**TVL FINANCE PLC**

**Q1 2017 – PERIOD ENDED 29 MARCH 2017**

**REPORT TO NOTEHOLDERS**

**£261,000,000 8.5% SENIOR SECURED NOTES DUE 2023**

**£165,000,000 SENIOR SECURED FLOATING RATE NOTES DUE 2023**

**(the "Notes")**

## CONTENTS



Capitalised terms not otherwise defined in this Interim Report shall have the meanings assigned to such terms in the offering memorandum of TVL Finance PLC relating to the Notes dated 29 April 2016 (the "Offering Memorandum").

**PRESENTATION OF FINANCIAL DATA**

The report summarises the consolidated financial data and operating data from the consolidated financial statements of Thame & London Limited and its subsidiaries ("the Group") which include TVL Finance PLC. For management reporting purposes we use a 5-4-4 week accounting calendar. This accounting method divides our fiscal year into four quarters, each comprising two period of four weeks and one period of five weeks. We have adopted this accounting method because it allows us to manage our business on the basis of 52 weekly periods which consistently end on the same weekday. In order to align this method with our statutory annual accounting period on the basis of a calendar year from 1 January to 31 December, we make certain adjustments to our results in the last period of each fiscal year. The Group will continue to present its consolidated financial statements going forward and will apply similar adjustments, in accordance with IFRS, to its interim financial statements.

The summary financial information provided has been derived from our records for the 13 week accounting period from 1 January 2017 to 29 March 2017 (prior year from 1 January 2016 to 30 March 2016), which are maintained in accordance with International Financial Reporting Standards ("IFRS").

We have presented certain non-IFRS information in this quarterly report. This information includes "Consolidated EBITDA", which represents earnings before interest, tax, depreciation and amortisation as well as exceptional items as defined by IFRS.

Management believe that Consolidated EBITDA is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because Consolidated EBITDA is used by the management of the Group to track our business performance, establish operational and strategic targets and make business decisions.

**DISCLAIMER**

This report is for information purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities. This report does not contain all of the information this is material to an investor.

**FORWARD LOOKING STATEMENTS**

This report contains "forward-looking statements" as that term is defined by the U.S. federal securities laws and within the meaning of the securities laws of certain other jurisdictions. These forward looking statements include, without limitation, those regarding our intentions, beliefs or current expectations concerning our future financial condition or performance, result of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; future developments in the markets in which we participate or are seeking to participate; and anticipated regulatory changes in the industry in which we operate.

These statements often include words such as "anticipate", " believe", "could", "estimates", expect", "forecast", "intend", "may", "plan", "projects", "should", "suggests", "targets", "would", "will" and other similar expressions. These statements are not guarantees of performance or results. Many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking forward looking statements and projections.

We undertake no obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward looking statements to reflect events or circumstances after the date of this report.

TVL Finance plc

Update for the period ended 29 March 2017 (Unaudited)

# Continued good growth

## Financial Highlights

- Total revenue **up 7.0%** to £127.9m (2016: £119.5m)
- 2017 RevPAR[(1)] **up 2.0%** to £32.77 (2016: £32.14)
- Average room rate[(1)] up 2.8% to £47.21 (2016: £45.93)
- Occupancy[(1)] down 0.6 percentage points to 69.4% (2015: 70.0%)
- RevPAR growth 0.5pts below competitive segment (unadjusted)[(2)] [(3)]
- Q1 EBITDA **up £3.3m** to £6.4m (2016: £3.1m)
- Cash of **£107.3m** at 29 March 2017

## Operational Highlights

- Hotel refit program underway and progressing in line with plan
- New 'SuperRoom' trial completed with initial launch expected in Q2
- On-track to open 15 hotels in 2017, with 2 hotels opened to date [(4)]
- £165m refinancing completed in April 2017
- Estate now stands at 544 hotels and 40,922 rooms at 29 March 2017

Peter Gowers, Travelodge Chief Executive commented:

"We saw strong sales growth and good EBITDA growth, in what is typically the hotel industry's lowest seasonal demand period and our smallest quarter in financial terms. We also opened the first of the 15 new hotels we expect to open this year. While we remain relatively cautious about the immediate outlook, in the context of the prevailing economic uncertainty, Brexit and cost pressures, we remain well positioned to benefit from demand from value conscious customers and our strong development pipeline."

(1) Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis.
(2) Our competitive segment is the Midscale and Economy Sector of the UK hotel market as reported by Smith Travel Research (STR) an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance.
(3) RevPAR growth in line with the competitive segment in Q1 2017 after adjusting for impact of closed hotel and rooms closed as part of refit programme
(4) 1 hotel opened in quarter 1 and 1 after the quarter end

## Summary

Travelodge delivered strong revenue growth in the first quarter. Market growth benefited from the timing of Easter. In addition, our growth was principally driven by the contribution from maturing hotels opened in 2016, together with good like for like RevPAR growth of 2.0%, the latter benefiting from improved conversion rates from our upgraded website and continued growth from business customer sales.

While headline performance against the market was impacted by the planned closure of one of our hotels for external improvements (as part of a redevelopment by the landlord) and temporary closures of rooms relating to the planned refit program including 'SuperRooms', on an adjusted basis we performed broadly in line with the competitive segment.

