

Company Registration No. 08170768

*Amending*

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**Report and financial statements**

**For the period from incorporation on 7 August 2012 to 31 December 2012**



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**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**REPORT AND FINANCIAL STATEMENTS 2012**

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**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**REPORT AND FINANCIAL STATEMENTS 2012**

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

Joanna Boydell (Appointed 19th March 2013)  
Jonathan Ford (Appointed 10th October 2012)  
Paul Harvey (Appointed 10th October 2012)  
Grant Hearn (Appointed 10th October 2012)  
Ted Lodge (Appointed 7th August 2012)  
Jon Mortimore (Appointed 10th October 2012) (Resigned 28th March 2013)  
Greg Olafson (Appointed 10th October 2012)  
Brian Wallace (Appointed 31st March 2013)

**COMPANY SECRETARY**

Joanna Boydell (Appointed 19th March 2013)  
Jordan Company Secretaries Limited (Appointed 7th August 2012)  
(Resigned 17th December 2012)

**REGISTERED OFFICE**

Sleepy Hollow  
Aylesbury Road  
Thame  
OX9 3AT

**BANKERS**

The Royal Bank of Scotland PLC  
135 Bishopsgate  
LONDON  
EC2M 3UR

**SOLICITORS**

Addleshaw Goddard  
Milton Gate  
60 Chiswell Street  
LONDON  
EC1Y 4AG

**INDEPENDENT AUDITORS**

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

## **THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED,**

### **DIRECTORS REPORT & FINANCIAL REVIEW**

Thame and London Limited ("T&L") (previously called UK Anchor Bidco Limited) was incorporated on 7 August 2012 to act as a holding company for the new group and on 12 October 2012 purchased 100% of the share capital of Full Moon Holdco 4 Limited ("FM4") for £1. Included within the subsidiary companies purchased was Travelodge Hotels Limited ("THL") the principal trading company of the Travelodge UK hotel brand and network of leased budget hotels.

At this date, security previously provided by FM4 and its subsidiaries (and guaranteed by THL) to PIK debt holders and Mezzanine debt holders was fully released, resulting in that debt being extinguished (£233.4m). In addition, there was Eurobond funding of £485.0m in an entity which was not acquired as part of the transaction. Simultaneously, £75.0m of cash represented as new shareholder equity and new loan notes was injected into the T&L Group (Loan Notes with repayment date in 2026 and coupon of 17.0%, with all interest capitalised into principal). In addition, the repayment date for the existing Senior Debt held by FM4 and its subsidiaries (and guaranteed by THL) was extended from 2014 to June 2017 and the cash pay interest rate on that debt reduced to LIBOR plus 25 basis points through to December 2014 (subsequently LIBOR plus 500 basis points) with interest capitalised into principal at LIBOR plus 525 basis points (until December 14, subsequently zero element of interest is capitalised). Further, a Super Senior Letter of Credit was provided which had the effect of releasing up to £40.0m of cash which was previously held as cash collateral by THL's credit card acquirer.

The debt of the Group is summarised below -

	<b>Pre- acquisition debt</b>	<b>12 Oct 12</b>	<b>31 Dec 12</b>
	£m	£m	£m
Senior - First Lien	-	299.5	302.8
- Flare Facility	20.3	20.3	20.6
- Second Lien	30.0	30.0	30.5
- Other	299.5	-	-
<b>Secured Debt</b>	<b>349.8</b>	<b>349.8</b>	<b>353.9</b>
PIK & Mezzanine debt	233.4	-	-
Eurobond	485.0	-	-
Unsecured (Loan Notes)	-	75.0	77.8
<b>Total Funding</b>	<b>1,068.2</b>	<b>424.8</b>	<b>431.7</b>

At 31 December 2012, the Group had utilised £20.0m of the Letter of Credit Facility (with a maximum amount of £40.0m) in favour of the Group's credit card acquirer.

In addition, the Group only has a minimum cash liquidity and minimum EBITDA bank covenant test until December 2014. From this date the Group will be subject to more normal banking covenant arrangements, with the headroom in relation to those

## **THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

### **DIRECTORS REPORT & FINANCIAL REVIEW**

compliance tests to be agreed in Q4 2014 based on financial projections to be prepared at that date.

A condition of the purchase of the shares in FM4 (and all subsequent funding arrangements) was that THL (the principal trading company and a subsidiary of FM4) was required to implement an operational restructuring via a Company Voluntary Arrangement ("CVA"). The CVA vote was held on 4<sup>th</sup> September 2012 and overwhelmingly supported by all THL's creditors with 93% of all creditors voting (by value) and 97% of these (by value) voting in favour of the CVA. The only creditors of THL that were negatively impacted by the CVA were landlords, all other creditors (all vendors, suppliers and staff) were not compromised in any way. With respect to the landlords, of the Company's 520 hotels 362 (70%) were not impacted by the CVA (rent therefore continued to be paid on time and in full), 109 hotels (21%) had the rent reduced by 25% and 49 hotels (9%) had the rent reduced by 45% for 6 months and then to £nil after 6 months from the next rent due date following the CVA effective date of 4 September 2012. The vote in favour of the CVA received tremendous support from landlords with 93% of landlords voting and 96% of those voting in favour.

The annualised EBITDA benefit as a result of the CVA was c £11.5m, with £3.0m recognised in 2012 due to the rent reductions on rent due dates post 4 September 2012.

Throughout the CVA process, the Directors remained in control of THL and all of FM4's subsidiary companies (including FM4) and at no point were administrators appointed. The CVA completed (after a legal "cooling off" period) on 4 October 2012. Under the terms of the CVA, THL, on advice from the Scheme's Nominee's (KPMG) set up a Fund that would pay up to £10m in aggregate to those landlords who had been compromised as a result of the CVA if certain financial targets are met by THL in 2015. As a result of this Fund, whilst the CVA process has in substance ended, it has not yet legally fully ended since KPMG are required to assess whether THL has met the financial targets set and, if so, ensure satisfactory payment from the fund to compromised landlords.

### **Strategy**

The first budget hotel brand to launch in the UK in 1985, Travelodge now operates a centralised, low cost, online business with over 500 hotels and 37,500 rooms across the UK, Ireland and Spain. More than 16.5 million people stayed with Travelodge last year and 80% of reservations are currently made online at [www.travelodge.co.uk](http://www.travelodge.co.uk), which is the UK's most visited hotel website, attracting over 1.2 million visits each week.

Now that the Company has a solid financial foundation in place, the Travelodge brand will benefit from a £57m refit investment. This capital expenditure will help grow the business and strengthen the product offering, with c 85% of rooms scheduled to have received a refit by Autumn 2014.

