

Company Registration No. 08170768

THAME AND LONDON LIMITED

Report and financial statements

For the year ended 31 December 2016

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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THAME AND LONDON LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

OFFICERS AND PROFESSIONAL ADVISORS

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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 owned, leased, franchised and managed 543 hotels and 40,847 rooms across the UK, Spain and Ireland at 31 December 2016. 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 over 90% among the UK population (as measured by a YouGov brand tracking survey), driven by our long-standing market presence, wide geographic network and effective national marketing initiatives.

We are a predominantly UK leasehold business, representing over 98% of total revenue. In addition we operate twelve 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 18 million customers last year and almost 90% of our bookings were made through our direct channels. We employ approximately 10,500 people across our hotels and support offices, the majority of whom work in our hotels on hourly paid contracts with flexible hours of work.

The Directors present the Strategic Report of the audited consolidated financial statements of Thame and London Limited for the year ended 31 December 2016. Thame and London Limited ("T&L") is the holding company of the Travelodge group ("Travelodge" or "The Group"), including Travelodge Hotels Limited ("THL") the principal trading company of Travelodge UK.

Summary

We continue to make good progress on our strategy to raise quality levels, increase our share of the business market and deliver excellent value to our customers. In 2016 Travelodge delivered good revenue growth and market outperformance alongside strong growth in new openings. Revenue growth was principally driven by good like for like RevPAR⁽¹⁾ growth of 2.5%, the contribution from new hotels, improved conversion rates from our upgraded website, continued growth from business customer sales and increased food & beverage sales.

EBITDA was ahead of last year's record results, with higher sales, cost efficiencies and lower above the line marketing costs offsetting cost increases, which include a number of regulated cost increases such as the introduction of the National Living Wage and rent re-sets in connection with our restructuring.

During 2016 we opened 19 new hotels, including sites in London, Birmingham, Manchester and Glasgow in line with our target for 2016.

Financial Highlights

- Total revenue **up 6.8%** to £597.8m (2015: £559.6m)
- RevPAR⁽¹⁾ **up 2.5%** to £39.34 (2015: £38.38)
- RevPAR⁽¹⁾ growth **1.2pts ahead** of competitive segment⁽²⁾
- Average room rate⁽¹⁾ up 3.1% to £51.70 (2015: £50.13)
- Occupancy⁽¹⁾ down 0.5 percentage points to 76.1% (2015: 76.6%)
- EBITDA **up £5.0m** to £110.1m (2015: £105.1m)
- Cash of **£73.9m** at 31 December 2016

Operational Highlights

- Strong performance from 'Travelodgical' business-focused advertising campaign
- Continued growth from business customers, with encouraging results from new business account programme and business website upgrade
- Food & beverage sales up 14% driven by the upgraded food & beverage offer
- Strong development momentum - 19 new hotels opened in the year
- Estate now stands at 543 hotels and 40,847 rooms at 31 December 2016

(1) Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis.

(2) Our 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.

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UK like-for-like RevPAR was up 2.5% to £39.34, outperforming the growth rate of the STR Midscale and Economy Sector, which was up 1.4% for the same period.

More widely, the growth rate of the UK hotel market was slower than the prior year, with a weaker London market offset by better regional performance. Against this backdrop, we continued to make progress on our strategy and this resulted in further sales growth and outperformance.

We continue to use effective revenue management to optimise the balance between occupancy and rate growth. As a result UK like-for-like occupancy was down slightly, by 0.5 percentage points, to 76.1% (2015: 76.6%). However, UK like-for-like average room rate was up 3.1% to £51.70 (2015: £50.13), principally driven by continued growth from business customers and improved conversion rates from our upgraded website, supported by effective yield management.

These positive like-for-like sales results, together with a strong contribution from our recently opened and maturing new hotels, resulted in total revenue growth of 6.8% for the year to £597.8m.

In 2016, EBITDA grew by £5.0m to £110.1m (2015: £105.1m). The increase in hotel rents, where strong trading triggered a rent re-set in line with the arrangements made under our 2012 restructuring, together with the impact of the National Living Wage were more than offset by the total revenue increase noted above and lower marketing costs. Other operating costs remained tightly controlled.

The business continues to generate strong operating cashflow, with a closing cash balance of £73.9m at the end of the year. Following our refinancing in the second quarter we have long-term facilities in place including the benefit of an undrawn £50m RCF facility.

Strategy

Investing in Quality

Following our modernisation programme we have a well invested estate. We expect to continue to invest to maintain the quality of our estate and we have commenced our standard refit cycle in 2017 with an aim to refit the entire estate over a c. 7 year period, together with interim works as appropriate in the heavier use hotels, with flexibility to adjust the phasing of spend depending on market conditions.

We also upgraded our desktop and mobile websites to improve the booking experience, and our new breakfast offer has led to record levels of food and beverage sales with annual growth of 14%.

We have continued to invest in upgrading the capabilities of our teams and leaders allowing colleagues to gain a nationally recognised qualification in hospitality. 2016 was our first year with an insourced cleaning team, which has improved stability. During 2016 we also took the decision to pay the National Living Wage to all employees, not just those over 25.

Best for Business

During 2016 we strengthened our offer for business customers, launching Travelodge Business, a new account service for small and medium size businesses. This includes access to customised billing and expense management tools via our website, special rates and our business account card, which offers interest free credit provided by a third party credit card partner. Since the launch we have continued to see an increase in sign-ups and activations of business customers.

Development

We continue to broaden our network and make good progress on our development targets. In the fourth quarter we opened hotels in London Finchley, Stockport, Andover, Kings Lynn and Thetford bringing our 2016 new hotel openings to 19.

We have a strong pipeline and expect to open a similar number per year on average over the next three years, with precise timing dependent on market conditions and planning approvals. While the precise timing of openings may vary depending on construction schedules, we currently expect to open 15 hotels in 2017 and approximately 20-25 in the following year, with a number of these early in 2018.

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Outlook

It is still early in the year, and we remain relatively cautious about the immediate outlook, in the context of the prevailing economic uncertainty relating to Brexit and the expected cost pressures, including those from the National Living Wage, the increase in business rates and other regulated cost increases. However, we remain well positioned to benefit from demand from value conscious consumers and our strong and growing development pipeline.

Results

Results for the Group are for the full year ended 31 December 2016, with comparatives for the full year ended 31 December 2015.

	Year ended 31 Dec 2016 £m	Year ended 31 Dec 2015 £m	Var £m	Var %
<u>Revenue by geographical region</u>				
Revenue	597.8	559.6	38.2	6.8%
Revenue UK	587.7	552.0	35.7	6.5%
Revenue International	10.1	7.6	2.5	32.9%
<u>Key income statement items</u>				
Revenue	597.8	559.6	38.2	6.8%
Operating expenses	(316.0)	(298.0)	(18.0)	(6.0)%
Of which cost of goods sold	(37.5)	(35.8)	(1.7)	(4.7)%
Of which employee costs	(136.2)	(118.7)	(17.5)	(14.7)%
Of which other operating expenses	(142.3)	(143.5)	1.2	0.8%
Net external rent payable	(171.7)	(156.5)	(15.2)	(9.7)%
EBITDA	110.1	105.1	5.0	4.8%
IFRS rent charge ⁽¹⁾	(3.4)	(4.6)	1.2	26.1%
Depreciation	(29.9)	(22.4)	(7.5)	(33.5)%
Amortisation	(15.8)	(15.2)	(0.6)	(3.9)%
Operating profit / (loss) (before exceptional items)	61.0	62.9	(1.9)	(3.0)%
Finance costs before investor loan interest	(38.3)	(33.4)	(4.9)	(14.7)%
Investor loan interest	(15.0)	(16.1)	1.1	(6.8)%
Finance income	1.1	0.5	0.6	120.0%
Income tax	(0.9)	(3.8)	2.9	76.3%
Profit / (loss) for the period (before exceptional items)	7.9	10.1	(2.2)	(21.8)%
Exceptional items	(10.5)	(8.0)	(2.5)	(31.3)%
(Loss) / Profit for the period	(2.6)	2.1	(4.7)	-

(1) - 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 an asset 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.