EBITDA was ahead of last year's results, benefitting from strong revenue growth, with cost pressures, including from the National Living Wage, mitigated by lower costs.

During the quarter we opened one hotel in Peterhead in line with our expected new development phasing for 2017.

## Recent Trading and Outlook

In the first few weeks of the second quarter, we have seen continued market growth. We have continued to see good revenue growth and, on an adjusted basis, performed slightly ahead of the competitive segment, and have opened our second hotel of the year.

At the end of April 2017, we completed a refinancing, issuing £165.0m of senior secured floating rate notes due 2023 at LIBOR plus 4.875%. The proceeds were used to redeem £100m of existing senior secured floating rate notes and £29m of existing senior secured fixed rate notes and to make a shareholder distribution of £35m effected through a payment of interest on the subordinated shareholder loan. The net result is expected to be an annualised reduction of c. £1.7m in interest expense.

We remain relatively cautious about the immediate outlook, in the context of the prevailing economic uncertainty relating to the general election and Brexit together with the expected cost pressures, including those from the National Living Wage, the increase in business rates, other regulated cost increases and general inflation.

However, we remain well positioned to benefit from demand from value conscious customers and our strong development pipeline.

Results for the quarter (13 weeks) ended 29 March 2017.

**Financial Performance**

*Growing Sales and Mitigating Cost Pressures*

For the quarter ended 29 March 2017:

UK like-for-like RevPAR was up 2.0% to £32.77 on an unadjusted basis, slightly below the growth rate of the STR Midscale and Economy Sector, which was up 2.4% for the same period. After excluding the impact of one-off room closures and refits, we performed broadly in line with the competitive segment.

During the first quarter, we believe the overall UK hotel market growth was largely driven by the luxury and upscale sectors and the strong performance in London, against weak comparables, as well as the movement of Easter from first quarter in 2016 to the second quarter in 2017. The MS&E segment, which does not tend to strongly benefit from inbound Asian and U.S. tourists or from large volumes of group demand, has seen more modest growth.

We continue to use effective revenue management to optimise the balance between occupancy and rate growth, as a result UK like-for-like occupancy was down slightly, by 0.6 percentage points, to 69.4% (2016: 70.0%). UK like-for-like average room rate was up 2.8% to £47.21 (2016: £45.93), principally driven by continued growth from business customers and improved conversion rates from our upgraded website, supported by effective yield management.

These positive like-for-like sales results, together with a strong contribution from our maturing new hotels opened in 2016, resulted in total revenue growth of 7.0% for the year to £127.9m.

In the first quarter of 2017, EBITDA grew by £3.3m to £6.4m (2016: £3.1m). We saw strong revenue growth, with cost pressures, including from the National Living Wage, mitigated by lower costs as we migrated from a broad television advertising strategy in Q1 2016 to a targeted digital and direct sales strategy in Q1 2017.

The business continues to generate good operating cashflow, with a closing cash balance of £107.3m at 29 March 2017. Following the refinancing in April, we continue to have long-term facilities in place, including the benefit of an undrawn £50m RCF facility.

**Operational Update**

*Investing in Quality*

Our estate is well invested with all but one of our UK hotels upgraded during the modernisation programme, or opened, since the program commenced in 2013.

We expect to continue to invest to maintain the quality of the estate and we have commenced our standard refit cycle in 2017 with an aim to refit the entire estate over a c. 7 year period, together with interim works as appropriate in the heavier use hotels. As a result, 2017 capex, including development spend, is estimated to be around £55m, with flexibility to adjust the phasing of spend depending on market conditions.

*Best for Business*

We continued to make good progress on business customers in the first quarter, with further growth from our largest key accounts and encouraging levels of new account sign-ups.

To further extend our offer, we completed a successful trial of a new 'SuperRoom' product at London Waterloo and London Farringdon.  These rooms offer an additional choice to customers staying longer or expecting to work in the rooms for longer periods. They feature additional facilities such as wider desks, Lavazza coffee machines, Hansgrohe adjustable showers and dual bedside USB charging points.

With encouraging early results from the trial we now expect to undertake an initial launch of these rooms from the second quarter, commencing with an approximate investment of £5m in the first 1,000 rooms, principally in central London hotels.  We expect the new rooms to be priced in accordance with our normal yield management system and to typically retail at a premium of approximately £10-20 to our classic rooms.  Capital costs are expected to be absorbed within our existing guidance.

*Development*

We continue to expand our network and our development pipeline remains strong.  In quarter 1 we opened one new hotel in Peterhead, in line with the expected phasing of our new development openings in 2017, and added a second in the West Midlands after the quarter end.

We expect to open around 20 hotels a year on average over the next three years with 15 new hotels expected in 2017.  Precise hotel opening dates are expected to vary according to construction timelines and third party consents, but we expect openings typically to be weighted towards the second half of each financial year, with the largest quarter typically being the fourth quarter.

**About Travelodge**

Founded in 1985, Travelodge is one of the UK's leading hotel brands. There were 544 Travelodge hotels and 40,922 rooms in the UK, Spain and Ireland as at 29 March 2017. Travelodge welcomes approximately 18 million customers every year and almost 10,000 colleagues work across the business.