As part of this year's investment Travelodge has worked with its customers to create a new Travelodge room which offers more comfort, quality and style. The hero of the new Travelodge room is a luxurious king size bed that is normally found in high end hotels. Customer feedback and initial results from the 4,700 rooms we have completed as at the end of May 2013 are very encouraging.

This enhanced product offering combined with our new cutting edge revenue management system that offers economy pricing, will ensure we are the smart choice for leisure and business travellers.

In today's world, Britons are looking for great value when making a hotel booking. The UK, at less than 20%, remains a growing market for branded budget accommodation, as it is still well behind matured markets such as the USA and France. In response to this growing opportunity, Travelodge's growth strategy remains in the forefront of its business plan.

## **THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

### **DIRECTORS REPORT & FINANCIAL REVIEW**

#### **Results**

The legal results for the Group are for the period from 7 August 2012 to 31 December 2012 representing the consolidation of the results of the FM4 group of the companies acquired on 12 October 2012. Typically, for the trading entities acquired, fourth quarter revenue is c. 24% of annual revenue.

The Group made a Loss Before Tax of £17.3m, analysed below:

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	<b><u>Results<sup>(1)</sup></u></b>
	£m
EBITDA <sup>(2)</sup>	0.2
Depreciation / amortisation	<u>(7.5)</u>
Operating Loss	(7.3)
Net interest on secured debt	
- paid (net)	(1.2)
- charged (non-cash)	<u>(6.0)</u>
	(14.5)
Interest charged on unsecured Investor Loan	<u>(2.8)</u>
<b>Loss Before Tax</b>	<b><u>(17.3)</u></b>

(1) Representing the trading period from 12 October 2012 to 31 December 2012

(2) Earnings before interest, taxes, depreciation and amortisation

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#### **Funding, Covenant Compliance & Going Concern**

The Directors have reviewed the Group's financial projections for the foreseeable future, and in particular, the occupancy and rate forecasts and brand refurbishment programme that underpin those projections and cash flows. These critical assumptions have also been stress tested with plausible but pessimistic changes to those assumptions. As a result of these sensitivities, the minimal cash interest payments due through to December 2014, the requirement for £nil debt repayment until June 2017 and only a minimum cash liquidity and minimum EBITDA covenant test until December 2104, the Directors have a reasonable expectation that the Group has adequate resources to continue as a going concern into the foreseeable future.

#### **Operating Leases**

The Group's hotels are predominantly held under operating leases, which are not currently regarded as debt for accounting purposes, though the accounting standards committee are currently reviewing this approach and have published an exposure draft which if enacted would result in all leases coming on to the balance sheet.

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

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### **DIRECTORS REPORT & FINANCIAL REVIEW**

At the balance sheet date, the Group had an annual minimum net rental commitment of £150 1m (net of £2.5m rent receivable). The total future net rental commitment at the balance sheet date was approximately £3 8bn with leases having an average life of 20 years

#### **Taxation**

The underlying tax credit for the year was £3 8m due to tax losses in the year

#### **Cash flow**

Net cash flow after interest costs and exceptionals is summarised below -

	£m
EBITDA	0 2
Working Capital	(3 2)
Capital Expenditure	(4.3)
Net interest paid	(1 2)
<b>Operating Cash outflow after interest costs</b>	<b>(8 5)</b>
Cash spend on provisions	(1 0)
Exceptional items <sup>1</sup>	(3 1)
Tax paid	-
Cash outflow	<u>(12 6)</u>
Net bank debt acquired <sup>2</sup>	(306 0)
Cash outflow	(12 6)
Interest accrued into principal	(4.1)
Closing net bank debt	<u>(322 7)</u>

*1 - Exceptional items relate to pre-acquisition restructuring costs which were accrued in the opening balance sheet of the acquired group*

*2 - Net bank debt acquired comprised gross bank debt of £349 8m less cash of £43 8m*

#### **Pensions**

The Group offers a defined contribution scheme to its employee's (by way of recommending a third party stakeholder scheme provided by The Scottish Widows plc) with amounts charged to the Income Statement equal to contributions paid in the year

#### **Currency**

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

#### **Dividend**

The Director's do not recommend the payment of a dividend.

## **THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED,**

### **DIRECTORS REPORT & FINANCIAL REVIEW**

#### **Insurance**

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

#### **Donations**

There were no charitable or political donations made by the Group and charged to the accounts during the period

#### **Ownership**

At 31 December 2012, the Directors regarded Anchor Holdings SCA (Luxembourg) as the ultimate controlling party

#### **Employee Involvement**

The Group is an equal opportunity employer and is committed to ensuring no employee or applicant is treated less favourably on the grounds of race, religion, ethnic origin, age, disability or sexual orientation. Employees are encouraged to become members of the stakeholder pension scheme. The Group provides information to its employees on matters of concern to them via an Employee Consultative Committee. Employees are consulted on a regular basis so that their views can be taken into account in making decisions that may affect them.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure their continued employment with the Group and that appropriate training and support is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

#### **Directors**

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

#### **Risk Management**

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

The Group faces certain financial risks and these are covered in note 20 of these financial statements.

The Group is exposed to health and safety risks whilst customers stay at the Group's hotels and takes a comprehensive approach to mitigating health & safety risk. At a company-wide level, lead authority partnerships are established for fire and 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.

The Group operates in a market with other branded competition and there is a risk that competitor actions could have a detrimental impact on the Group. The Group reviews the market continually and has developed strategy, which is covered above in this report, which is regularly reviewed in line with competitor decisions and actions.



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

The Group processes large numbers of transactions via its proprietary website and in-hotel payment systems. There is a risk that customer data, including bank card data, could be compromised. The Group reviews data security on a bi-monthly basis and, to ensure protection of customer credit and debit card data, operates voluntarily (above its mandatory transaction volume tier) as a level 1 PCI DSS merchant, undertaking an external PCI audit annually. In addition the Group's data security is regularly tested and the Group invests in the appropriate security systems to ensure the integrity of its systems and data, and compliance with all regulatory requirements (PCI and DPA).

**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**

A handwritten signature in black ink, appearing to be 'J. Green', is written below the text 'And signed on behalf of the Board'.

## **THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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

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

#### **Disclosure of information to Auditors**

Each of the persons who is a director at the date of approval of this report confirms that

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

This confirmation is given and should be integrated in accordance with the provisions of Section 418 of the Companies Act 2006

On behalf of the board



Joanna Boydell  
28th June 2013

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

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

We have audited the consolidated financial statements of Thame and London Limited, formerly Anchor UK Bidco Limited for the period ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial review, to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its loss and cash flows for the period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**Other matter**

We have reported separately on the parent company financial statements of Thame and London Limited, formerly Anchor UK Bidco Limited for the period ended 31 December 2012.