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Revenue

Revenue increased by £38.2m, or 6.8%, from £559.6m for the year ended 31 December 2015 to £597.8m for the year ended 31 December 2016. This increase was primarily due to like-for-like UK RevPAR growth of 2.5%, the annualisation and maturity of the 12 new hotels added in the 2015 and the opening of 19 new hotels in the year. Like-for-like growth outperformed the MS&E segment growth of 1.4% for the period benefitting from improved conversion rates from our upgraded website and continued growth from business customer sales, supported by effective yield management.

Operating expenses

Operating expenses increased by £18.0m, or 6.0%, from £298.0m for the year ended 31 December 2015 to £316.0m for the year ended 31 December 2016. Cost increases were mainly due to increased employee costs.

Employee cost increases were largely driven by the additional staff employed in our new hotels, wage inflation (including the impact of the National Living Wage), together with investment in the sales and marketing team to increase our share of business customers and our online presence. Employee costs were also impacted by insourcing our previously outsourced cleaning teams, where these costs would have previously been included in other operating expenses.

Other operating expenses also include marketing costs which were lower year on year owing to changes in our marketing mix and tactical investments.

Net external rent payable

Net external rent payable increased by £15.2m, or 9.7%, from £156.5m for the year ended 31 December 2015 to £171.7m for the year ended 31 December 2016. This increase was primarily due to 19 new hotel openings during the period, the annualisation of 12 new hotels in 2015, upwards only rent reviews predominantly linked to RPI and the CVA category 2 rent review with an impact of £2.6m for the full year.

Depreciation / amortisation

Depreciation / amortisation increased by £8.1m from £37.6m for the year ended 31 December 2015 to £45.7m for the year ended 31 December 2016. This increase was primarily due to the higher asset values in the period resulting from the completion of the modernisation program in December 2015.

Finance costs

Finance costs increased by £3.8m from £49.5m for year ended 31 December 2015 to £53.3m for the year ended 31 December 2016; of this, £15m represents non-cash paid interest on the investor loan note. The increase was primarily due to the higher bond costs since issue in May resulting from an increase in the level of debt and interest rate.

Finance income

Finance income increased by £0.6m from £0.5m for the year ended 31 December 2015 to £1.1m for the year ended 31 December 2016. The increase was primarily due to additional interest in respect of a loan to our previous Irish franchisee partner which was settled during quarter 4.

Taxation

Income tax is recognised based on management's best estimate of the income tax rate expected for the financial year. Income tax decreased by £2.9m, from a charge of £3.8m for the year ended 31 December 2015 to a charge of £0.9m for the year ended 31 December 2016. This movement is non-cash and entirely relates to changes in deferred tax on intangible assets, tax losses and differences between accounting depreciation and capital allowances.

Exceptional items

In the financial year to 31 December 2016, exceptional items of £10.5m consist mainly of £6.0m for the impairment of fixed assets in Aberdeen due to changes in local market demand, financing costs relating to restructuring the group's debt of £4.2m and a net provision reassessment of £0.3m.

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In the financial year to 31 December 2015, exceptional items of £8.0m consist of a £1.4m charge relating to the increase in the CVA Fund due to 2015 performance, charges of £1.9m for a detailed property review, £1.1m for financial due diligence, £4.1m for other costs relating to advisory fees in respect of corporate strategy including other operating matters, and a net credit of £0.5m relating to reassessment of various other provisions of the Group.

Cash flow

As at 31 December 2016, we had cash of £73.9m, a decrease of £3.0m compared to £76.9m as at 31 December 2015. The year-end cash balance is beneficially impacted by the timing of some rent and creditor payments which 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.

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

	2016	2015
	£m	£m
EBITDA before IFRS rent charge	110.1	105.1
Working Capital	7.7	20.3
Capital Expenditure	(37.4)	(51.1)
Operating cash flow	80.4	74.3
Net interest paid	(42.4)	(19.0)
Cash spend on provisions	(6.9)	(4.0)
Exceptional items	(19.9)	(3.3)
Tax paid	-	-
Other	(14.2)	(10.0)
Cash (outflow) / inflow	(3.0)	38.0
Opening net debt	(307.4)	(355.4)
Cash (outflow) / inflow	(3.0)	38.0
Other	(5.7)	10.0
Issue costs within debt	10.1	-
Closing net debt	(306.0)	(307.4)

Working capital

Our working capital inflow of £7.7m in the year ended 31 December 2016 compared to an inflow of £20.3m in the year ended 31 December 2015 and is impacted mainly by the timing of creditor payments and rent payments over the year ends.

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Capital expenditure

Our capital expenditure in the year ended 31 December 2016 has been primarily made in relation to on-going maintenance, as well as investment in IT systems and amounts relating to development of our pipeline. The year on year decrease is mainly due to spend on our modernisation program last year which completed in December 2015. We have commenced our standard refit cycle in 2017, and expect to refit the entire estate over a c.7 year period, with interim works as appropriate in the heavier use hotels.

Net interest paid

Net cash used in financing activities increased by £23.4m from £19.0m for the year to 31 December 2015 to £42.4m for the year to 31 December 2016 primarily due to increased bank and bond interest paid of £24.0m (which was impacted by the timing of the move to cash paid interest in 2015), less interest received on repayment of a loan made to our previous Irish franchisee partner.

Cash spend on provisions

Cash spend on provisions increased by £2.9m, relating mainly to the payment of the CVA Fund of £3.9m in 2016, together with payments in respect of onerous leases.

Exceptional items

Exceptional items in 2016 relate mainly to the costs of refinancing, and in 2015 relate to expenses associated with the strategic review.

Other cash flows

Other cash outflows in 2016 are repayment of the Flare facility £12.9m and partial repayment of investor loan £20.0m, less net refinancing proceeds £18.7m, and in 2015 are the partial repayment of the Flare facility.

Funding, Covenant Compliance & Going Concern

The net debt of the Group is summarised below:

		31 Dec 16	31 Dec 15
		£m	£m
Bonds	- Fixed rate	290.0	-
	- Floating rate	100.0	
	- Issue costs	(10.1)	
Senior	- First Lien	-	335.9
	- Flare Facility	-	12.9
	- Second Lien	-	35.5
Secured Debt		379.9	384.3
Cash		(73.9)	(76.9)
Net Debt		306.0	307.4

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The total funding of the Group is summarised below:

	31 Dec 16	31 Dec 15
	£m	£m
Bonds	379.9	-
Secured Bank Debt	-	384.3
Unsecured (Loan Notes)	138.1	143.1
Total Funding	518.0	527.4

At 31 December 2016, the Group had utilised £17.2m of the Letter of Credit Facility (with a maximum amount of £30.0m) (2015 utilised: £16.0m) 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. Under our new 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 operational restructuring via a Company Voluntary Arrangement ("CVA") completed (after a legal "cooling off" period) on 4 October 2012. Under the terms of the CVA, THL, on advice from the Scheme's Nominees (KPMG) set up a Fund that would pay up to £10m in aggregate to those landlords who had been compromised as a result of the CVA if certain financial targets were met by THL in 2013, 2014 and 2015. The minimum financial targets were not met in 2013 or 2014, but were met in 2015. The total fund value of £3.9m was paid over to KPMG in April 2016 and distributed by them in October 2016. The formal notice of completion of the CVA was filed on 17 October 2016, confirming the CVA was fully implemented and complete and the Company's obligations and duties under the CVA had come to an end.

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

The Group currently employs around 10,500 people and is committed to engaging and developing its people.

Engaging the team in the group's decision-making

The Group provides information to its team members through a number of internal channels, including employee forums and an Equality & Diversity Governance Group which meets quarterly and considers a wide range of topics relating to group initiatives and policy.

The Group has an internal communications function and annually commissions an externally managed employee engagement survey to gauge opinions, gain important people insight and to enable actions to encourage high levels of engagement throughout the business.

Travelodge is an equal opportunity employer and is committed to ensuring no team member or applicant is treated less favourably on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy or maternity, race, religion or belief, sex or sexual orientation. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming

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disabled, every effort is made to try to ensure their continued employment with the Group and that appropriate reasonable adjustments are made. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other team members. The Group regularly monitors employees' protected characteristics and uses this insight to underpin decision-making aimed at continually improving equality, diversity and inclusion.