Notes:

Financial results in this summary document are extracts from the management reporting of Thame and London Limited and its subsidiary companies, including Travelodge Hotels Limited. All financial references in this summary document are unaudited.

Smith Travel Research (STR) is an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance.

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## OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the 13 weeks ended 29 March 2017

| | **Period ended 29 Mar 2017** £m | **Period ended 30 Mar 2016** £m | Var £m | Var % |
|---|---|---|---|---|
| Revenue by geographical region | | | | |
| **Revenue** | **127.9** | **119.5** | **8.4** | **7.0%** |
| Revenue UK | 125.5 | 117.8 | 7.7 | 6.5% |
| Revenue International | 2.4 | 1.7 | 0.7 | 41.2% |
| Key income statement items | | | | |
| **Revenue** | **127.9** | **119.5** | **8.4** | **7.0%** |
| Operating expenses | (77.2) | (75.1) | (2.1) | (2.8)% |
| *Of which cost of goods sold* | *(9.0)* | *(8.7)* | *(0.3)* | *(3.4)%* |
| *Of which employee costs* | *(33.5)* | *(31.2)* | *(2.3)* | *(7.4)%* |
| *Of which other operating expenses* | *(34.7)* | *(35.2)* | *0.5* | *1.4%* |
| Net external rent payable | (44.3) | (41.3) | (3.0) | (7.3)% |
| **EBITDA** | **6.4** | **3.1** | **3.3** | **106.5%** |
| IFRS rent charge (1) | (0.7) | (1.0) | 0.3 | 30.0% |
| Depreciation | (8.1) | (7.2) | (0.9) | (12.5)% |
| Amortisation | (4.1) | (3.9) | (0.2) | (5.1)% |
| **Operating loss (before exceptional items)** | **(6.5)** | **(9.0)** | **2.5** | **27.8%** |
| Finance costs before investor loan interest | (10.1) | (7.9) | (2.1) | (26.5)% |
| Investor loan interest | (3.4) | (4.0) | 0.5 | (12.5)% |
| Finance income | 0.1 | - | 0.1 | - |
| Income tax | 3.2 | - | 3.2 | - |
| **Loss for the period (before exceptional items)** | **(16.7)** | **(20.9)** | **4.2** | **(19.9)%** |
| Exceptional items | - | - | - | - |
| **Loss for the period** | **(16.7)** | **(20.9)** | **4.2** | **-** |

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

### Revenue

Revenue increased by £8.4m, or 7.0%, from £119.5m for the quarter ended 30 March 2016 to £127.9m for the quarter ended 29 March 2017. This increase was primarily due to like-for-like UK RevPAR growth of 2.0% and maturity of the 19 new hotels added in the 2016. Like-for-like growth was slightly below the MS&E segment growth of 2.4% for the period, impacted in London by the closure of one of our hotels for further external improvements (as part of a redevelopment by the landlord) and a number of rooms unavailable during our refit program. 2016 also saw the benefit of a strong Easter period, which falls in the second quarter in 2017.

**Operating expenses**

Operating expenses increased by £2.1m, or 2.8%, from £75.1m for the period from 1 January 2016 to 30 March 2016 to £77.2m for the period from 1 January 2017 to 29 March 2017. Cost increases were mainly due to increased employee costs.

Employee cost increases were largely driven by wage inflation (including the impact of the National Living Wage) and the additional staff employed in our new hotels.

Other operating expenses include marketing costs which were lower year on year due to the TV brand marketing campaign last year which has not been repeated in 2017, with the focus instead on more targeted digital and customer relationship management (CRM) activity.

**Net rent payable**

Net external rent payable increased by £3.0m, or 7.3%, from £41.3m for the period from 1 January 2016 to 30 March 2016 to £44.3m for the period from 1 January 2017 to 29 March 2017. This increase was primarily due to the annualisation of the 19 new hotels opened in 2016 and one new hotel opening during the period, together with upwards only rent reviews, predominantly linked to RPI, in the like-for-like estate.

**Depreciation / amortisation**

Depreciation / amortisation increased by £1.1m, or 9.9%, from £11.1m for the period from 1 January 2016 to 30 March 2016 to £12.2m for the period from 1 January 2017 to 29 March 2017. This is mainly due to on-going maintenance and refurbishment costs to support the estate and new hotel openings in 2016.

**Finance costs**

Finance costs increased by £1.6m, or 13.4%, from £11.9m for the period from 1 January 2016 to 30 March 2016 to £13.5m for the period from 1 January 2017 to 29 March 2017. The increase was primarily due to the refinancing in May 2016.

**Finance income**

Finance income of £0.1m for the period from 1 January 2017 to 29 March 2017 is bank interest received.

**Taxation**

Income tax is recognised based on management's best estimate of the income tax rate expected for the financial year. The income tax credit of £3.2m for the period from 1 January 2017 to 29 March 2017 is non-cash and relates entirely to changes in deferred tax on intangible assets, tax losses and differences between accounting depreciation and capital allowances.