John Ellis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
28th June 2013

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**CONSOLIDATED INCOME STATEMENT**  
**For the period ended 31st December 2012**

	<b>Notes</b>	<b>Period ended 31 December 2012 £m</b>
<b>Revenue</b>	5	<b>81.1</b>
Operating Expenses	7	<b>(51.4)</b>
Rent	7	<b>(29.5)</b>
<b>EBITDA<sup>1</sup></b>	5	<b>0.2</b>
Depreciation/Amortisation	7	<b>(7.5)</b>
<b>Operating Loss</b>	5	<b>(7.3)</b>
Finance Costs	10	<b>(10.0)</b>
<b>Loss before Tax</b>		<b>(17.3)</b>
Income Tax Credit	11	<b>3.8</b>
<b>Loss for the period</b>		<b>(13.5)</b>

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

The results cover the initial period of trading from 7th August to 31st December 2012

The parent company is not trading and the date of acquisition of the group was 12th October 2012  
Therefore all of the results above relate to the acquired business

The results relate to continuing operations

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the period ended 31st December 2012**

	<u>Notes</u>	<b>Period ended 31 December 2012 £m</b>
Loss for the period recognised directly in the income statement	24	<b>(13.5)</b>
Currency translation differences	24	<b>0.1</b>
<b>Net gain recognised directly in equity</b>		<b>0.1</b>
<b>Total comprehensive loss for the period</b>		<b>(13.4)</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the period ended 31st December 2012**

	<u>Notes</u>	<b>Share Capital £m</b>	<b>Foreign Exchange Reserve £m</b>	<b>Accum- ulated Losses £m</b>	<b>Total deficit £m</b>
<b>7th August 2012</b>		-	-	-	-
<b>Comprehensive loss</b>					
Loss for the period	24	-	-	(13.5)	<b>(13.5)</b>
<b>Other comprehensive income</b>					
Currency translation differences	24	-	0.1	-	<b>0.1</b>
<b>Total other comprehensive income</b>		-	<b>0.1</b>	-	<b>0.1</b>
<b>Total comprehensive income/ (loss)</b>		-	<b>0.1</b>	<b>(13.5)</b>	<b>(13.4)</b>
<b>31st December 2012</b>		-	<b>0.1</b>	<b>(13.5)</b>	<b>(13.4)</b>

The company was incorporated on 7th August 2012 and commenced trading on 12th October 2012 following the acquisition of the Travelodge group at this time

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**CONSOLIDATED BALANCE SHEET  
As at 31st December 2012**

	<b>Notes</b>	<b>2012 £m</b>
<b>NON CURRENT ASSETS</b>		
Intangible assets	14	469.6
Property, plant and equipment	15	53.8
Non derivative financial assets	17	7.1
		<u>530.5</u>
<b>CURRENT ASSETS</b>		
Inventory		1.2
Trade and other receivables	16	46.1
Cash and cash equivalents	20	31.2
		<u>78.5</u>
<b>TOTAL ASSETS</b>		<u>609.0</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	18	(67.1)
Financial derivative liability		(1.4)
		<u>(68.5)</u>
<b>NON-CURRENT LIABILITIES</b>		
Bank loans	20	(353.9)
Investor Loan	20	(77.8)
Obligations under finance leases	19	(29.2)
Deferred tax liability	21	(35.2)
Provisions	22	(57.8)
		<u>(553.9)</u>
<b>TOTAL LIABILITIES</b>		<u>(622.4)</u>
<b>NET LIABILITIES</b>		<u>(13.4)</u>
<b>EQUITY</b>		
Share capital	23	-
Foreign Exchange Reserve	24	0.1
Accumulated losses	24	(13.5)
<b>TOTAL DEFICIT</b>		<u>(13.4)</u>

<b>Memorandum - Analysis of net funding</b>	<b>£m</b>
Cash at bank	31.2
Bank debt redeemable	
Senior New 1st Lien	(302.8)
Senior New 2nd Lien	(30.5)
Flare	(20.6)
<b>Gross Bank debt</b>	<u>(353.9)</u>
<b>Net Bank debt</b>	<u>(322.7)</u>
Investor Loan	(77.8)
Finance leases	(29.2)
<b>Net Funding</b>	<u>(429.7)</u>

These financial statements of Thame and London Limited on pages 10 to 36 were approved by the Board of Directors and signed on its behalf by



Joanna Boydell  
28th June 2013

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**CONSOLIDATED CASH FLOW STATEMENT**  
For the period ended 31st December 2012

	<u>Notes</u>	<u>Period ended 31 December 2012</u>
		<u>£m</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	28	<u>(7.1)</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment and other intangible assets		<u>(4.3)</u>
<b>Net cash used in investing activities</b>		<u>(4.3)</u>
<b>OPERATING ACTIVITIES</b>		
Interest element of finance rental payments	10	<u>(1.2)</u>
<b>Net cash used in operating activities</b>		<u>(1.2)</u>
<b>Net increase (decrease) in cash and cash equivalents from continuing activities</b>		
<b>Net decrease in aggregate cash and cash equivalents</b>		<b>(12.6)</b>
<b>Cash acquired on acquisition</b>	13	<b>43.8</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>-</b>
<b>Cash and cash equivalents at end of the period</b>		<u><b>31.2</b></u>

**Memorandum - Analysis of free cash flow<sup>1</sup>**

	<u>Notes</u>	<u>Period ended 31 December 2012</u>
		<u>£m</u>
EBITDA before exceptional items		<b>0.2</b>
Working capital - trading	28	<u>(3.2)</u>
<b>Net cash flows from operating activities before exceptionals</b>		<u><b>(3.0)</b></u>
Capital expenditure		<u>(4.3)</u>
<b>Free cash flow generated for the period 12 October to 31 December 2012</b>		<u><b>(7.3)</b></u>
<b>Non-trading cash flow</b>		
Interest - paid	10	<u>(1.2)</u>
Cash spend on provisions	22 & 28	<u>(1.0)</u>
Exceptional items <sup>2</sup>	28	<u>(3.1)</u>
<b>Cash Utilised</b>		<u><b>(12.6)</b></u>
<b>Opening Cash</b>		<b>-</b>
Cash acquired	13	<b>43.8</b>
<b>Movement in cash</b>		<u><b>(12.6)</b></u>
<b>Closing Cash</b>		<u><b>31.2</b></u>
<b>Opening net bank debt</b>		<b>-</b>
Net bank debt acquired on acquisition	13	<u>(306.0)</u>
Movement in cash		<u>(12.6)</u>
Interest accrued into principal	10	<u>(4.1)</u>
<b>Closing net bank debt</b>	20	<u><b>(322.7)</b></u>

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

2 - Exceptional items relate to payments of cost in connection to the financial restructure of the Group which were accrued in the acquired opening balance sheet

## **THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended 31 December 2012**

#### **1 GENERAL INFORMATION**

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Thame and London Limited, formerly Anchor UK Bidco Limited (the company) is a limited company and was incorporated in the United Kingdom on 7th August 2012. The company changed its name from Anchor UK Bidco 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**

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##### **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 Director's Report and Financial Review on pages 2 to 7. In addition, note 20 to the financial statements include 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 20 to the financial statements, the Group meets its day to day working capital requirements principally through the maintenance of adequate cash and cash equivalent balances. The Group does not operate an overdraft facility.