People Development

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

More than half of Travelodge hotel managers have been developed internally having initially joined as team members. In early 2016 we launched a new management development programme called 'Aspire' setting out the career path to the roles of assistant hotel manager and hotel manager in Travelodge. This allows internal team members who are selected onto the programme to develop their skills and gain externally accredited hospitality qualifications.

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

During 2016 Travelodge supported the senior operations team including all district managers and regional directors through an externally facilitated management development programme so that population was better equipped to lead, coach and develop their teams.

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 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 remains embedded as a way of life across the organisation.

At 31 December 2016 the Group employed 10,350 people with the following gender breakdown:

	Female	Male
Board*	25.0%	75.0%
Senior Management	31.8%	68.2%
All Other	72.3%	27.7%
Total	72.2%	27.8%

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

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Human Rights

Travelodge firmly supports and carries out its business in a manner compatible with the protection of individuals' human rights. The Group does this through its compliance with relevant legislation and through an insistence on ethical business practices. Where relevant Thame and London Limited has company policies that reflect the rights granted to individuals under the Human Rights Act 1998, such as areas of fair treatment and non-discrimination, data protection, equality and diversity and health and safety.

Pensions

The Group offers a defined contribution pension scheme to its employees. All employees are auto-enrolled into one of two schemes provided by Scottish Widows and NEST, with employer contributions charged to the Income Statement.

Pensions re-enrolment was completed in July 2016.

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 twice annual unannounced safety audits at all our hotels. In addition to this, we are of course subject to regular routine inspections from local authority Environmental Health Officers, Fire Safety Officers and officers from other various enforcement agencies.

We actively monitor our audit, enforcement and accident and incident data, ensuring that all information is analysed and improvements are made where possible. This 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 customer data is held in a sensitive and secure manner. To this end Travelodge maintain a clear public Privacy Policy statement.

It is Travelodge policy to manage information in compliance with the Data Protection Act (1998). It will be Travelodge policy to comply with its successor, the General Data Protection Regulations ("GDPR"), from May 2018 and the requirements of GDPR are currently under review.

Sensitive customer information is stored on databases in secure data centres, audited against ISO27001. Customer data is used in accordance with our published privacy policy, and stored within the EU or in accordance with current EU data governance requirements.

With regard to credit card data, Travelodge adhere to the provisions of PCI DSS 3.2, and audit as a tier one merchant. All credit card information is kept confidential through industry-standard encryption techniques.

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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.

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

Environmental Impact

We continue to work to reduce our carbon footprint, by changing the way we build new hotels, run our hotels day to day and by working with our partners & suppliers to reduce their carbon footprint.

Every new build Travelodge hotel has the following green features:

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

In addition to the above measures Travelodge works with energy consultants to consider future improvements, including more efficient hot water generation equipment and other alternative energy generation methods.

Engagement in the Community

Our charity partner is chosen by a company-wide team member vote. Since February 2017 our partner has been the British Heart Foundation. Prior to that our partner had been Macmillan Cancer Support for whom we raised over £750,000. We will be raising funds through activities across the length and breadth of the country, from cricket matches to cycle rides and 'DECHOX diets'. We will also be making life-saving CPR training available to colleagues.

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.

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Risk Management

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

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

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

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

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.

The UK electorate voted in favour of a UK exit from the EU in a referendum held on June 23, 2016, the consequences of which could adversely impact our business, results of operations and financial condition.

The UK Government held an in-or-out referendum on the United Kingdom's membership of the European Union on June 23, 2016 in which the UK electorate voted in favour of the United Kingdom exiting from the EU ("Brexit"). A process of negotiation will now commence between the UK Government and the EU to determine the future terms of the United Kingdom's relationship with the European Union. We are headquartered and tax domiciled in the United Kingdom and our business, results of operations and financial condition could be materially adversely affected by Brexit.

Depending on the terms of Brexit, the United Kingdom could lose access to the single EU 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 following 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. 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.

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 and has developed strategy, which is covered above in this report, which is regularly reviewed in line with competitor decisions and actions.

Failure to comply with environmental, health and safety laws and regulations 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.

THAME AND LONDON LIMITED

STRATEGIC REPORT

At a company-wide level, Primary Authority Partnerships are established for fire, food and general Health & Safety, and for police contact. A full planned and preventative maintenance programme runs year-round, and incidents, accidents and near miss activity are reviewed to establish further action required. These actions are reviewed monthly and documented at the Health & Safety Executive. At hotel level, a monthly cycle of 'pit stop' training provides regular and systematic skills transfer, and hotel teams are thoroughly briefed on their responsibilities and the Group's escalation mechanisms, covering incident, accident, disaster recovery and interaction with emergency services. To aid us to ensure that all our practices and procedures are correctly implemented we use an independent expert company to carry out twice annual 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 monthly meetings with their District colleagues.

The Group's industry is heavily regulated and 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.

Failures of our website, pricing software or other IT systems, delays in the operation of our IT 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 would significantly disrupt trading and our operation and adversely impact the Group's performance. To mitigate this risk, the Group works extensively with, and is dependent upon, specialist third-party providers to maintain our systems, optimise performance, upgrade our infrastructure, and provide appropriate resilience. The Group employs reasonable industry-standard back-up systems and seeks to eliminate single points of failure. The Group also conducts on-going risk assessments and business continuity planning. The Group has invested in cyber insurance to protect the business against the consequences of major unforeseen, malicious, or unavoidable service disruptions.

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

The Group processes large numbers of transactions via its proprietary website and in-hotel payment systems. Sensitive customer information is stored on databases in secure data centres, audited against ISO27001. Customer data is used in accordance with our published privacy policy, and stored within the EU or in accordance with current EU data governance requirements. With regard to credit card data, the Group adheres 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 the Data Protection Act (1998) and will be policy to comply with its successor, the General Data Protection Regulations from May 2018.

The Group reviews general data security regularly and invests in proportionate and appropriate security systems and processes to endeavour to ensure the integrity of its systems, its customer/card data, and its compliance with the regulatory requirements of both PCI DSS and the DPA. The requirements of GDPR are currently under review ahead of the application of these regulations in the UK from May 2018.

THAME AND LONDON LIMITED

STRATEGIC REPORT

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 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



Joanna Boydell, CFO

4 April 2017

THAME AND LONDON LIMITED

DIRECTORS' REPORT

The Directors present the Directors Report for the audited consolidated accounts for Thame and London Limited for the year ended 31 December 2016.

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 2016, with comparatives for the full year ended 31 December 2015.

For 2016, the Group made EBITDA of £110.1m (2015: £105.1m), Operating Profit of £54.7m (2015: £54.9m) and Loss Before Tax of £1.7m (2015: profit of £5.9m).

Ownership

At 31 December 2016, 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 \$24 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, Milan and Munich, as well as offices throughout Asia.

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

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

THAME AND LONDON LIMITED

DIRECTORS' REPORT

Taxation

The underlying current tax charge for the year was £(0.9)m due to brought forward tax losses and capital allowances being in excess of accounting depreciation.

Dividend

The Directors do not recommend the payment of a dividend.

Independent Auditors

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

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



Joanna Boydell, CFO

4 April 2017

THAME AND LONDON LIMITED

DIRECTORS

Brian Wallace (Chairman)

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

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

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

Brian is also Chairman of Softcat plc.

Peter Gowers (Chief Executive Officer)

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

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

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

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

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, Ladbroke's plc and the EMI Group and was Finance Director at Mothercare and Snap Equity Ltd, the parent company of Jessops.

As Chief Financial Officer, Jo is responsible for the overseeing all of the Company's finance functions, including group and property finance, operational finance and accounting as well as overseeing the legal, procurement and health and safety functions for the business.

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

Paul Harvey (Managing Director, Property)

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

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

Paul is a Chartered Management Accountant.

THAME AND LONDON LIMITED

DIRECTORS

Greg Olafson (Non Executive Director, representing Goldman Sachs)

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

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

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

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

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

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES 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 adopted by the European Union 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 adopted by the European Union 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 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.

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.

In the case of each Director in office at the date the Directors' Report is approved:

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

On behalf of the Board



Joanna Boydell
Director

4 April 2017

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

Report on the group financial statements

Our opinion

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

- give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

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

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

What an audit of financial statements involves

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

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

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter

We have reported separately on the parent company financial statements of Thame and London Limited for the year ended 31 December 2016.