## Cash flow

As at 29 March 2017, we had cash of £107.3m, an increase of £33.4m compared to £73.9m as at 31 December 2016. Operating cash inflows during the period of £47.6m were offset by investing cash outflows of £11.0m, which relate to the purchase of intangible and tangible fixed assets of £11.1m offset by interest received of £0.1m, and financing cash outflows during the period of £3.2m, which relate to bond interest payments of £2.3m and finance lease interest paid of £0.9m.

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

| | **Period ended 29 Mar 2017** £m | **Period ended 30 Mar 2016** £m | Var £m | Var % |
|---|---|---|---|---|
| Net cash generated from operating activities | 47.6 | 26.3 | 21.3 | 81.0% |
| Net cash used in investing activities | (11.0) | (7.0) | (4.0) | (57.1)% |
| Net cash used in financing activities | (3.2) | (30.5) | 27.3 | - |
| **Net increase / (decrease) in aggregate cash and cash equivalents** | 33.4 | (11.2) | 44.6 | - |
| Cash and cash equivalents at beginning of period | 73.9 | 76.9 | (3.0) | (3.9)% |
| **Cash and cash equivalents at the end of the period** | **107.3** | **65.7** | **41.6** | **63.3%** |

## Net cash generated from operating activities

Net cash generated from operating activities increased by £21.3m, or 81.0%, from £26.3m for the period from 1 January 2016 to 30 March 2016 to £47.6m for the period from 1 January 2017 to 29 March 2017. This was due primarily to an increase of £17.7m in working capital driven predominantly by the quarter end date and timing of rent and creditor payments around the quarter end, together with higher EBITDA of £3.6m.

## Net cash used in investing activities

Net cash used in investing activities increased by £4.0m, or 57.1%, from £7.0m for the period from 1 January 2016 to 30 March 2016 to £11.0m for the period from 1 January 2017 to 29 March 2017 primarily due to the standard refit recycle which commenced this year.

**Net cash used in financing activities**

Net cash used in financing activities decreased by £27.3m, from £30.5m for the period from 1 January 2016 to 30 March 2016 to £3.2m for the period from 1 January 2017 to 29 March 2017 primarily due to the timing of external interest paid of £14.1m following the refinancing in May 2016 and the repayment of certain term debt of £12.9m in 2016.

**Capital expenditure**

Our capital expenditure in the period from 1 January 2017 to 29 March 2017 has been primarily in relation to on-going maintenance and refits, as well as investment in IT systems and amounts relating to development of our pipeline. The year on year increase is mainly due to spend relating to the commencement of our standard refit cycle. We expect to refit the entire estate over a c.7 year period, with interim works as appropriate in the heavier use hotels.

**Working capital requirements**

Inventory primarily includes food and beverage products sold through our bar cafes. Our trade and other receivables primarily consist of rent prepayments as we pay quarterly in advance. We have low trade receivables, as most of our customers pay at the time of booking, however, business customers taking advantage of our business account card benefit from interest free credit. Our liabilities to trade and other creditors include prepaid room purchases from customers who have yet to stay. Our other current liabilities include normal trade creditors, accrued wages and salaries, other current debts, accrued interest and taxes.

| | **Period ended 29 Mar 2017** £m | **Period ended 30 Mar 2016** £m | Var £m | Var % |
|---|---|---|---|---|
| (Increase) / Reduction in inventory | (0.1) | 0.1 | (0.2) | - |
| (Increase) / Reduction in receivables | 9.3 | 7.2 | 2.1 | - |
| Increase in payables | 33.7 | 18.9 | 14.8 | 78.3% |
| **Total working capital movement (before exceptional items)** | 42.9 | 26.2 | 16.7 | 63.7% |
| Exceptional items | (1.0) | (2.0) | 1.0 | - |
| **Total working capital movement** | 41.9 | 24.2 | 17.7 | - |

Our working capital inflow of £41.9m in the period from 1 January 2017 to 29 March 2017 compared to an inflow of £24.2m in the period from 1 January 2016 to 30 March 2016 is impacted by the quarter end date and timing of rent and creditor payments around the quarter end.

## RISK FACTORS

Noteholders are reminded that investing in the Notes involves substantial risks and Noteholders should refer to the "*Risk Factors*" section of the Offering Memorandum, published on 28 April 2017, for a description of the risks that they should consider when making investment decisions about the Notes.

**Registered number: 08170768**

**TVL FINANCE PLC**

**UNAUDITED**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 29 March 2017**

**TVL FINANCE PLC**
**CONDENSED CONSOLIDATED PROFIT AND LOSS**
**FOR THE PERIOD ENDED 29 MARCH 2017**

| | Unaudited Period ended 29 Mar 2017 | | | Unaudited Period ended 30 Mar 2016 | | |
|---|---|---|---|---|---|---|
| | **BEI [2]** | **EI [2]** | **AEI [2]** | **BEI [2]** | **EI [2]** | **AEI [2]** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **Revenue** | 127.9 | - | **127.9** | 119.5 | - | **119.5** |
| Operating Expenses | (77.2) | - | **(77.2)** | (75.1) | - | **(75.1)** |
| Rent | (45.0) | - | **(45.0)** | (42.3) | - | **(42.3)** |
| **EBITDA[1]** | **5.7** | **-** | **5.7** | **2.1** | **-** | **2.1** |
| Depreciation/Amortisation | (12.2) | - | **(12.2)** | (11.1) | - | **(11.1)** |
| **Operating Loss** | **(6.5)** | **-** | **(6.5)** | **(9.0)** | **-** | **(9.0)** |
| Finance Costs | (13.5) | - | **(13.5)** | (11.9) | - | **(11.9)** |
| Finance Income | 0.1 | - | **0.1** | - | - | **-** |
| **Loss before Tax** | **(19.9)** | **-** | **(19.9)** | **(20.9)** | **-** | **(20.9)** |
| Income Tax | 3.2 | - | **3.2** | - | - | **-** |
| **Loss for the Period** | **(16.7)** | **-** | **(16.7)** | **(20.9)** | **-** | **(20.9)** |