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

##### **Basis of Accounting**

- b) The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to group reporting at 31st December 2012.

The consolidated financial statements have been prepared on the historical cost convention, as modified by the revaluation of financial liabilities (including derivative instruments held at fair value through profit and loss). The principal accounting policies adopted have been consistently applied throughout the period 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 20.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Basis of Accounting (continued)**

The following new and amended standards have been issued, but are not yet effective for the financial period ending 31st December 2012, and have not been early adopted

- Annual Improvements 2011
- Amendments to IAS 32 and IFRS 7 Financial instruments on asset and liability offsetting
- IFRS 13, 'Fair value measurement'
- IFRS 10, 'Consolidated financial statements'
- Amendment to IAS 1, 'Financial statement presentation' on other comprehensive income (OCI)

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

**Basis of consolidation**

The consolidated financial statements consolidate the financial statements of the Group and entities controlled by the Group and its subsidiaries up to 31st December 2012. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Uniform accounting policies are adopted across the group.

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

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

**Business combinations**

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

**Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable and represents the amount receivable for goods and services supplied to customers in the normal course of business, net of trade discount and VAT. The principal revenue stream of the Group is providing budget hotel accommodation and is recognised when customers stay.

**Exceptional items**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Leasing**

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

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

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

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

**Foreign currencies**

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

**Taxation**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended 31 December 2012**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Taxation (Continued)**

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

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

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

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

**Intangible assets**

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

**Lease premiums**

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

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

**IT software**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**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 of 3% on forecast future revenues, which is considered to be the market value that could be achieved. The resulting cash flow was discounted back to the acquisition date using the Group's pre-tax weighted average cost of capital of 10.7%. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained almost indefinitely and is therefore not amortised. The Group supports the value of the brand name through investment in consumer marketing and advertising, public relations and hotel maintenance and refurbishment across the business. The value of the brand name is reviewed annually for impairment.

**Property, plant and equipment**

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

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

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

Assets in the course of construction are not depreciated. Residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

**Non derivative financial assets**

The Group is required to hold funds with Barclays Bank plc under a guarantee related to the Group's developments in Spain. This cash is restricted by the guarantee and therefore is considered a non-derivative financial asset. At 31 December 2012, the balance lodged was £7.1m.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Impairment of tangible and intangible assets**

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

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

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

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

**Inventory**

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

**Financial Instruments**

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

**Trade receivables**

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

**Cash and cash equivalents**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**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. 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 31st December 2012 principally relate to onerous leases.

**Share Capital**

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

**Prepaid Room Purchases**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES**

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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 period. 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.

**Acquisition accounting**

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 to the income statement. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, Business Combinations, are recognised at their fair values at the acquisition date. The exception is for non-current assets (or disposal Group's) that are classified as held for sale in accordance with IFRS 5, which are recognised and measured at fair value less costs to sell.

Significant judgement is involved in the process of identifying and evaluating the fair values at the date of exchange of assets and liabilities acquired.

**Brand Valuation**

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 of 3% 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 2013 - 16 and a long term growth rate of 1% per annum for subsequent years. This is discounted at the weighted average cost of capital for the group of 10.7%. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES**  
**(CONTINUED)**

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**Intangible assets**

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.

Significant judgement is involved in the process of identifying and evaluating intangible assets and calculating any subsequent impairment, principally in the estimation of the future cash flows of the cash-generating units and the Group's pre-tax weighted average cost of capital assigned to each cash generating unit. 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 assets impairment, growth rates are assumed to broadly follow the Retail Price Index beyond the life of the financial plan. After applying the Group's weighted average cost of capital to those financial projections and, after considering the sensitivity of the principal assumptions, the Directors do not believe the other intangible assets recognised to be impaired.

There are no indicators of impairment identified since the intangibles were acquired at fair value on acquisition.

**Onerous lease provisions**

The Group has provided for operating lease rentals where these were above the market rate at acquisition or where the Group has subsequently vacated the property and rental income is less than the rental expense, or where it is probable a previously sublet unit will revert back to the Group. The element of the rental which is above market or above any rental cost paid relating to vacated properties is charged against the provision. 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.

**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.

**Accounting for development contracts**

The Group typically does not fund or construct new hotel developments. Usually new hotels are built and paid for by the future landlord and the Group enters into an agreement for an industry standard operating lease on the hotel at market rent, usually for a term of 25 or 35 years. However, for some developments, under certain circumstances, the Group enters contractual arrangements with the future landlord and the building contractor, effectively acting as project manager. Through these contractual arrangements the Group avoids exposure to substantially all the development risk, and accordingly, the Directors have concluded that the substance of the transaction is that the Group is not acting as principal. In the period ended 31st December 2012, the Group managed one hotel development and made total payments of £31k to building contractors on behalf of future landlords.



**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended 31 December 2012**

**4 PRESENTATION OF ACCOUNT NOTES**

The acquisition of the operating subsidiaries became unconditional on 12th October 2012 and therefore the Group statutory profit and loss account for 2012 includes 81 days of trading

**5 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION**

		Period ended 31 December 2012
		£m
<b>Revenue</b>		
Travelodge	- UK	80.3
	- International	0.8
		<b>81.1</b>
<b>EBITDA<sup>1</sup></b>		
Travelodge	- UK	0.9
	- International	(0.7)
		<b>0.2</b>
<b>Operating Loss</b>		
Travelodge	- UK	(6.6)
	- International	(0.7)
		<b>(7.3)</b>
<b>Loss before tax</b>		
Travelodge	- UK	(16.6)
	- International	(0.7)
		<b>(17.3)</b>

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

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**6 ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION**