John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 April 2017

CONSOLIDATED INCOME STATEMENT
 For the year ended 31 December 2016

	<i>Notes</i>	Year ended 31 December 2016			Year ended 31 December 2015		
		Before exceptional items	Exceptional items	After exceptional items	Before exceptional items	Exceptional items	After exceptional items
		£m	£m	£m	£m	£m	£m
Revenue	4	597.8	-	597.8	559.6	-	559.6
Operating expenses	6 / 7	(316.0)	-	(316.0)	(298.0)	(8.4)	(306.4)
Rent	6 / 7	(175.1)	(0.3)	(175.4)	(161.1)	0.4	(160.7)
EBITDA¹	4	106.7	(0.3)	106.4	100.5	(8.0)	92.5
Depreciation/amortisation	6 / 7	(45.7)	(6.0)	(51.7)	(37.6)	-	(37.6)
Operating profit/(loss)		61.0	(6.3)	54.7	62.9	(8.0)	54.9
Finance costs	11	(53.3)	(4.2)	(57.5)	(49.5)	-	(49.5)
Finance income	10	1.1	-	1.1	0.5	-	0.5
Profit/(loss) before tax		8.8	(10.5)	(1.7)	13.9	(8.0)	5.9
Income tax	12	(0.9)	-	(0.9)	(3.8)	-	(3.8)
Profit/(loss) for the year		7.9	(10.5)	(2.6)	10.1	(8.0)	2.1

All results are derived from continuing operations.

Memorandum - EBITDA

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
EBITDA before exceptional items and IFRS rent charge	110.1	105.1
IFRS rent charge (note 6)	(3.4)	(4.6)
EBITDA pre exceptional items	106.7	100.5
Exceptional Items	(0.3)	(8.0)
EBITDA after exceptional items	106.4	92.5

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Year ended 31 December 2016	Year ended 31 December 2015
	<u>£m</u>	<u>£m</u>
(Loss) / profit for the year recognised directly in the income statement	(2.6)	2.1
Items that will subsequently be reclassified into profit and loss:		
Movement on fair value of cash flow hedges	0.6	-
Currency translation differences	(0.6)	0.2
Other comprehensive income for the year, net of tax	-	0.2
Total comprehensive (expense) / income for the year	(2.6)	2.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Share Capital £m	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total Equity £m
1 January 2016	-	0.4	-	(76.2)	(75.8)
Loss for the year	-	-	-	(2.6)	(2.6)
Other comprehensive income / (expense)					
Movement in fair value of hedging derivatives	-	-	0.6	-	0.6
Currency translation differences	-	(0.6)	-	-	(0.6)
Total comprehensive (expense) / income	-	(0.6)	0.6	(2.6)	(2.6)
31 December 2016	-	(0.2)	0.6	(78.8)	(78.4)

For the year ended 31 December 2015

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

	Notes	2016 £m	2015 £m
NON CURRENT ASSETS			
Intangible assets	14	389.6	402.5
Property, plant and equipment	15	121.3	123.9
Financial derivative asset	19	0.6	-
Deferred tax asset	20	52.2	59.4
		563.7	585.8
CURRENT ASSETS			
Inventory		1.4	1.4
Trade and other receivables	16	47.1	43.3
Cash and cash equivalents	19	73.9	76.9
		122.4	121.6
TOTAL ASSETS		686.1	707.4
CURRENT LIABILITIES			
Trade and other payables	17	(115.5)	(116.5)
		(115.5)	(116.5)
NON-CURRENT LIABILITIES			
Bank loans	19	-	(384.3)
Bond related debt	19	(379.9)	-
Investor loan	19	(138.1)	(143.1)
Obligations under finance leases	18	(31.8)	(31.1)
Deferred tax liability	20	(66.2)	(72.5)
Deferred income	17	(9.8)	(7.1)
Provisions	21	(23.2)	(28.6)
		(649.0)	(666.7)
TOTAL LIABILITIES		(764.5)	(783.2)
NET LIABILITIES		(78.4)	(75.8)
EQUITY			
Share capital	22	-	-
Foreign exchange reserve		(0.2)	0.4
Cash flow hedge reserve	19	0.6	-
Accumulated losses		(78.8)	(76.2)
TOTAL EQUITY		(78.4)	(75.8)

Memorandum - Analysis of net funding	£m	£m
Cash at bank	73.9	76.9
External debt redeemable :		
Fixed Rate Bond	(290.0)	-
Floating Rate Bond	(100.0)	-
Issue Costs	10.1	-
Senior 1st Lien	-	(335.9)
Senior 2nd Lien	-	(35.5)
Flare	-	(12.9)
Gross debt	(379.9)	(384.3)
Net debt	(306.0)	(307.4)
Investor Loan	(138.1)	(143.1)
Finance leases	(31.8)	(31.1)
Net Funding	(475.9)	(481.6)

These financial statements of Thame and London Limited on pages 22 to 42 were approved by the Board of Directors and signed on its behalf by



Joanna Boydell
Director

4 April 2017

Thame and London Limited

Company registration number 08170768

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2016

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
		£m	£m
NET CASH GENERATED FROM OPERATING ACTIVITIES	26	106.3	118.1
INVESTING ACTIVITIES			
Interest received	10	1.1	0.4
Purchases of property, plant and equipment and other intangible assets	14 / 15	(37.4)	(51.1)
Net cash used in investing activities		(36.3)	(50.7)
FINANCING ACTIVITIES			
Finance fees paid (Including exceptional items)	11	(4.4)	(0.4)
Interest paid	11	(38.8)	(14.8)
Finance lease payments	11	(4.5)	(4.2)
Repayment of Flare facility	19	(12.9)	(10.0)
Issue of fixed and floating rate bonds	19	390.0	-
Redemption of bank debt	19	(371.3)	-
Finance Issue transaction costs	19	(11.1)	-
Repayment of Investor loan	19	(20.0)	-
Net cash used in financing activities		(73.0)	(29.4)
Net (decrease) / increase in aggregate cash and cash equivalents		(3.0)	38.0
Cash and cash equivalents at beginning of the year		76.9	38.9
Cash and cash equivalents at end of the year		73.9	76.9

Memorandum - Analysis of free cash flow ¹			
	Notes	Year ended 31 December 2016	Year ended 31 December 2015
		£m	£m
EBITDA before exceptional items and IFRS rent charge		110.1	105.1
Working capital ²		7.7	20.3
		117.8	125.4
Net cash flows from operating activities before exceptionals			
Capital expenditure	14 / 15	(37.4)	(51.1)
Free cash flow generated for the year		80.4	74.3
Non-trading cash flow			
Interest costs			
- bank interest paid	11	(22.0)	(14.8)
- bond interest paid	11	(16.8)	-
- finance fees paid	11	(0.2)	(0.4)
Interest income	10	1.1	0.4
Interest element of finance lease rental payments	11	(4.5)	(4.2)
Repayment of Flare facility	19	(12.9)	(10.0)
Cash spend on provisions and exceptional items ³	21 / 26	(26.8)	(7.3)
Non-trading cash flow		(82.1)	(36.3)
Cash (used) / generated		(1.7)	38.0
Opening Cash		76.9	38.9
Movement in cash		(1.7)	38.0
Net refinancing proceeds		18.7	-
Repayment of investor loan		(20.0)	-
Closing Cash		73.9	76.9
Opening net external debt		(307.4)	(355.4)
Net (decrease) / increase in aggregate cash		(3.0)	38.0
Repayment of flare facility		12.9	10.0
Net refinancing		(7.6)	-
Amortised bond transaction costs		(0.9)	-
Closing net debt	19	(306.0)	(307.4)

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

2. Working capital movement of £7.7m (2015: £20.3m) is before exceptional outflows of £(4.3)m (2015: inflows of £4.7m), cash spend on provisions of £(6.9)m (2015: £4.0m), and after IFRS rent charge of £3.4m (2015: £4.6m). Working capital movement of £(0.1)m (2015: £25.6m) in note 26 to these financial statements is stated after exceptional movements and movement in provisions, and before IFRS rent charge.