***Memorandum - EBITDA***

| | **Period ended 29 Mar 2017 £m** | **Period ended 30 Mar 2016 £m** |
|---|---|---|
| **EBITDA before IFRS rent charge** | **6.4** | **3.1** |
| IFRS rent charge | (0.7) | (1.0) |
| **EBITDA** | **5.7** | **2.1** |

*1. EBITDA = Earnings before interest, taxes, depreciation and amortisation.*
*2. BEI = Before exceptional items, EI = Exceptional items, AEI = After exceptional items*

**TVL FINANCE PLC**
**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE PERIOD ENDED 29 MARCH 2017**

| | Unaudited Period ended 29 Mar 2017 | Unaudited Period ended 30 Mar 2016 |
|---|---|---|
| | £m | £m |
| Loss for the period recognised directly in the income statement | (16.7) | (20.9) |
| Movement on fair value of cash flow hedges | (0.2) | - |
| Currency translation differences | (0.1) | (0.3) |
| **Net loss recognised directly in equity** | **(0.3)** | **(0.3)** |
| **Total comprehensive loss for the period** | **(17.0)** | **(21.2)** |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**
**FOR THE PERIOD ENDED 29 MARCH 2017**

| | Share Capital | Foreign Exchange Reserve | Cash Flow Hedge Reserve | Accumulated Losses | Total deficit |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **1 January 2017** | **-** | **(0.2)** | **0.6** | **(78.8)** | **(78.4)** |
| Loss for the period | - | - | - | (16.7) | **(16.7)** |
| **Other comprehensive loss** | | | | | |
| Movement in fair value of hedging derivatives | - | - | (0.2) | - | **(0.2)** |
| Currency translation differences | - | (0.1) | - | - | **(0.1)** |
| **Total comprehensive loss** | **-** | **(0.1)** | **(0.2)** | **(16.7)** | **(17.0)** |
| **29 March 2017** | **-** | **(0.3)** | **0.4** | **(95.5)** | **(95.4)** |

**FOR THE PERIOD ENDED 30 MARCH 2016**

| | Share Capital | Foreign Exchange Reserve | Cash Flow Hedge Reserve | Accumulated Losses | Total deficit |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **1 January 2016** | **-** | **0.4** | **-** | **(76.2)** | **(75.8)** |
| Loss for the period | - | - | - | (20.9) | **(20.9)** |
| **Other comprehensive loss** | | | | | |
| Currency translation differences | - | (0.3) | - | - | **(0.3)** |
| **Total comprehensive loss** | **-** | **(0.3)** | **-** | **(20.9)** | **(21.2)** |
| **30 March 2016** | **-** | **0.1** | **-** | **(97.1)** | **(97.0)** |

**TVL FINANCE PLC**
**CONDENSED CONSOLIDATED BALANCE SHEET**
**AS AT 29 MARCH 2017**

| | Unaudited 29 Mar 2017 £m | Unaudited 30 Mar 2016 £m |
|---|---|---|
| **NON CURRENT ASSETS** | | |
| Intangible assets | 387.4 | 401.6 |
| Property, plant and equipment | 122.4 | 118.6 |
| Financial derivative asset | 0.4 | - |
| Deferred tax asset | 52.2 | 59.4 |
| | 562.4 | 579.6 |
| **CURRENT ASSETS** | | |
| Inventory | 1.5 | 1.4 |
| Trade and other receivables | 37.7 | 36.1 |
| Cash and cash equivalents | 107.3 | 65.7 |
| | 146.5 | 103.2 |
| **TOTAL ASSETS** | 708.9 | 682.8 |
| **CURRENT LIABILITIES** | | |
| Trade and other payables | (154.3) | (122.3) |
| | (154.3) | (122.3) |
| **NON-CURRENT LIABILITIES** | | |
| Bank loans | - | (371.4) |
| Bond related debt | (380.3) | - |
| Investor loan | (141.5) | (147.1) |
| Obligations under finance leases | (32.1) | (31.3) |
| Deferred tax liability | (63.0) | (72.5) |
| Deferred income | (10.1) | (6.8) |
| Provisions | (23.0) | (28.4) |
| | (650.0) | (657.5) |
| **TOTAL LIABILITIES** | (804.3) | (779.8) |
| **NET LIABILITIES** | (95.4) | (97.0) |
| **EQUITY** | | |
| Share capital | - | - |
| Foreign exchange reserve | (0.3) | 0.1 |
| Cash flow hedge reserve | 0.4 | - |
| Accumulated losses | (95.5) | (97.1) |
| **TOTAL DEFICIT** | (95.4) | (97.0) |