		<b>2012</b>
<b>Assets</b>		<b>£m</b>
Other Intangible assets		<b>469.6</b>
Non derivative financial assets		<b>7.1</b>
Trading assets	-UK <sup>1</sup>	<b>99.5</b>
	-International <sup>2</sup>	<b>1.6</b>
<b>Total operations</b>		<b>577.8</b>
Cash		<b>31.2</b>
<b>Total assets</b>		<b>609.0</b>
Trading liabilities	-UK <sup>3</sup>	<b>(124.4)</b>
	-International <sup>4</sup>	<b>(0.5)</b>
Non trading liabilities <sup>5</sup>		<b>(36.6)</b>
<b>Total operations</b>		<b>(161.5)</b>
Bank debt		<b>(353.9)</b>
Investor Loans		<b>(77.8)</b>
Finance lease creditor		<b>(29.2)</b>
<b>Total liabilities</b>		<b>(622.4)</b>
<b>Net assets / liabilities</b>		
Other Intangible assets		<b>469.6</b>
Non derivative financial assets		<b>7.1</b>
Trading net (liabilities)/ assets	-UK	<b>(24.9)</b>
	-International	<b>1.1</b>
		<b>(23.8)</b>
Non trading net liabilities <sup>5</sup>		<b>(36.6)</b>
		<b>416.3</b>
Cash		<b>31.2</b>
Bank debt		<b>(353.9)</b>
<b>Net Bank Debt</b>		<b>(322.7)</b>
Investor Loan		<b>(77.8)</b>
Finance lease creditor		<b>(29.2)</b>
<b>Net liabilities</b>		<b>(13.4)</b>

1 - Travelodge UK operating assets of £99.5m comprises £53.8m of fixed assets, £1.2m of stock, £3.0m of trade amounts receivable, £2.2m of other receivables, £39.3m of prepayments and accrued income

2 - International operating assets of £1.6m comprises £1.6m of other receivables

3 - Travelodge UK operating liabilities of £124.4m comprises £57.8m of provisions, £13.0m of other payables, £7.0m of taxation and other social security, £3.8m of trade payables, £20.4m of accruals, £17.6m of prepaid room deposit, and £5.8m of capital payables

4 - International operating liabilities of £0.5m comprises £0.5m of trade payables

5 - Travelodge non trading liabilities of £36.6m comprises £35.2m of deferred tax liability and £1.4m of financial derivative liability, relating to the final payment of the Company's interest rate swap which was fully settled on 7 January 2013

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**7 NET OPERATING EXPENSES**

	Period ended 31 December 2012 £m	Period ended 31 December 2012 £m
Cost of goods sold		4.8
Employee costs (note 8)		17.8
Fees payable to the company's auditors <sup>1</sup>		
Audit of Parent Company and consolidated group financial statements	0.3	
Audit of Subsidiary Companies	0.1	0.4
Operating expenses		28.4
<b>Net operating expenses before rent, depreciation and amortisation</b>		<b>51.4</b>
Rent payable (third party landlords) for operating leases		30.7
Rent receivable		(1.7)
Net external rent payable		29.0
IAS 17 rent adjustment		0.5
<b>Net rent</b>		<b>29.5</b>
<b>Net operating expenses</b>		<b>80.9</b>
Depreciation		3.2
Amortisation		4.3
<b>Net depreciation and amortisation</b>		<b>7.5</b>
<b>Total net operating expenses</b>		<b>88.4</b>

1 - In the period ended 31st December 2012, auditors' remuneration for non audit fees was £17k for turnover certificates

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the period ended 31 December 2012

**8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The directors of the company are considered to be the key management of the group

	Period ended 31 December 2012
<b>Directors' emoluments</b>	<b>£m</b>
Directors' emoluments	0.6
Total	0.6
Remuneration of the highest paid director	0.2
	<b>Number</b>
Number of directors accruing benefits under the defined contribution scheme	2

**Employee benefit expense**

**Employee costs during the period (including Directors)**

	Period ended 31 December 2012 £m
Wages and salaries	16.4
Social security costs	1.2
Other pension costs	0.2
<b>Total employee costs</b>	<b>17.8</b>

	Period ended 31 December 2012 Number
<b>Average number of persons employed<sup>1</sup></b>	
- UK	3,253
- International	50
	<b>3,303</b>

	Period ended 31 December 2012 Number
<b>Total number of persons employed<sup>2</sup></b>	
- UK	6,130
- International	46
	<b>6,176</b>

The average number of employees for the period ended 31st December 2012 includes all employees whether full time or part time employees. The average number of persons employed has been calculated by dividing the total number of contracted hours for part time staff by the hours in a full time working week.

1 - Average number of persons employed includes executive Directors

2 - Total number of persons employed includes executive Directors

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended 31 December 2012**

**9 OPERATING LEASE COMMITMENTS**

Total commitments under operating leases amounted to £3,798.0m

	UK £m	International £m	Total £m
Due within one year	146.1	4.0	150.1
Due between one and five years	758.7	18.6	777.3
Due beyond five years	2,810.3	60.3	2,870.6
Total	3,715.1	82.9	3,798.0
	UK Years	International Years	Total Years
Average lease term remaining			
Rent payable	19.9	16.5	19.9

**10 FINANCE COSTS**

For the period ended 31 December 2012

	Paid £m	Capitalised / accrued £m	Total £m
Interest on bank loans	-	5.8	5.8
Interest on obligations under finance leases	1.2	-	1.2
Unwinding of discount on provisions	-	0.2	0.2
<b>Finance costs before Investor Loan interest</b>	<b>1.2</b>	<b>6.0</b>	<b>7.2</b>
Investor Loan	-	2.8	2.8
<b>Finance costs</b>	<b>1.2</b>	<b>8.8</b>	<b>10.0</b>

(1) - Included within interest capitalised / accrued of £6.0m is interest accrued into principal of £4.1m and cash interest accrued of £1.9m

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the period ended 31 December 2012**

**11 TAX**

	<b>Period ended 31 December 2012 £m</b>
<b>Current tax</b>	
UK Corporation tax	-
Foreign tax	-
<b>Deferred tax</b>	
Origination and reversal of temporary timing differences (note 21)	<b>3.8</b>
<b>Income tax credit</b>	<b>3.8</b>

During the year, as a result of the change in the UK corporation tax rate from 30% to 28% that was substantively enacted on 26th June 2012 and that will be effective from 1st April 2013, the relevant deferred tax balances have been re-measured

Deferred tax expected to reverse in the year to 31st December 2013 has been measured using the effective rate that will apply in UK for the period (28.5%). Further reductions to the UK tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 24% by 1st April 2017. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

Corporation tax is calculated at 24.5% of the estimated assessable profit for the period.