3. In 2016, cash spend on provisions and exceptional items of £26.8m includes costs of refinancing the Travelodge group of £15.3m, a payment in relation to the settlement of the CVA entered into in 2012 of £3.9m and other costs of £7.6m. In 2015, exceptional items mainly relate to the strategic review of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 Financial Review on page 2. In addition, note 19 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit and liquidity risk.

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

The Directors have reviewed the Group's financial projections for the foreseeable future and in particular, have reviewed the Group's occupancy and room rate forecasts. The Directors have reviewed the critical assumptions which underpin those projections and have also stress tested those projections 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 2016.

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 3.

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

New and Amended standards that are not yet effective

The following new and amended standards have been issued, but are not yet effective for the financial year ending 31st December 2016, and have not been early adopted:

- IAS 7, 'Statement of cash flows'
- IAS 12, 'Income taxes'
- IFRS 9, 'Financial Instruments'
- IFRS 15, 'Revenue from contracts with customers'
- IFRS 16, 'Leases'

The Directors' are yet to assess the impact of the above standards other than IFRS 16 where the Directors are aware this will have a material impact to the financial position and performance of the group due particularly to the leasehold funded nature of the business.

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 2016. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Exceptional items

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

Leasing

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

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

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

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

Foreign currencies

The presentational 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 denominated in foreign currencies are translated into sterling at rates prevailing at the balance sheet date. Income statement items denominated in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions.

Taxation

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

The tax 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

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

Intangible assets

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

Lease premiums

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

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

IT software

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

Brand

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

Property, plant and equipment

Property, plant and equipment is stated at cost, net of 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets

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

The recoverable amount is the higher of the fair value less costs to sell and value in use of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventory

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

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

Cash and cash equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity

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

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

Trade payables

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

Pension costs

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

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 2016 principally relate to onerous leases.

Share Capital

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

Prepaid Room Purchases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

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

Brand

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

The brand name acquired through the acquisition of the Travelodge business was assigned a fair market value at the date of acquisition. The value of the brand name is reviewed annually for impairment. This is derived by estimating the amount of royalty income that could be generated from the brand name if it was owned by an independent third party using a royalty of 4% on forecast future revenues, which is considered to be the market value that could be achieved. The sales forecast is based on a sales forecast for the period 2016 - 18 and a long term growth rate that broadly follows the Retail Price Index for subsequent years. This is discounted at the weighted average cost of capital for the Group of 10.0%. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained indefinitely and is therefore not amortised. The model can be sensitised to reduce the royalty rate to 1.3% and the discount factor rate would need to increase to 23.9% before an impairment is triggered.

Intangible assets - Lease premiums

Significant judgement is involved in the process of identifying and evaluating intangible assets. Intangible assets with a finite life are reviewed for impairment when an impairment trigger is identified. Calculating any subsequent impairment, principally in the estimation of the future cash flows of the cash generating units and the discount rate applied to each cash generating unit involves judgement. The Company prepares cash flow forecasts derived from the most recent financial budgets and financial plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated long term growth rate of 2.5%. The key assumptions are consistent with past experience and with external sources of information. The resulting cash flows are discounted at the Company's pre tax weighted average cost of capital, adjusted appropriately to reflect the property yields implicit in the leases to give a rate of 7.5%. Reviews are performed on a site by site basis over the length of the lease. The Directors have considered the Group's financial projections and the assumptions which underpin those projections including future growth of the budget hotel sector, brand demand and occupancy, the new hotel opening profile and development pipeline opportunities. For the purposes of testing for intangible asset impairment, growth rates are assumed to broadly follow the Retail Price Index beyond the life of the financial plan.

Onerous lease provisions

The Group has provided for operating lease rentals where these were above the market rate or where the Group has subsequently vacated the property and rental income is less than the rental expense, or where it is probable a previously sublet unit will revert to the Group. The element of the rental which is above market or above any rental cost paid relating to vacated properties is charged against the provision. Provisions are also made for business rates that the Group is liable to on empty sites and on hotels where it is considered improbable that trading profits will be generated. The key estimation judgement in determining the onerous amount is the period over the remaining lease term that the property will remain either rented or vacant. The Directors have estimated these periods after considering both the quality and the location of each of the units provided for. The cash flows are discounted at 4% representing a risk free rate of return adjusted for property risk.

Depreciation and residual values

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

THAME AND LONDON LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

4 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Revenue		
UK	587.7	552.1
International	10.1	7.5
	597.8	559.6
EBITDA before exceptionals¹		
UK before IFRS rent charge	109.4	105.3
IFRS rent charge	(3.4)	(4.6)
UK	106.0	100.7
International	0.7	(0.2)
	106.7	100.5
Operating profit / (loss) before exceptionals		
UK	60.3	63.1
International	0.7	(0.2)
	61.0	62.9
Profit / (loss) before tax before exceptionals		
UK	8.3	14.3
International	0.5	(0.4)
	8.8	13.9
Exceptional items (note 7)	(10.5)	(8.0)
(Loss) / profit before tax after exceptionals	(1.7)	5.9

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

5 ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

		2016 £m	2015 £m
Assets			
Intangible assets		389.6	402.5
Trading assets	- UK ¹	168.3	167.2
	- International ²	1.5	1.4
Non-trading assets		52.8	59.4
Total operations		612.2	630.5
Cash		73.9	76.9
Total assets		686.1	707.4
Liabilities			
Trading liabilities	- UK ^{3/6}	(141.5)	(145.9)
	- International ^{4/5}	(7.0)	(6.3)
Non-trading liabilities ⁵		(66.2)	(72.5)
Total operations		(214.7)	(224.7)
Bank debt		-	(384.3)
Bond related debt		(379.9)	-
Investor Loans		(138.1)	(143.1)
Finance lease creditor		(31.8)	(31.1)
Total liabilities		(764.5)	(783.2)
Net assets / (liabilities)			
Other Intangible assets		389.6	402.5
Trading net assets / (liabilities)	- UK ^b	26.8	21.3
	- International ^b	(5.5)	(4.9)
Non-trading assets		52.8	59.4
		74.1	75.8
Non-trading net liabilities ⁵		(66.2)	(72.5)
		397.5	405.8
Cash		73.9	76.9
Bank debt		-	(384.3)
Bond related debt		(379.9)	-
Net Debt		(306.0)	(307.4)
Investor Loan		(138.1)	(143.1)
Finance lease creditor		(31.8)	(31.1)
Net liabilities		(78.4)	(75.8)

1. UK trading assets of £168.3m (2015: £167.2m) comprise £121.3m (2015: £123.9m) of fixed assets, £35.3m (2015: £34.7m) of prepayments and accrued income, £6.5m (2015: £5.5m) of trade amounts receivable, £3.8m (2015: £1.7m) of other receivables and £1.4m (2015: £1.4m) of stock.

2. International trading assets of £1.5m (2015: £1.4m) comprise £1.5m (2015: £1.4m) of other receivables.

3. UK trading liabilities of £141.5m (2015: £145.9m) comprise £43.4m (2015: £38.4m) of accruals, £18.7m (2015: £24.6m) of provisions, £29.1m (2015: £23.9m) of prepaid room deposits, £8.0m (2015: £20.5m) of other payables, £15.6m (2015: £17.0m) of trade payables, £10.5m (2015: £7.3m) of taxation and other social security, £9.8m (2015: £7.1m) of deferred income, and £6.4m (2015: £7.1m) of capital payables.

4. International trading liabilities of £7.0m (2015: £6.3m) comprises £4.5m (2015: £4.0m) of provisions and £2.5m (2015: £2.3m) of accruals.