| ***Memorandum - Analysis of net funding*** | ***£m*** | ***£m*** |
|---|---|---|
| *Cash at bank* | *107.3* | *65.7* |
| *External debt redeemable :* | | |
| *Fixed Rate Bond* | *(290.0)* | *-* |
| *Floating Rate Bond* | *(100.0)* | *-* |
| *Issue costs* | *9.7* | *-* |
| *Senior 1st Lien* | *-* | *(335.9)* |
| *Senior 2nd Lien* | *-* | *(35.5)* |
| ***Gross external debt*** | *(380.3)* | *(371.4)* |
| ***Net external debt*** | *(273.0)* | *(305.7)* |
| *Investor Loan* | *(141.5)* | *(147.1)* |
| *Finance leases* | *(32.1)* | *(31.3)* |
| ***Net Funding*** | *(446.6)* | *(484.1)* |

**TVL FINANCE PLC**
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE PERIOD ENDED 29 MARCH 2017**

| | Unaudited Period ended 29 Mar 2017 | Unaudited Period ended 30 Mar 2016 |
|---|---|---|
| | £m | £m |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | **47.6** | **26.3** |
| **INVESTING ACTIVITIES** | | |
| Interest received | **0.1** | **-** |
| Purchases of property, plant and equipment and other intangible assets | **(11.1)** | **(7.0)** |
| **Net cash used in investing activities** | **(11.0)** | **(7.0)** |
| **FINANCING ACTIVITIES** | | |
| Finance fees paid | **-** | **(0.1)** |
| Interest paid | **(2.3)** | **(16.4)** |
| Finance lease payments | **(0.9)** | **(1.1)** |
| Repayment of flare facility | **-** | **(12.9)** |
| **Net cash from financing activities** | **(3.2)** | **(30.5)** |
| **Net (decrease) / increase in aggregate cash and cash equivalents** | **33.4** | **(11.2)** |
| Cash and cash equivalents at beginning of the year | 73.9 | 76.9 |
| **Cash and cash equivalents at end of the period** | **107.3** | **65.7** |

| ***Memorandum - Analysis of free cash flow*** [1] | | ***Unaudited Period ended 29 Mar 2017*** | ***Unaudited Period ended 30 Mar 2016*** |
|---|---|---|---|
| | | ***£m*** | ***£m*** |
| *EBITDA before exceptional items and IFRS rent charge* | | ***6.4*** | ***3.1*** |
| *Working capital* | | ***42.2*** | ***25.2*** |
| | | ***48.6*** | ***28.3*** |
| ***Net cash flows from operating activities before exceptionals*** | | | |
| *Capital expenditure* | | ***(11.1)*** | ***(7.0)*** |
| ***Free cash flow generated for the year*** | | ***37.5*** | ***21.3*** |
| ***Non-trading cash flow*** | | | |
| *Interest costs* | *- bank interest paid* | ***-*** | ***(16.4)*** |
| | *- bond interest paid* | ***(2.3)*** | ***-*** |
| | *- finance fees paid* | ***-*** | ***(0.1)*** |
| *Interest income* | | ***0.1*** | ***-*** |
| *Finance lease payments* | | ***(0.9)*** | ***(1.1)*** |
| *Repayment of flare facility* | | ***-*** | ***(12.9)*** |
| *Cash spend on provisions and exceptional items* | | ***(1.0)*** | ***(2.0)*** |
| ***Non-trading cashflow*** | | ***(4.1)*** | ***(32.5)*** |
| ***Cash (used) / generated*** | | ***33.4*** | ***(11.2)*** |
| ***Opening Cash*** | | ***73.9*** | ***76.9*** |
| *Movement in cash* | | ***33.4*** | ***(11.2)*** |
| ***Closing Cash*** | | ***107.3*** | ***65.7*** |
| ***Opening net external debt*** | | ***(306.0)*** | ***(307.4)*** |
| *Net (decrease) / increase in aggregate cash* | | ***33.4*** | ***(11.2)*** |
| *Repayment of flare facility* | | ***-*** | ***12.9*** |
| *Amortised bond transaction costs* | | ***(0.4)*** | ***-*** |
| ***Closing net external debt*** | | ***(273.0)*** | ***(305.7)*** |

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

***Reconciliation of net cash flows from operating activities before exceptionals to net cash generated from operating activities (note 13)***

| | | |
|---|---|---|
| *Net cash flows from operating activities before exceptionals* | ***48.6*** | ***28.3*** |
| *Cash spend on exceptional items through working capital* | ***(1.0)*** | ***(2.0)*** |
| ***Net cash generated from operating activities*** | ***47.6*** | ***26.3*** |

## 1 General information

Thame and London Limited ("T&L") is the holding company of the Travelodge group ("Travelodge" or "The Group"), including Travelodge Hotels Limited ("THL") the principal trading company of Travelodge UK and TVL Finance PLC.

## 2 Significant accounting policies

### Basis of consolidation

The unaudited financial statements consolidate the financial information of the Group and entities controlled by the Group and its subsidiaries up to 30 March 2016. 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.