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

	<b>Period ended 31 December 2012 £m</b>
<b>Loss before tax</b>	<b>(17.3)</b>
Tax at the UK corporation tax rate of 24.5%	4.2
Tax effect of:	
Items not deductible for tax purposes	(0.1)
Capital allowances in excess of depreciation	(1.1)
Tax losses	(0.1)
Realised and unrealised chargeable gains	(0.1)
Other temporary differences	1.0
Foreign tax	-
<b>Income tax credit for the period</b>	<b>3.8</b>

A tax credit of £3.8m arose in 2012. The tax credit arose principally on the Company's deferred tax movements.

The deferred tax credit arising in the period is comprised as follows:

	<b>Intangible assets £m</b>	<b>Financial derivative assets £m</b>	<b>Accelerated tax depreciation £m</b>	<b>Tax losses and Hold-over relief £m</b>	<b>Total £m</b>
Credit due to movement in the period	0.6	0.3	0.4	2.5	3.8
<b>Credit to income statement</b>	<b>0.6</b>	<b>0.3</b>	<b>0.4</b>	<b>2.5</b>	<b>3.8</b>

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the period ended 31 December 2012

**12 SUBSIDIARIES**

The material subsidiaries of the group are listed below

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

\* Directly owned

All shares held are ordinary shares

**13 ACQUISITION OF SUBSIDIARY**

On 12th October 2012, the Company acquired 100% of the issued share capital of Full Moon Holdco 4 Limited for the consideration of £1. Full Moon Holdco 4 Limited is the parent company of the group of companies which operate the Travelodge hotel brand. This transaction has been accounted for by the purchase method of accounting.

Net assets acquired(excluding goodwill)	Book Value £m	Fair Value adjustment £m	Fair Value £m
Intangible assets <sup>1</sup>	296.6	176.2	472.8
Tangible fixed assets	54.6	-	54.6
Financial non-derivative asset	7.1	-	7.1
Stock	1.1	-	1.1
Debtors <sup>2</sup>	53.8	(3.2)	50.6
Cash	43.8	-	43.8
Accruals	(17.5)	-	(17.5)
Trade creditors	(0.9)	-	(0.9)
Other creditors <sup>4</sup>	(66.5)	17.3	(49.2)
Tax & Other Social Sec	(10.8)	-	(10.8)
Bank Loans	(349.8)	-	(349.8)
Loan to Thame and London Ltd	(75.0)	-	(75.0)
Obligations under finance leases	(29.2)	-	(29.2)
Deferred tax <sup>3</sup>	-	(39.0)	(39.0)
Provisions	(58.6)	-	(58.6)
	<u>(151.3)</u>	<u>151.3</u>	-
<b>Total consideration</b>	-	-	-

1 - £176.2m of brand value has been identified and capitalised on acquisition in relation to the Travelodge brand

2 - £3.0m of deferred costs have been written off. In addition, £0.2m in relation to the amortised interest rate cap has been fair valued to zero on acquisition due to the change in accounting treatment between the UK GAAP opening balance sheet and the IFRS group balance sheet

3 - Deferred tax of £39.0m arises under IFRS accounting which is a GAAP difference between the UK GAAP book value acquired and the transition to IFRS on acquisition

4 - Fair value adjustment of £17.3m comprises a £17.0m write-off of operating lease incentives (rent premiums), £1.0m write off of deferred income offset by a £0.7m increase relating to the recognition of the fair value of the interest rate swap under IFRS

The Directors having considered the nature of the transaction, associated costs incurred and rental liability entered into, are satisfied that the transaction be accounted for as a business combination

If the acquisition of Full Moon Holdco 4 Limited had been completed on the first day of the full financial year from 1st January 2012 to 31st December 2012, revenues for the year would have been £396.1m and the loss before tax for the year would have been £160.2m. All cashflows arising in the consolidated group accounts are attributable to the acquired group

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**13 ACQUISITION OF SUBSIDIARY (CONTINUED)****Satisfied by:**

	<b>£m</b>
Cash	-
	-

**Net cash inflow arising on acquisition**

	<b>£m</b>
Cash consideration	-
Cash and cash equivalents acquired	<b>43.8</b>
	<b>43.8</b>

The Directors having considered the nature of the transaction, associated costs incurred and rental liability entered into, are satisfied that the transaction be accounted for as a business combination

**14 INTANGIBLE ASSETS**

An analysis of other intangible assets for the period ended 31st December 2012 is given below

	<b>Brand £m</b>	<b>Assets under construction £m</b>	<b>Lease premiums £m</b>	<b>IT Software £m</b>	<b>Total £m</b>
<b>Cost</b>					
Recognised on acquisition of subsidiary	176.2	4.5	286.3	5.8	472.8
Additions	-	0.6	0.3	0.2	1.1
Capitalisation	-	(4.1)	2.6	1.5	-
Fully depreciated assets	-	-	-	(0.4)	(0.4)
<b>At 31 December 2012</b>	<b>176.2</b>	<b>1.0</b>	<b>289.2</b>	<b>7.1</b>	<b>473.5</b>
<b>Amortisation</b>					
Charge for the period	-	-	(3.2)	(1.1)	(4.3)
Fully depreciated assets	-	-	-	0.4	0.4
<b>At 31 December 2012</b>	<b>-</b>	<b>-</b>	<b>(3.2)</b>	<b>(0.7)</b>	<b>(3.9)</b>
<b>Carrying amount at 31 December 2012</b>	<b>176.2</b>	<b>1.0</b>	<b>286.0</b>	<b>6.4</b>	<b>469.6</b>
Acquisition of subsidiary	176.2	4.5	286.3	5.8	472.8

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

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

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

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



**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**15 PROPERTY, PLANT AND EQUIPMENT**

An analysis of property, plant and equipment for 31st December 2012 is given below

<b>Cost</b>	<b>Assets under construction<sup>1</sup></b> <b>£m</b>	<b>Freehold and long leaseholds</b> <b>£m</b>	<b>Finance leased land and buildings</b> <b>£m</b>	<b>Fixtures and fittings</b> <b>£m</b>	<b>Total</b> <b>£m</b>
Recognised on acquisition of subsidiary	3.6	1.8	18.3	30.9	54.6
Additions	4.1	-	-	(1.7)	2.4
Capitalisation	(6.6)	-	-	6.6	-
Fully depreciated assets	-	-	-	(0.7)	(0.7)
<b>At 31 December 2012</b>	<b>1.1</b>	<b>1.8</b>	<b>18.3</b>	<b>35.1</b>	<b>56.3</b>
<b>Accumulated depreciation</b>					
Charge for the period	-	-	(0.1)	(3.1)	(3.2)
Fully depreciated assets	-	-	-	0.7	0.7
<b>At 31 December 2012</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>(2.4)</b>	<b>(2.5)</b>
<b>Net book value at 31 December 2012</b>	<b>1.1</b>	<b>1.8</b>	<b>18.2</b>	<b>32.7</b>	<b>53.8</b>
Acquisition of subsidiary	3.6	1.8	18.3	30.9	54.6

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

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

**16 TRADE AND OTHER RECEIVABLES**

	<b>2012</b> <b>£m</b>
Amounts due within one year	
Trade amounts receivable	3.0
Other amounts receivable	3.8
Prepayments and accrued income <sup>1</sup>	39.3
	<b>46.1</b>

*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.