5. Non-trading liabilities of £66.2m (2015: £72.5m) relate to deferred tax liabilities of £66.2m (2015: £72.5m).

6. In the prior year comparative, £4.0m of provisions which were previously included in UK trading liabilities have been reclassified as International trading liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

6 NET OPERATING EXPENSES (BEFORE EXCEPTIONAL ITEMS)

	Year ended 31 December 2016	Year ended 31 December 2015
	£m	£m
Cost of goods sold	37.5	35.8
Employee costs (note 8)	136.2	118.7
Fees payable to the Company's auditors ¹		
- audit for the parent company and consolidated financial statements	0.1	0.1
- audit fee for subsidiaries	0.2	0.2
Operating expenses	142.0	143.2
Net operating expenses before rent, depreciation and amortisation	316.0	298.0
Rent payable (third party landlords) for operating leases	175.3	160.0
Rent receivable	(3.6)	(3.5)
Net external rent payable	171.7	156.5
IFRS rent charge ²	3.4	4.6
Net rent	175.1	161.1
Net operating expenses	491.1	459.1
Depreciation	29.9	22.4
Amortisation	15.8	15.2
Net depreciation and amortisation	45.7	37.6
Total net operating expenses	536.8	496.7

1. In the year ended 31 December 2016, remuneration for non audit fees was £0.3m (2015: £1.1m) mainly related to assistance with the refinancing process (2015: financial due diligence).

2. The IFRS rent charge is a non-cash adjustment which reflects spreading lease incentives received by the Group to enter into leases over the full life of the lease rather than to the next rent review.

7 EXCEPTIONAL ITEMS

In the financial year to 31 December 2016, exceptional items of £10.5m consist of £6.0m for the impairment of fixed assets in Aberdeen due to changes in local market demand, financing costs relating to restructuring the Group's debt of £4.2m and a net provision reassessment of £0.3m.

In the financial year to 31 December 2015, exceptional items of £8.0m consist of £0.9m reassessment of provisions (being a £1.4m charge relating to the increase in the CVA Fund due to 2015 performance, and a net credit of £0.5m relating to reassessment of other various provisions), charges of £1.9m for a detailed property review, £1.1m for financial due diligence and £4.1m for other costs relating to advisory fees in respect of corporate strategy including other operating matters.

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	Year ended 31 December 2016	Year ended 31 December 2015
	£m	£m
Directors' emoluments		
Directors' emoluments	3.1	2.0
Total	3.1	2.0
Remuneration of the highest paid Director	1.2	0.8
	Number	Number
Number of Directors accruing benefits under the defined contribution scheme	-	-
Employee benefit expense		
	Year ended 31 December 2016	Year ended 31 December 2015
	£m	£m
Employee costs during the year / period (including Directors)		
Wages and salaries	127.9	111.5
Social security costs	6.8	5.9
Other pension costs	1.5	1.3
Total employee costs	136.2	118.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

		Year ended 31 December 2016	Year ended 31 December 2015
		Number	Number
Average FTE number of persons employed ¹	- UK	5,363	4,644
	- International	59	56
		5,422	4,700
Total number of persons employed ²	- UK	10,294	9,024
	- International	56	56
		10,350	9,080

The total number of employees at the year ended 31 December 2016 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 2016			Year ended 31 December 2015		
	UK £m	International £m	Total £m	UK £m	International £m	Total £m
Due within one year	182.2	4.1	186.3	170.3	3.6	173.9
Due between two and five years	739.3	16.3	755.6	700.4	14.4	714.8
Due beyond five years	2,924.8	49.3	2,974.1	2,933.6	46.8	2,980.4
Total	3,846.3	69.7	3,916.0	3,804.3	64.8	3,869.1
	UK Years	International Years	Total Years	UK Years	International Years	Total Years
Average lease term remaining	18.5	14.9	18.3	19.3	15.9	19.3

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

10 FINANCE INCOME

	Year ended 31 December 2016			Year ended 31 December 2015		
	Paid £m	Accrued £m	Total £m	Paid £m	Accrued £m	Total £m
Interest on bank deposits	0.6	-	0.6	0.3	0.1	0.4
Other	0.5	-	0.5	0.1	-	0.1
Finance income	1.1	-	1.1	0.4	0.1	0.5

11 FINANCE COSTS

	Year ended 31 December 2016			Year ended 31 December 2015		
	Paid £m	Capitalised / accrued £m	Total £m	Paid £m	Capitalised / accrued £m	Total £m
Finance fees	0.2	1.1	1.3	0.4	1.0	1.4
Interest on bank loans	22.0	(11.8)	10.2	14.8	11.6	26.4
Interest on fixed and floating rate bonds	16.8	4.1	20.9	-	-	-
Interest on obligations under finance leases	4.5	0.7	5.2	4.2	0.6	4.8
Unwinding of discount on provisions	-	0.7	0.7	-	0.8	0.8
Finance costs before interest on investor loan and exceptional items	43.5	(5.2)	38.3	19.4	14.0	33.4
Interest on investor loan	-	15.0	15.0	-	16.1	16.1
Finance costs before exceptional items	43.5	9.8	53.3	19.4	30.1	49.5
Exceptional items						
Fees in relation to restructuring of debt	4.2	-	4.2	-	-	-
Finance costs	47.7	9.8	57.5	19.4	30.1	49.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016
12 INCOME TAX

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
Current tax		
UK Corporation tax	-	-
Foreign tax	-	(0.2)
Deferred tax		
Origination and reversal of temporary timing differences (note 20)	(1.7)	(5.1)
Effect of change in tax rate	0.8	1.5
Income tax charge	(0.9)	(3.8)

The main rate of UK corporation tax remained the same at 20% throughout 2016. Further changes are expected to the main rate of UK corporation tax – on 1 April 2017 there will be a reduction to 19%, with a further reduction to 17% from 1 April 2020.

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

Corporation tax is calculated at 20.00% (2015: 20.25%) of the estimated assessable profit for the year.

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

	Year ended 31 December 2016 £m	Year ended 31 December 2015 £m
(Loss) / profit before tax	(1.7)	5.9
Tax at the UK corporation tax rate of 20.00% (2015: 20.25%)	0.3	(1.2)
Tax effect of:		
Items not deductible for tax purposes	(2.9)	(9.7)
Capital allowances in excess of depreciation	(1.6)	4.3
Tax losses	2.5	1.5
Effect of change in tax rate	0.8	1.5
Foreign tax	-	(0.2)
Income tax charge for the year	(0.9)	(3.8)

A tax charge of £0.9m arose in 2016. The tax charge arose primarily due to the tax effect of items not deductible for tax purposes, and capital allowances claims, partially offset by tax losses.

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)	(6.3)	6.2	1.0	0.9
(Credit) / charge to income statement	(6.3)	6.2	1.0	0.9

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 Heller, 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-Ijjun, Qormi QRM3800, Malta	Holding Company	Malta	100
FullMoonPropco1 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Dormant 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

14 INTANGIBLE ASSETS

An analysis of other intangible assets for the year ended 31 December 2016 is given below:

	Brand £m	Assets under construction ¹ £m	Lease premiums £m	IT Software £m	Total £m
Cost					
At 1 January 2016	145.0	4.3	286.9	9.8	446.0
Capital expenditure	-	8.7	-	-	8.7
Movement on capital creditors	-	(0.7)	-	0.2	(0.5)
Capitalisation	-	(9.2)	2.3	6.9	-
Write off fully depreciated assets	-	-	(0.1)	(2.8)	(2.9)
Impairment	-	-	(7.1)	-	(7.1)
At 31 December 2016	145.0	3.1	282.0	14.1	444.2
Accumulated amortisation					
At 1 January 2016	-	-	(40.2)	(3.3)	(43.5)
Charge for the year	-	-	(12.3)	(3.5)	(15.8)
Write off fully depreciated assets	-	-	0.1	2.8	2.9
Impairment	-	-	1.8	-	1.8
At 31 December 2016	-	-	(50.6)	(4.0)	(54.6)
Carrying amount at 31 December 2016	145.0	3.1	231.4	10.1	389.6
Carrying amount at 31 December 2015	145.0	4.3	246.7	6.5	402.5

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

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

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

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

An impairment of £6.5m was made in 2016 (2015: £nil) of fixed assets in Aberdeen due to changes in local market demand. Of this impairment, £0.5m had previously been provided for and £6.0m was charged to the income statement. Of the impairment of £6.5m, £5.3m relates to intangible assets (note 14) and £1.2m relates to Property, Plant and Equipment (note 15).

