.

Risk
Capital risk management: The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns 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, and uses an interest rate hedge and a swaption to generate the desired interest profile. £100m of fixed rate bonds of £195m are hedged.

Given the Group's hedging position at 31 December 2018 a small movement in interest rates will not materially affect the group's interest profile, however the group's net profit and cash interest payment would increase or decrease by £0.2m if interest rates increased or decreased by 25 basis points. Similarly the fair value of the Group's interest rate hedge would, if interest rates increased or decreased by 25 basis points, move via equity by £0.2m and £(0.2m) respectively.

19 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 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 2018, 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 Group 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.

	Tax losses and hold-over relief £m	Accelerated tax depreciation £m	Deferred tax asset £m	Intangible assets £m	Deferred tax liability £m	Total £m
At 1 January 2018	25.4	23.2	**48.6**	(64.5)	**(64.5)**	**(15.9)**
(Charge)/credit to income	(1.7)	0.5	**(1.2)**	4.0	**4.0**	**2.8**
At 31 December 2018	23.7	23.7	**47.4**	(60.5)	**(60.5)**	**(13.1)**

The main rate of UK corporation tax was 20% up to 31 March 2017, and 19% thereafter. A further reduction in the main rate of UK corporation tax to 17% is due on 1 April 2020. Deferred tax balances have been measured at a rate of 17%, being the rate substantively enacted at the balance sheet date.

21 PROVISIONS

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
At 1 January	(23.0)	(23.2)
Cash spend	9.4	2.7
Reassessment in provisions	(1.1)	(1.6)
Unwinding of discount of provisions	(0.6)	(0.7)
Foreign exchange rate movement	-	(0.2)
Transfer from accruals	(3.3)	-
At 31 December	**(18.6)**	**(23.0)**

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
The balance can be analysed as:		
Due in less than one year	**(1.7)**	**(2.0)**
Due in greater than one year	**(16.9)**	**(21.0)**
	(18.6)	**(23.0)**

A discount rate of 4% (2017: 4%) being the pre-tax risk free rate adjusted for property risk is used to calculate the net present value of the provisions.

Provisions of £18.6m (2017: £23.0m) comprise onerous lease provisions of £2.6m (2017: £8.9m) relating to future rent and rates liabilities on sub leased historic restaurant units, £9.4m (2017: £10.7m) relating to twelve UK hotels and two Spanish hotels where it is considered improbable that trading profits will be generated within a period of 7 years and £6.6m (2017: £3.4m) 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 12 years and have been discounted at a pre-tax risk free rate of 4.0% (2017: 4.0%).

The £1.1 reassessment includes additional provisions totalling £3.4m offset by a release of £2.3 in respect of existing provisions.

22 POST BALANCE SHEET EVENTS

In January 2019 the following subsidiary companies were reinstated, having previously been struck off at Companies House: TLLC Holdings3 Limited (direct investment), TLLC Holdings4 Limited, TLLC Holdings5 Limited and TLLC 2018 Limited (previously TLLC Limited).

In March 2019, all shares in TLLC 2018 Limited were transferred from TLLC Holdings5 Limited to TLLC Holdings2 Limited and it is the intention to strike off TLLC Holdings3 Limited, TLLC Holdings4 Limited and TLLC Holdings5 Limited by the end of June 2019.

23 SHARE CAPITAL

	2018 & 2017 shares	2018 & 2017 £
Authorised:		
Ordinary shares of £0.000001 each	**1,000,000**	**1**
	1,000,000	**1**

	2018 & 2017 shares	2018 & 2017 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	**1,000,000**	**1**
	1,000,000	**1**

24 CAPITAL COMMITMENTS

Contracted future capital expenditure not provided for in these financial statements predominantly relates to expenditure on the refurbishment and maintenance of current hotels. At 31 December 2018 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £5.5m (2017: £5.7m).

25 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 2018 the estimated annual contingent rental liability was £61k (2017: £61k), represented by 5 units (2017: 5 units) with an average annual rental cost per unit of £12k (2017: £12k) and an average lease term remaining of 36 years (2017: 37 years).

26 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2018, 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 2018. 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 (2017: £95.0m). £34.6m of the accrued interest relating to this loan was repaid during 2018 (following a repayment of £35.0m in 2017). The loan accrues interest at 15.0% (2017: 15.0%) per annum.

Interest accrued in the year is £14.3m (2017: £14.3m) and the total balance including accrued interest was £97.0m (2017: £117.4m). 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 arm's length basis to an entity which is controlled by the Group's ultimate owners. Some of the these property leases were sold back to an external third party in 2016, with the remainder also being sold in 2018. All terms of these property leases and the value the Group is liable to pay were unchanged as a result of these transactions. In the year ended 31 December 2018, the property costs charged until transfer of ownership were £9.8m (2017: £24.4m) and there were no balances outstanding at 31 December 2018.

Of the total fees paid as part of the Group's refinancing (see note 19), an amount of £0.2m was paid to a financial institution which is related to one of the parent undertakings (2017: £0.8m was paid to a syndicate of financial institutions).