There are no Bad Debt Provisions at the year end.

<b>Trade Receivable Ageing</b>	<b>2012</b> <b>£m</b>
<b>Current</b>	<b>1.6</b>
<b>Past due</b>	
30 days	0.7
60 days	0.1
90 days	-
120 days	0.5
120+ days	0.1
<b>Total</b>	<b>3.0</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the period ended 31 December 2012

**17 NON DERIVATIVE FINANCIAL ASSETS**

At 31st December 2012 the Group had lodged funds with Barclays Bank PLC of £7.1m, as a guarantee which relates to the Group's developments in Spain. This represents the Group's maximum exposure to credit risk in relation to this guarantee.

**18 TRADE AND OTHER PAYABLES**

	2012 £m
Trade payables	(3.3)
Other payables	(13.0)
Social security and other taxation	(7.0)
Accruals	(20.4)
Prepaid room purchases <sup>1</sup>	(17.6)
Capital payables	(5.8)
	<b>(67.1)</b>

*1 -Prepaid room purchases of £-17.6m relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay. Of which 70% would be non-refundable on cancellation of the room booking.*

The Company pays its trade payables in line with the terms that it has agreed with its suppliers. Typically, these terms vary from 30 days to 120 days.

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

**19 OBLIGATIONS UNDER FINANCE LEASES**

	Minimum lease payments 2012 £m	Capital liability 2012 £m
Amounts payable under finance leases		
Within one year	(3.9)	-
In the second to fifth years inclusive	(16.8)	-
Greater than five years	(351.2)	(29.2)
	(371.9)	(29.2)
Less: future finance charges	342.7	
<b>Amount due for settlement after 12 months</b>	<b>(29.2)</b>	

The Company occupies five properties which have been classified as finance leases with an average lease term of 52 years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**20 FINANCIAL ASSETS AND LIABILITIES**

	<b>Maturity Date</b>	<b>2012 £m</b>
Cash at bank and in hand		<b>31.2</b>
Bank debt redeemable		
Senior 1st Lien	June 2017	<b>(302.8)</b>
Senior 2nd Lien	June 2017	<b>(30.5)</b>
Flare	September 2017	<b>(20.6)</b>
Bank debt		<b>(353.9)</b>
Net Bank debt		<b>(322.7)</b>
Investor Loan Note	January 2026	<b>(77.8)</b>
Net debt before finance leases		<b>(400.5)</b>
Finance leases		<b>(29.2)</b>
<b>Net debt including finance leases</b>		<b>(429.7)</b>

There is a letter of credit for £40 0m, which is further explained in the Directors report

The weighted average interest rate paid in the period ended 31st December 2012 was 1 5%

The weighted average interest rate charged in the period ended 31st December 2012 was 5 5%

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

	<b>2012 Carrying amount £m</b>	<b>2012 Fair value £m</b>
<b>Financial instrument categories</b>		
Loans and receivables <sup>1</sup>	<b>45.1</b>	<b>45.1</b>
Bank debt	<b>(353.9)</b>	<b>(353.9)</b>
Anchor Loan Note	<b>(77.8)</b>	<b>(77.8)</b>
Other creditors <sup>2</sup>	<b>(75.9)</b>	<b>(75.9)</b>
	<b>(462.5)</b>	<b>(462.5)</b>

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

1 - Loans and receivables of £45 1m is made up of cash £31 2m, trade receivables £3 0m, Financial non-derivative asset £7 1m and other receivables £3 8m

2 - Other payables of £75 9m is made up of finance lease payables £29 2m, trade payables £3 3m, capital payables £5 8m, social security and taxation payables £7 0m, pre paid room deposits £17 6m, and other payables £13 0m Taxation and social security are not included within the IFRS 7 definition of financial liabilities They have been included in the above analysis to reconcile to balance sheet amounts All of these liabilities are current

**Interest Rate Hedging**

The Company used interest rate swaps and cap contracts to manage its exposure to interest rate movements on its bank borrowings On 7th January 2013, the Company concluded the interest swap contract arrangements

**Risk**

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

**Capital risk management** The Company manages its capital to ensure that entities in the Company will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance The capital structure of the Company 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 as disclosed in note 24

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**20 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**Risk (continued)**

At 31st December 2012, if interest rates had been 25 basis points higher with all other variables held constant, the Company's net profit would decrease by £0.4m and cash interest payment would increase by £0.2m. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

At 31st December 2012, if interest rates had been 25 basis points lower with all other variables held constant, the Company's net profit would increase by £0.4m and cash interest payment would decrease by £0.2m. This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

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

**Liquidity risks** The Company has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company 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 Company does not have any significant credit risk exposure to any single counterparty. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. No collateral is held against liquid funds.

**Currency exposures** At 31st December 2012 the Company had no material currency exposures that would give rise to net currency gains or losses being recognised in the income statement.

**21 DEFERRED TAX**

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

	<b>Intangible assets £m</b>	<b>Financial derivative assets £m</b>	<b>Accelerated tax depreciation £m</b>	<b>Tax losses and Hold-over relief £m</b>	<b>Total £m</b>
Acquisition of subsidiary	(109.5)	-	31.7	38.8	(39.0)
(Charge)/credit to income	0.6	0.3	0.4	2.5	3.8
<b>At 31 December 2012</b>	<b>(108.9)</b>	<b>0.3</b>	<b>32.1</b>	<b>41.3</b>	<b>(35.2)</b>

A number of changes to the UK Corporation tax system were announced in the March 2013 Budget Statement. In addition to the reduction in the mainstream rate of corporation tax to 23% to take effect from 1 April 2013, there will be further reductions to 21%, then to 20%, anticipated to take effect from 1 April 2014 and 1 April 2015 respectively.

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the period ended 31 December 2012

**22 PROVISIONS**

	Total £m
Acquisition of subsidiary	(58.6)
Cash spend	1.0
Unwinding of discount of provisions	(0.2)
<b>At 31 December 2012</b>	<b>(57.8)</b>

A discount rate of 5% being the risk free rate is used to calculate the net present value of the provisions

Provisions of £57.8m can be analysed as due in less than one year of £6.2m and due after one year of £51.6m and comprise onerous lease provisions of £56.8m relating to future rent and rates liabilities on sub leased historic restaurant units, other rent liabilities which are guaranteed by the Group and £1.0m 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 18 years and have been discounted at a risk free rate of 5%.