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

15 PROPERTY, PLANT AND EQUIPMENT

An analysis of property, plant and equipment for 31 December 2016 is given below:

	Assets under construction ¹ £m	Freehold land, freehold and long leasehold buildings £m	Assets held under finance leases £m	Fixtures and fittings £m	Total £m
Cost					
At 1 January 2016	1.4	1.8	18.3	123.6	145.1
Capital expenditure	28.7	-	-	-	28.7
Movement on capital creditors	(0.6)	-	-	0.4	(0.2)
Capitalisation	(26.1)	-	-	26.1	-
Write-down of fully depreciated assets	-	-	-	(5.7)	(5.7)
Impairment	-	-	-	(2.0)	(2.0)
At 31 December 2016	3.4	1.8	18.3	142.4	165.9
Accumulated depreciation					
At 1 January 2016	-	(0.1)	(1.4)	(19.7)	(21.2)
Charge for the year	-	(0.1)	(0.4)	(29.4)	(29.9)
Write-back of depreciation on fully depreciated assets	-	-	-	5.7	5.7
Impairment	-	-	-	0.8	0.8
At 31 December 2016	-	(0.2)	(1.8)	(42.6)	(44.6)
Carrying amount at 31 December 2016	3.4	1.6	16.5	99.8	121.3
Carrying amount at 31 December 2015	1.4	1.7	16.9	103.9	123.9

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

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

An impairment of £6.5m was made in 2016 (2015: £nil) of fixed assets in Aberdeen due to changes in local market demand. Of this impairment, £0.5m had previously been provided for and £6.0m was charged to the income statement. Of the impairment of £6.5m, £5.3m relates to intangible assets (note 14) and £1.2m relates to Property, Plant and Equipment (note 15).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

16 TRADE AND OTHER RECEIVABLES

	31 December 2016 £m	31 December 2015 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	6.6	5.6
- Bad debt provision	(0.1)	(0.1)
- Net amounts receivable	6.5	5.5
Other amounts receivable	5.3	3.1
Prepayments and accrued income ¹	35.3	34.7
	47.1	43.3

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

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

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

Trade Receivable Ageing

	31 December 2016 £m	31 December 2015 £m
Current	5.2	4.1
Past due		
30 days	0.4	0.6
60 days	0.1	0.3
90+ days	0.8	0.5
Total	6.5	5.5

17 TRADE AND OTHER PAYABLES

	31 December 2016 £m	31 December 2015 £m
Trade payables	(15.6)	(17.0)
Other payables	(8.0)	(20.5)
Social security and other taxation	(10.5)	(7.3)
Accruals	(45.9)	(40.7)
Prepaid room purchases ¹	(29.1)	(23.9)
Capital payables	(6.4)	(7.1)
Amounts falling due within one year	(115.5)	(116.5)
Amounts falling due after one year		
Deferred income ²	(9.8)	(7.1)
Total	(125.3)	(123.6)

1. Prepaid room purchases of £29.1m (2015: £23.9m) relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay. Of which 41% (2015: 40%) would be non-refundable on cancellation of the room booking.

2. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

18 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments 2016 £m	Minimum lease payments 2015 £m
Amounts payable under finance leases:		
Within one year	(4.6)	(4.5)
In the second to fifth years inclusive	(18.9)	(18.4)
Greater than five years	(351.8)	(347.3)
	(375.3)	(370.2)
Less: future finance charges	343.5	339.1
Amount due for settlement after 12 months (Capital liability)	(31.8)	(31.1)

The Group holds 5 properties (2015: 5 properties) which have been classified as finance leases with an average lease term of 48 years (2015: 49 years).

Amounts due within one year are included in payables.

19 FINANCIAL ASSETS AND LIABILITIES

	Maturity Date	31 December 2016 £m	31 December 2015 £m
Cash at bank and in hand		73.9	76.9
External debt redeemable:			
Fixed Rate Bond	May 2023	(290.0)	-
Floating Rate Bond	May 2023	(100.0)	-
Issue Costs		10.1	-
Senior 1st Lien	June 2017	-	(335.9)
Senior 2nd Lien	June 2018	-	(35.5)
Flare	June 2017	-	(12.9)
External debt		(379.9)	(384.3)
Net external debt		(306.0)	(307.4)
Investor Loan Note	January 2026	(138.1)	(143.1)
Net debt before finance leases		(444.1)	(450.5)
Finance leases		(31.8)	(31.1)
Net funding including finance leases		(475.9)	(481.6)

During the year the group completed a refinancing of its existing bank facilities. As part of this:

Senior secured fixed rate sterling denominated notes of £290m were issued on 10 May 2016 with a termination date of 11 May 2023. Interest is fixed at 8.5% and is payable on a semi-annual basis. Senior secured floating rate sterling denominated notes of £100m were issued on 10 May 2016 with a termination date of 11 May 2023. Interest is floating at three month LIBOR plus a margin of 7.5%. Interest is payable on a quarter basis. An Original Issue Discount fee ("OID") of £1.5m was paid on the date of issue of the notes.

The Group also entered into an interest rate hedge against the floating rate bond of £100m with an effective date from 15 November 2016 and a termination date of 15 August 2019.

A sterling denominated revolving credit facility of £50m was made available to the Group. At 31 December 2016, no drawings on this facility had been made.

The letter of credit facility with a maximum usage of £40m was terminated and replaced with a new and equivalent facility with maximum usage of £30m. At 31 December 2016, the Group had utilised £17.2m.

The Senior 1st Lien and 2nd Lien of £335.9m and £35.5m respectively were paid in full. In addition, the Flare facility was also fully repaid in March 2016.

Costs of £11.1m were incurred in issuing the senior secured sterling denominated notes, revolving credit and letter of credit facility and have been deducted from the fair value of the notes and facilities, which are carried at amortised cost.

The interest rate charged on the investor loan note reduced from 17% to 15% and £20m of the loans' outstanding capitalised interest was repaid.

The weighted average interest rate paid in the year ended 31 December 2016 was 7.6% (2015: 6.1%), and the weighted average interest rate charged in the year ended 31 December 2016 was 7.6% (2015: 6.1%).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

19 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	2016	2016	2015	2015
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Financial instrument categories				
Loans and receivables ¹	11.8	11.8	8.6	8.6
Financial derivative asset	0.6	0.6	-	-
Bank loans	-	-	(384.3)	(384.3)
Bond related debt	(379.9)	(411.3)	-	-
Investor Loan Note	(138.1)	(138.1)	(143.1)	(143.1)
Financial liabilities ²	(61.8)	(61.8)	(75.7)	(75.7)
	(567.4)	(598.8)	(594.5)	(594.5)

1. Loans and receivables of are made up of trade receivables £6.5m (2015: £5.5m) and other receivables £5.3m (2015: £3.1m).

2. Financial liabilities of £61.8m (2015: £75.7m) are made up of finance lease payables £31.8m (2015: £31.1m), trade payables £15.6m (2015: £17m), capital payables £6.4m (2015: £7.1m) and other payables £8.0m (2015: £20.5m).

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

Interest rate hedge

The Group uses an interest rate hedge to manage its exposure to interest rate movements relating to the floating rate bonds. Contracts with nominal values of £100m (2015: £nil) have fixed interest payments at a rate of 0.376% (2015: £nil) 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.

	Level 1	Level 2	Level 3	31 December 2016
	£m	£m	£m	Total £m
Financial assets measured at fair value through profit and loss				
Derivatives (interest rate swaps)	-	0.6	-	0.6

The fair value of the Group interest rate hedge is £0.6m (2015: £nil). This interest rate hedge is designated and effective as a cash flow hedge and the movement in fair value of £0.6m (2015: £nil) 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 concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings disclosed above, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Interest rate risk: The Group finances its operations through borrowings. The group borrows at fixed and floating rates, and uses an interest rate hedge to generate the desired interest profile. The hedging requirements and actual hedging (in brackets) for the floating rate bond is 100% (100%).

Given the Group's hedging position at 31 December 2016 a movement in interest rates will not affect the group's interest profile and the group's net profit and cash interest payment would be unaffected. However 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 £0.6m and £(0.6m) respectively.

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

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

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

Currency exposures: At 31 December 2016, the Group had no material currency exposures that would give rise to net currency gains or losses being recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

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 2016	34.7	24.7	59.4	(72.5)	(72.5)	(13.1)
(Charge)/credit to Income	(6.2)	(1.0)	(7.2)	6.3	6.3	(0.9)
At 31 December 2016	28.5	23.7	52.2	(66.2)	(66.2)	(14.0)

The main rate of UK corporation tax remained the same, at 20%, throughout 2016. Further changes are expected to the main rate of UK corporation tax – on 1 April 2017 there will be a reduction to 19%, with a further reduction to 17% from 1 April 2020. Deferred tax balances have been measured at a rate of 17%, being the rate substantively enacted at the balance sheet date.