### 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.

### 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

### Share Capital

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

### Prepaid Room Purchases

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

## 3 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

| | Unaudited Period ended 29 Mar 2017 £m | Unaudited Period ended 30 Mar 2016 £m |
|---|---|---|
| **Revenue** | | |
| UK | **125.5** | **117.8** |
| International | **2.4** | **1.7** |
| | **127.9** | **119.5** |
| **EBITDA before exceptionals[1]** | | |
| UK before IFRS rent charge | **6.4** | **3.1** |
| IFRS rent charge | **(0.7)** | **(1.0)** |
| UK | **5.7** | **2.1** |
| International | **-** | **-** |
| | **5.7** | **2.1** |
| **Operating loss before exceptionals** | | |
| UK | **(6.5)** | **(8.8)** |
| International | **-** | **(0.2)** |
| | **(6.5)** | **(9.0)** |
| **Loss before tax before exceptionals** | | |
| UK | **(19.8)** | **(20.7)** |
| International | **(0.1)** | **(0.2)** |
| | **(19.9)** | **(20.9)** |

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

## 4 NET OPERATING EXPENSES (BEFORE EXCEPTIONAL ITEMS)

| | Unaudited Period ended 29 Mar 2017 £m | Unaudited Period ended 30 Mar 2016 £m |
|---|---|---|
| Cost of goods sold | 9.0 | 8.7 |
| Employee costs | 33.5 | 31.2 |
| Operating expenses | 34.7 | 35.2 |
| **Net operating expenses before rent, depreciation and amortisation** | 77.2 | 75.1 |
| Rent payable (third party landlords) for operating leases | 45.2 | 42.2 |
| Rent receivable | (0.9) | (0.9) |
| Net external rent payable | 44.3 | 41.3 |
| IFRS rent charge | 0.7 | 1.0 |
| **Net rent** | 45.0 | 42.3 |
| **Net operating expenses before depreciation and amortisation** | 122.2 | 117.4 |
| Depreciation | 8.1 | 7.2 |
| Amortisation | 4.1 | 3.9 |
| **Net depreciation and amortisation** | 12.2 | 11.1 |
| **Total net operating expenses** | 134.4 | 128.5 |

## 5 FINANCE COSTS

| | Unaudited Period ended 29 Mar 2017 £m | Unaudited Period ended 30 Mar 2016 £m |
|---|---|---|
| Interest on bank loans | - | 6.4 |
| Interest on bonds | 8.6 | - |
| Interest on obligations under finance leases | 1.3 | 1.3 |
| Unwinding of discount on provisions | 0.2 | 0.2 |
| **Finance costs before investor loan interest** | 10.1 | 7.9 |
| Interest on investor loan note | 3.4 | 4.0 |
| **Finance costs** | 13.5 | 11.9 |

## 6 INTANGIBLE ASSETS

| | Unaudited Period ended 29 Mar 2017 £m | Unaudited Period ended 30 Mar 2016 £m |
|---|---|---|
| Opening net book value | **389.6** | **402.5** |
| Additions | **2.3** | **2.9** |
| Movement on capital creditors | **(0.4)** | **-** |
| Depreciation | **(4.1)** | **(3.8)** |
| **Closing net book value** | **387.4** | **401.6** |

The closing net book value at 29 March 2017 comprises brand value of £145.0m, assets under construction of £5.3m, lease premiums of £228.5m and IT software of £8.6m.

The closing net book value at 30 March 2016 comprises brand value of £145.0m, assets under construction of £7.1m, lease premiums of £243.8m and IT software of £5.7m.

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 at the Company's year end of 31 December. 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.

## 7 PROPERTY, PLANT AND EQUIPMENT

| | Unaudited Period ended 29 Mar 2017 £m | Unaudited Period ended 30 Mar 2016 £m |
|---|---|---|
| Opening net book value | **121.3** | **123.9** |
| Additions | **8.8** | **2.0** |
| Movement on capital creditors | **0.4** | **-** |
| Depreciation | **(8.1)** | **(7.3)** |
| **Closing net book value** | **122.4** | **118.6** |

The closing net book value at 29 March 2017 comprises assets under construction of £8.9m, freehold and long leaseholds of £1.7m, financed leased land and buildings of £16.3m and fixtures and fittings of £95.5m.

The closing net book value at 30 March 2016 comprises assets under construction of £2.4m, freehold and long leaseholds of £1.7m, financed leased land and buildings of £16.8m and fixtures and fittings of £97.7m.

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.