27 NOTE TO THE CASH FLOW STATEMENT

	Year ended 31 December 2018			Year ended 31 December 2017		
	Before Exceptional Items £m	Exceptional Items[1] £m	Total £m	Before Exceptional Items £m	Exceptional Items £m	Total £m
Operating profit / (loss)	**61.3**	**(12.3)**	**49.0**	**58.5**	**(8.0)**	**50.5**
Adjustments for non-cash items:						
Exceptional items	-	-	-	-	2.1	**2.1**
Depreciation of property, plant and equipment	42.2	-	**42.2**	35.0	-	**35.0**
Amortisation of other intangible assets	16.6	-	**16.6**	16.5	-	**16.5**
Impairment of fixed assets (notes 14 and 15)	-	6.7	**6.7**	-	-	-
Operating cash flows before movements in working capital	**120.1**	**(5.6)**	**114.5**	**110.0**	**(5.9)**	**104.1**
Movement in inventory	(0.1)	-	**(0.1)**	0.4	-	**0.4**
Movement in receivables	(4.8)	-	**(4.8)**	(1.6)	-	**(1.6)**
Movement in payables	11.7	4.1	**15.8**	11.8	(0.5)	**11.3**
Movement in provisions	(9.4)	1.1	**(8.3)**	(2.7)	1.6	**(1.1)**
Total working capital movement	**(2.6)**	**5.2**	**2.6**	**7.9**	**1.1**	**9.0**
CASH FLOWS FROM OPERATING ACTIVITIES	**117.5**	**(0.4)**	**117.1**	**117.9**	**(4.8)**	**113.1**

1. Exceptional items of £12.3m (2017: £8.0m) for the year ended 31 December 2018 included £6.7m (2017: £nil) for the impairment of fixed assets, £5.2m for charges, of which £4.1m (2017: £(0.5)m) were non cash in respect of the costs of early redemption, legal and advisors' fees and management incentives relating to the restructuring of the Group's debt, and other exceptional corporate activities. Also included is a net provision reassessment charge of £1.1m, a £0.8m loss relating to the surrender of the lease at the closed Gatwick Airport hotel and an inflow of £1.5m relating to the surrender of the lease at Cambridge Lolworth.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Deficit £m
Balance at 1 January 2018	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2018	-	(3.0)	(3.0)

For the year ended 31 December 2017

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Deficit £m
Balance as at 1 January 2017	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2017	-	(3.0)	(3.0)

PARENT COMPANY BALANCE SHEET
As at 31 December 2018

	Note	2018 £m	2017 £m
FIXED ASSETS			
Investments	3	-	-
CURRENT ASSETS			
Debtors	4	**97.0**	**117.4**
TOTAL CURRENT ASSETS		**97.0**	**117.4**
TOTAL ASSETS		**97.0**	**117.4**
Creditors: Amounts falling due within one year	5	**(3.0)**	**(3.0)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**94.0**	**114.4**
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Investor Loan	9	**(97.0)**	**(117.4)**
NET LIABILITIES		**(3.0)**	**(3.0)**
CAPITAL AND RESERVES			
Called Up Share Capital	6	-	-
Profit and Loss account	8	**(3.0)**	**(3.0)**
TOTAL SHAREHOLDERS' DEFICIT		**(3.0)**	**(3.0)**

The Company made a result in the year of £nil (2017: result of £nil).

These financial statements on pages 49 to 52 were approved by the Board of Directors and signed on its behalf by:

Boydell

Joanna Boydell
Director

4 April 2019

7 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 result in the year of £nil (2017: result of £nil).

8 PROFIT AND LOSS ACCOUNT

	2018 £m	2017 £m
At 1 January 2018	**(3.0)**	(3.0)
Result for the financial year	**-**	-
At 31 December 2018	**(3.0)**	(3.0)

9 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2018, 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 2018. 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 (2017: £95.0m). £34.6m of the accrued interest relating to this loan was repaid during 2018 (following a repayment of £35.0m in 2017). The loan accrues interest at 15.0% (2017: 15.0%) per annum.

Interest accrued in the year is £14.3m (2017: £14.3m) and the total balance including accrued interest was £97.0m (2017: £117.4m). The loan note is due for repayment in 2026.

1 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.

The principal accounting policies adopted have been consistently applied throughout the year and are set out in note 2.

2 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 (2017: nil).

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.

3 INVESTMENTS

	Shares in subsidiaries £
Cost and net book value	
At 1 January 2018	1
At 31 December 2018	**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 investments 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.

4 DEBTORS

	2018 £m	2017 £m
Amounts owed by Group undertakings	**97.0**	**117.4**

Amounts owed by Group undertakings are repayable on demand.
Amounts owed by group undertakings have fallen because £34.6m of accrued interest relating to the investor loan was repaid during the year.

Interest accrued in the year is £14.3m (2017: £14.3m) and the total balance including accrued interest was £97.0m (2017: £117.4m). Interest is accrued at 15% (2017: 15%).

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £m	2017 £m
Amounts owed to group undertakings	**(3.0)**	(3.0)
Amounts falling due within one year	**(3.0)**	(3.0)

Amounts owed by Group undertakings are repayable on demand.

6 CALLED UP SHARE CAPITAL

	2018 & 2017 Number of shares	2018 & 2017 £
Authorised:		
Ordinary shares of £0.000001 each	**1,000,000**	**1**
	1,000,000	**1**

	2018 & 2017 Number of shares	2018 & 2017 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	**1,000,000**	**1**
	1,000,000	**1**