**23 SHARE CAPITAL**

	2012 Number of shares	2012 £
<b>Authorised:</b>		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1
<b>Called up, allotted and fully paid.</b>		
Ordinary shares of £0.000001 each	1,000,000	1
	1,000,000	1

On 7 August 2012 £1 share capital was issued and allotted and paid up

**24 RESERVES**

	Foreign exchange reserve £m	Accumulated Losses £m	Total £m
Opening Balances	-	-	-
Loss for the period	-	(13.5)	(13.5)
Movement in foreign exchange reserve	0.1	-	0.1
<b>At 31 December 2012</b>	<b>0.1</b>	<b>(13.5)</b>	<b>(13.4)</b>

**25 CAPITAL COMMITMENTS**

Contracted future capital expenditure not provided for in these financial statements predominantly relates to expenditure on fees and stamp duty on hotels under construction subject to satisfactory completion of the hotel. At 31st December 2012 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £5.8m.

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31 December 2012**

**26 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 31st December 2012 the estimated annual contingent rental liability was £0.1m, represented by 5 units, with an average annual rental cost per unit of £18k and an average lease term remaining of 22 years.

**27 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY**

At 31st December 2012, the Directors regard Anchor Holdings SCA (Luxembourg) as the ultimate controlling party.

Anchor Holdings SCA has provided the Company with an investor loan of £75.0m. The loan accrues interest at 17.0% per annum.

Interest accrued in the initial period is £2.8m. The loan note is due for repayment in 2026.

**28 NOTE TO THE CASH FLOW STATEMENT**

	<b>Period ended 31 December 2012 Total £m</b>
Operating loss	<b>(7.3)</b>
Adjustments for non-cash items	
Depreciation of property, plant and equipment	<b>3.2</b>
Amortisation of other intangible assets	<b>4.3</b>
<b>Operating cash flows before movements in working capital</b>	<b>0.2</b>
Increase in inventory	<b>(0.1)</b>
Decrease in receivables	<b>4.4</b>
Decrease in payables	<b>(7.5)</b>
<b>Total working capital movement</b>	<b>(3.2)</b>
<b>Cash used in operations</b>	<b>(3.0)</b>
Utilisation of provisions	<b>(1.0)</b>
Exceptional item <sup>1</sup>	<b>(3.1)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(7.1)</b>

<sup>1</sup> -Exceptional items relate to payments of cost in connection to the financial restructure of the Group which were accrued in the acquired opening balance sheet.

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

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

We have audited the parent company financial statements of Thame and London Limited, formerly Anchor UK Bidco Limited for the period ended 31 December 2012 which comprise the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the Directors are responsible for the preparation of the parent company 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 parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report and financial review, to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the parent company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the parent company financial statements are prepared is consistent with the parent company financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**Other matter**

We have reported separately on the Group financial statements of Thame and London Limited, formerly Anchor UK Bidco Limited for the period ended 31 December 2012.



John Ellis (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
28th June 2013

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**PARENT COMPANY BALANCE SHEET**

**As at 31 December 2012**

	<i>Notes</i>	<b>2012 £m</b>
<b>FIXED ASSETS</b>		
Investments	33	-
Amounts owed by group undertaking	34	77.8
<b>TOTAL CURRENT ASSETS</b>		<b>77.8</b>
<b>NET CURRENT ASSETS</b>		<b>77.8</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>77.8</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Investor Loan	38	(77.8)
<b>TOTAL LIABILITIES</b>		<b>(77.8)</b>
<b>NET LIABILITIES</b>		<b>-</b>
<b>CAPITAL AND RESERVES</b>		
Called Up Share Capital	35	-
Profit and Loss account	36	-
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>-</b>

These financial statements on pages 38 to 40 were approved by the Board of Directors and signed on its behalf by



Joanna Boydell  
28th June 2013



**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31st December 2012**

**29 BASIS OF PREPARATION**

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 2006. The principal accounting policies adopted have been consistently applied throughout the period and are set out in note 30.

**30 SIGNIFICANT ACCOUNTING POLICIES**

**Turnover**

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

**Investments in subsidiary undertakings**

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

**Related party transactions**

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

**Employees**

The company has no employees.

**Cash flow statement**

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

**31 INTEREST RECEIVABLE AND SIMILAR INCOME**

	Period ended 31 December 2012 £m
Interest receivable from Group undertakings	2.8
Interest receivable	2.8

**32 INTEREST PAYABLE AND SIMILAR CHARGES**

	Period ended 31 December 2012 £m
Interest payable to Group undertakings	(2.8)
Interest payable	(2.8)

**33 FIXED ASSET INVESTMENTS**

	Shares in subsidiaries £
Cost and net book value	
Additions	1
At 31 December 2012	1

The Parent Company has investments in the subsidiary undertakings, as listed in the Subsidiary Undertakings note (consolidated financial statements note 12), 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 12th October 2012. The investment of £1 represents investment in Full Moon Holdco 4 Limited, the only directly owned subsidiary.

**THAME AND LONDON LIMITED, FORMERLY ANCHOR UK BIDCO LIMITED.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 31st December 2012**

**34 AMOUNTS OWED BY GROUP UNDERTAKINGS**

	<b>2012 £m</b>
Amounts owed by Group undertakings	<b>77.8</b>

Amounts owed by group undertakings are repayable on demand

Anchor Holdings SCA has provided the Company with an investor loan of £75.0m. The loan accrues interest at 17.0% per annum.

Interest accrued in the initial period is £2.8m. The loan note is due for repayment in 2026.

**35 CALLED UP SHARE CAPITAL**

	<b>Number of shares</b>	<b>2012 £</b>
<b>Authorised:</b>		
Ordinary shares of £0.000001 each	<b>1,000,000</b>	<b>1</b>
	<b>1,000,000</b>	<b>1</b>
<b>Called up, allotted and fully paid:</b>		
Ordinary shares of £0.000001 each	<b>1,000,000</b>	<b>1</b>
	<b>1,000,000</b>	<b>1</b>

**36 PROFIT & LOSS**

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

The company did not make a profit or loss in the period.

**37 RESERVES**

	<b>Profit and loss account £m</b>
Result for the financial period	-
<b>At 31 December 2012</b>	<b>-</b>

**38 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY**

At 31st December 2012, the Directors regard Anchor Holdings SCA (Luxembourg) as the ultimate controlling party.

Anchor Holdings SCA has provided the Company with an investor loan of £75.0m. The loan accrues interest at 17.0% per annum.

Interest accrued in the initial period is £2.8m. The loan note is due for repayment in 2026.