## 8 TRADE AND OTHER RECEIVABLES

| | Unaudited Period ended 29 Mar 2017 £m | Unaudited Period ended 30 Mar 2016 £m |
|---|---|---|
| Amounts due within one year: | | |
| Trade amounts receivable | | |
| - Gross amounts receivable | 9.1 | 8.8 |
| - Bad debt provision | (0.1) | (0.1) |
| - Net amounts receivable | 9.0 | 8.7 |
| Other amounts receivable | 4.6 | 4.3 |
| Prepayments and accrued income | 24.1 | 23.1 |
| | 37.7 | 36.1 |

## 9 TRADE AND OTHER PAYABLES

| | Unaudited Period ended 29 Mar 2017 £m | Audited Period ended 30 Mar 2016 £m |
|---|---|---|
| Trade payables | (19.0) | (5.8) |
| Other payables | (13.2) | (8.4) |
| Social security and other taxation | (15.9) | (16.4) |
| Accruals | (46.5) | (38.6) |
| Prepaid room purchases | (53.3) | (48.2) |
| Capital payables | (6.4) | (4.9) |
| Amounts falling due within one year | (154.3) | (122.3) |
| Amounts falling due after one year | | |
| Deferred income | (10.1) | (6.8) |
| **Total** | (164.4) | (129.1) |

## 10 POST BALANCE SHEET EVENTS

On 28 April 2017, Travelodge completed a refinancing of part of its existing bond facilities (note 11).

As part of this, Senior secured floating rate sterling denominated notes of £165m were issued on 28 April 2017 with a termination date of 15 May 2023. Interest is floating at three month LIBOR plus a margin of 4.875%.

Existing Senior secured floating rate sterling denominated notes of £100m and Senior secured fixed rate sterling denominated notes of £29m were repaid on 28 April 2017. These notes charged interest at LIBOR plus a margin of 7.5% and 8.5% respectively.

Accrued interest relating to the investor loan of £35m was repaid in April 2017.

## 11 FINANCIAL ASSETS AND LIABILITIES

| | Maturity Date | Unaudited Period ended 29 Mar 2017 £m | Unaudited Period ended 30 Mar 2016 £m |
|---|---|---|---|
| Cash at bank and in hand | | **107.3** | **65.7** |
| External debt redeemable: | | | |
| Fixed Rate Bond | May 2023 | **(290.0)** | **-** |
| Floating Rate Bond | May 2023 | **(100.0)** | **-** |
| Issue Costs | | **9.7** | **-** |
| Senior 1st Lien | June 2017 | **-** | **(335.9)** |
| Senior 2nd Lien | June 2018 | **-** | **(35.5)** |
| External debt | | **(380.3)** | **(371.4)** |
| Net external debt | | **(273.0)** | **(305.7)** |
| Investor Loan Note | January 2026 | **(141.5)** | **(147.1)** |
| Net debt before finance leases | | **(414.5)** | **(452.8)** |
| Finance leases | | **(32.1)** | **(31.3)** |
| **Net debt including finance leases** | | **(446.6)** | **(484.1)** |

*The financial derivative asset of £0.4m (2016: £nil) is not included in the table above.*

**Senior secured notes**
Senior secured fixed rate sterling denominated notes of £290m were issued on 10 May 2016 with a termination date of 11 May 2023. Interest is fixed at 8.5% and is payable on a semi-annual basis.

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

**Revolving credit facility**
A sterling denominated revolving credit facility of £50m is available to the group. At the date of these financial statements, no drawings on this facility have been made.

**Letter of credit facility**
The letter of credit facility has a maximum usage of £30m. At 29 March 2017, the group had utilised £15.0m.

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

**Investor loan note**

The interest rate charged on the investor loan note is 15%. As at 29 March 2017, accrued interest for the period from 1 January 2017 to 29 March 2017 totalled £3.4m (2016: £4.0m). The investor loan note has a termination date of January 2026.

**Interest rate hedge**

The interest rate hedge is against the floating rate bond of £100m with an effective date from 15 November 2016 and a termination date of 15 August 2019. The pay rate of the hedge is fixed at 0.376% and the receive rate of the hedge floats to LIBOR. The hedge fixes the senior secured floating rate bond of £100m at 7.876%.

At 29 March 2017, the fair value of the hedge was £0.4m.

## 12 PROVISIONS

| | Unaudited Period ended 29 Mar 2017 £m | Unaudited Period ended 30 Mar 2016 £m |
|---|---|---|
| At 1 January 2017 / 2016 | (23.2) | (28.6) |
| Cash spend | 0.5 | 0.6 |
| Unwinding of discount of provisions | (0.2) | (0.2) |
| Foreign exchange rate movement | (0.1) | (0.2) |
| **At 29 March 2017 / 30 March 2016** | **(23.0)** | **(28.4)** |

## 13 NOTE TO THE CASH FLOW STATEMENT

| | Unaudited Period ended 29 Mar 2017 £m | Unaudited Period ended 30 Mar 2016 £m |
|---|---|---|
| **Operating loss** | **(6.5)** | **(9.0)** |
| Adjustments for non-cash items: | | |
| Depreciation of property, plant and equipment | 8.1 | 7.2 |
| Amortisation of other intangible assets | 4.1 | 3.9 |
| **Operating cash flows before movements in working capital** | **5.7** | **2.1** |
| Movement in inventory | (0.1) | 0.1 |
| Movement in receivables | 9.3 | 7.2 |
| Movement in payables | 33.2 | 17.5 |
| Movement in provisions | (0.5) | (0.6) |
| **Total working capital movement (1)** | **41.9** | **24.2** |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **47.6** | **26.3** |

1. Working capital movement of £41.9m (2016: £24.2m) is after exceptional outflows of £1.0m (2016: outflows of £2.0m) and after IFRS rent charge of £0.7m (2016: £1.0m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 19 is stated before exceptional movements and before IFRS rent charge.