21 PROVISIONS

	Total £m
At 1 January 2016	(28.6)
Cash spend	6.9
Reassessment in provisions	(0.3)
Unwinding of discount of provisions	(0.7)
Foreign exchange rate movement	(0.5)
At 31 December 2016	(23.2)

A discount rate of 4% (2015: 4%) being the risk free rate adjusted for property risk is used to calculate the net present value of the provisions.

Provisions of £23.2m can be analysed as: due in less than one year of £2.8m and due after one year of £20.4m which comprises onerous lease provisions of £10.7m relating to future rent and rates liabilities on sub leased historic restaurant units and vacant sites, £2.7m relating to five UK hotels where it is considered improbable that trading profits will be generated within a period of seven years and £9.8m of other provisions.

Onerous lease provisions relate to the future discounted cash outflow in relation to certain rent and rates liabilities where no economic benefit is expected to accrue to the Group. These provisions have an average lease term of 15 years and have been discounted at a risk free rate of 4%.

22 SHARE CAPITAL

	2016 & 2015 shares	2016 & 2015 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1

23 CAPITAL COMMITMENTS

Contracted future capital expenditure not provided for in these financial statements predominantly relates to expenditure on the refurbishment and maintenance of current hotels. At 31 December 2016 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £6.4m (2015: £1.2m).

24 CONTINGENT LIABILITIES

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

At 31 December 2016 the estimated annual contingent rental liability was £81k (2015: £81k), represented by 7 units (2015: 7 units) with an average annual rental cost per unit of £12k (2015: £12k) and an average lease term remaining of 33 years (2015: 34 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

25 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2016, 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 2016. 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 (2015: £95.0m). £20.0m of the capitalised interest relating to this loan was repaid during 2016. The loan accrues interest at 15.0% (2015: 17.0%) per annum.

Interest accrued in the year is £15.0m (2015: £16.1m) and the total balance including accrued interest was £138.1m (2015: £143.1m). The loan note is due for repayment in 2026.

During 2014, certain property leases the Group had previously entered into with an external third party were sold on an arms length basis to an entity which is controlled by the Group's ultimate owners. During 2016, certain of these property leases were sold to a separate external third party. 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 2016, the property costs charged were £36.1m (2015: £35.9m from transfer of ownership) and there were no balances outstanding at 31 December 2016.

Of the total fees paid as part of the Group's refinancing (see note 19), an amount of £9.0m was paid to a syndicate of financial institutions. An entity related to one of the parent undertakings was part of the syndicate.

26 NOTE TO THE CASH FLOW STATEMENT

	Year ended 31 December 2016			Year ended 31 December 2015		
	Before Exceptional Items £m	Exceptional Items ¹ £m	Total £m	Before Exceptional Items £m	Exceptional Items £m	Total £m
Operating profit / (loss)	61.0	(6.3)	54.7	62.9	(8.0)	54.9
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	29.9	-	29.9	22.4	-	22.4
Amortisation of other intangible assets	15.8	-	15.8	15.2	-	15.2
Impairment of fixed assets (note 14 and 15)	-	6.0	6.0	-	-	-
Operating cash flows before movements in working capital	106.7	(0.3)	106.4	100.5	(8.0)	92.5
Increase in inventory	-	-	-	(0.1)	-	(0.1)
Movement in receivables	(3.5)	-	(3.5)	7.7	-	7.7
Movement in payables	14.6	(4.6)	10.0	17.3	3.8	21.1
Movement in provisions	(6.9)	0.3	(6.6)	(4.0)	0.9	(3.1)
Total working capital movement	4.2	(4.3)	(0.1)	20.9	4.7	25.6
CASH FLOWS FROM OPERATING ACTIVITIES	110.9	(4.6)	106.3	121.4	(3.3)	118.1

1. Exceptional items of £4.6m (2015: £3.3m) consist mainly of costs relating to financial due diligence and other costs relating to advisory fees in respect of corporate strategy.

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

Report on the parent company financial statements

Our opinion

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

- give a true and fair view of the state of the parent company's affairs as at 31 December 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

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

- the parent company statement of changes in equity for the year ended 31 December 2016;
- the parent company balance sheet as at 31 December 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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

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

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

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

Other matter

We have reported separately on the group financial statements of Thame and London Limited for the year ended 31 December 2016.



John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 April 2017

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Funds £m
Balance at 1 January 2016	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2016	-	(3.0)	(3.0)

For the year ended 31 December 2015

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Funds £m
Balance as at 1 January 2015	-	-	-
Loss for the financial year	-	(3.0)	(3.0)
Total comprehensive expense for the year	-	(3.0)	(3.0)
Balance at 31 December 2015	-	(3.0)	(3.0)

THAME AND LONDON LIMITED

PARENT COMPANY BALANCE SHEET
As at 31 December 2016

	Notes	2016 £m	2015 £m
FIXED ASSETS			
Investments	29	-	-
CURRENT ASSETS			
Debtors	30	138.1	143.1
TOTAL CURRENT ASSETS		<u>138.1</u>	<u>143.1</u>
NET CURRENT ASSETS		<u>138.1</u>	<u>143.1</u>
Creditors: Amounts falling due within one year	31	(3.0)	(3.0)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>135.1</u>	<u>140.1</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Investor Loan	35	(138.1)	(143.1)
TOTAL LIABILITIES		<u>(138.1)</u>	<u>(143.1)</u>
NET LIABILITIES		<u>(3.0)</u>	<u>(3.0)</u>
CAPITAL AND RESERVES			
Called Up Share Capital	32	-	-
Profit and Loss account	34	(3.0)	(3.0)
TOTAL SHAREHOLDERS' DEFICIT		<u>(3.0)</u>	<u>(3.0)</u>

The Company made a result in the year of £nil (2015: loss of £3.0m).

These financial statements on pages 45 to 48 were approved by the Board of Directors and signed on its behalf by:



Joanna Boydell
Director

4 April 2017

27 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS102) with certain exemptions of the reduced disclosure framework applied as detailed below.

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

28 SIGNIFICANT ACCOUNTING POLICIES

Investments in subsidiary undertakings

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

Related party transactions

As permitted by FRS102 (section 33) 'Related party disclosure' the Company has not disclosed related party transactions with wholly owned subsidiaries, which are disclosed in the financial statements of the Group.

Employees

The Company has no employees.

Cash flow statement

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

29 INVESTMENTS

	Shares in subsidiaries £
Cost and net book value	
At 1 January 2016	1
At 31 December 2016	1

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

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

30 DEBTORS

	2016 £m	2015 £m
Amounts owed by Group undertakings	138.1	143.1

Amounts owed by Group undertakings are repayable on demand.

Interest accrued in the year is £15.0m (2015: £16.1m) and the total balance including accrued interest was £138.1m (2015: £143.1m). Interest is accrued at 15% (2015: 17%).

31 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £m	2015 £m
Amounts owed to group undertakings	(2.9)	(1.3)
Other creditors	(0.1)	(1.7)
Amounts falling due within one year	(3.0)	(3.0)

Amounts owed by Group undertakings are repayable on demand.

32 CALLED UP SHARE CAPITAL

	2015 & 2016 Number of shares	2015 & 2016 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1
	2015 & 2016 Number of shares	2015 & 2016 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1

33 PROFIT AND LOSS

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

The Company made a result in the year of £nil (2015: loss of £3.0m).

34 PROFIT AND LOSS ACCOUNT

	2016	2015
	£m	£m
At 1 January 2016		
Profit / (Loss) for the financial year	(3.0)	-
At 31 December 2016	(3.0)	(3.0)

35 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2016, 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 2016. 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 (2015: £95.0m). £20.0m of the capitalised interest relating to this loan was repaid during 2016. The loan accrues interest at 15.0% (2015: 17.0%) per annum.

Interest accrued in the year is £15.0m (2015: £16.1m) and the total balance including accrued interest was £138.1m (2015: £143.1m). The loan note is due for repayment in 2026.