TVL FINANCE PLC

Q3 2017 – PERIOD ENDED 27 SEPTEMBER 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 39 week accounting period from 1 January 2017 to 27 September 2017 (prior year from 1 January 2016 to 28 September 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 "EBITDA", which represents earnings before interest, tax, depreciation and amortisation as well as exceptional items (material non- recurring and one-off in nature) as defined by IFRS and the rent free adjustment.

Management believe that EBITDA is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because 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 27 September 2017 (Unaudited)

Good revenue growth and outperformance mitigating cost pressures

Highlights – Q3

- Total revenue **up 6.6%** to £185.3m (2016: £173.9m)
- 2017 RevPAR(1) **up 3.2%** to £47.19 (2016: £45.71)
- RevPAR growth **0.7pts ahead** of competitive segment (2)
- Average room rate(1) up 3.7% to £57.40 (2016: £55.38)
- Occupancy(1) down 0.3 percentage points to 82.2% (2016: 82.5%)
- Q3 EBITDA **up £1.4m** to £50.3m (2016: £48.9m)
- Cash of **£111.9m** at 27 September 2017
- 'SuperRooms' showing encouraging early trading with 917 rooms in 16 hotels
- Further improvements to digital platform
- On track to open 15 hotels in 2017, with 9 hotels opened to date
- Estate stood at 551 hotels and 41,523 rooms at 27 September 2017

Peter Gowers, Travelodge Chief Executive commented:

"This was another positive quarter for Travelodge. We saw good revenue growth, with like-for-like RevPAR ahead of the competitive segment, and good profitability and cashflow. So far this year we have opened 9 new hotels, in line with our plans to open 15 by the year end. In light of the prevailing economic uncertainty, Brexit and cost pressures we remain relatively cautious about the immediate outlook. However, we remain well positioned to benefit from demand from value conscious customers and our strong development pipeline."

Summary

In the third quarter Travelodge delivered total revenue growth of 6.6% which was principally driven by good like-for-like RevPAR growth of 3.2% and a significant contribution from new hotels opened since the beginning of 2016. Like-for-like revenue growth was 0.7 pts ahead of the STR MSE segment.

This good revenue growth has helped to mitigate the impact of significant regulated cost increases such as the National Living Wage and business rates, as well as general cost inflation.

In addition, we have opened 9 hotels to date and remain on track to open 15 hotels by the year end.

Recent Trading and Outlook

The wider hotel market has seen somewhat slower growth in the first weeks of the fourth quarter, driven particularly by performance in London. We have continued to perform slightly ahead of our market segment.

In that context we remain relatively cautious about the immediate outlook given the prevailing economic uncertainty relating to Brexit and the expected cost pressures, including those from the National Living Wage, the increase in business rates and general inflation.

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

Financial Performance

Growing Sales and Mitigating Cost Pressures

<u>For the quarter (13 weeks) ended 27 September 2017:</u>

In what is traditionally our largest trading quarter, UK like-for-like RevPAR was up 3.2% to £47.19, slightly ahead of the growth rate of the STR Midscale and Economy Sector, which was up 2.6% for the same period. This reflected strong demand growth balanced by supply increases, particularly in London and major markets.

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 0.3 percentage points, to 82.2% (2016: 82.5%). UK like-for-like average room rate was up 3.7% to £57.40 (2016: £55.38), 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 since the beginning of 2016, resulted in total revenue growth of 6.6% for the quarter to £185.3m.

In the third quarter, EBITDA grew by £1.4m to £50.3m (2016: £48.9m). The good revenue growth in our largest revenue quarter helped to offset a number of regulated cost increases including the National Living Wage and business rates.

The business continues to generate strong operating cashflow, with a closing cash balance of £111.9m at the end of the period. Following our refinancing in Q2 we have long-term facilities in place including the benefit of an undrawn £50m RCF facility.

<u>For the period (39 weeks) ended 27 September 2017:</u>

UK like-for-like RevPAR was up 2.6% to £40.81, in line with the growth rate of the STR Midscale and Economy Sector, which was also up 2.6% for the same period. After excluding the impact of temporary room closures relating to the hotel closure, our investment in the new 'SuperRooms' and our planned refit cycle, we performed slightly ahead of the competitive segment.

The positive like-for-like sales growth, together with the contribution from our maturing new hotels opened since the beginning of 2016, has resulted in total revenue growth of 6.7% for the year to date to £479.1m.

In the year to date, EBITDA is up £4.7m to £92.3m (2016: £87.6m) with the good revenue growth offsetting a number of regulated cost increases including the National Living Wage and business rates which increased from April. We also benefitted from changes to the timing of our marketing activities in the year to date.

Operational Update

Investing in Quality

Our estate is well invested with all but one of our hotels upgraded or opened during the modernisation programme since the programme 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, 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 have continued to see growth in business customers with further growth from key existing customer accounts and encouraging levels of new sign-ups for our Travelodge business membership programme.

The roll out of the initial launch of "SuperRooms" has progressed well and we now have 917 rooms available for sale with an associated investment of approximately £5m. These rooms are priced in accordance with our normal yield management system and are expected to typically retail at a premium of £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 the year to date we have opened 9 new hotels and we are on-site and on track to open a further 6 hotels in 2017.

Openings to date include York Central Layerthorpe, Thurrock Lakeside, London Romford The Quadrant, Liverpool John Lennon Airport and Bath City Centre (Bath Spa).

We expect to open around 20 hotels a year on average over the next three years. Precise timing is expected to vary depending on construction schedules and third party consents.

About Travelodge

Founded in 1985, Travelodge is one of the UK's leading hotel brands. There were 551 Travelodge hotels and 41,523 rooms in the UK, Spain and Ireland as at 27 September 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 27 September 2017 (Q3)

	Quarter from 29 Jun 2017 to 27 Sep 2017 £m	Quarter from 30 Jun 2016 to 28 Sep 2016 £m	Var £m	Var %
Revenue by geographical region				
Revenue	**185.3**	**173.9**	**11.4**	**6.6%**
Revenue UK	181.2	170.9	10.3	6.0%
Revenue International	4.1	3.0	1.1	36.7%
Key income statement items				
Revenue	**185.3**	**173.9**	**11.4**	**6.6%**
Operating expenses	(88.8)	(81.2)	(7.6)	*(9.4)%*
Of which cost of goods sold	*(9.8)*	*(8.8)*	*(1.0)*	*(11.4)%*
Of which employee costs	*(39.7)*	*(35.5)*	*(4.2)*	*(11.8)%*
Of which other operating expenses	*(39.3)*	*(36.9)*	*(2.4)*	*(6.5)%*
Net external rent payable	(46.2)	(43.8)	(2.4)	(5.5)%
EBITDA(1)	**50.3**	**48.9**	**1.4**	**2.9%**
Rent free adjustment (2)	(0.6)	(0.8)	0.2	25.0%
Depreciation	(9.0)	(7.7)	(1.3)	(16.9)%
Amortisation	(4.0)	(4.1)	0.1	2.4%
Operating profit (before exceptional items)	**36.7**	**36.3**	**0.4**	**1.1%**
Finance costs before investor loan interest	(10.0)	(10.3)	0.3	2.9%
Investor loan interest	(3.6)	(3.6)	-	-
Finance income	0.1	0.1	-	-
Income tax	(5.3)	(4.1)	(1.2)	(29.3)%
Profit for the period (before exceptional items)	**17.9**	**18.4**	**(0.5)**	**(2.7)%**
Exceptional items	-	(0.4)	0.4	-
Profit for the period	**17.9**	**18.0**	**(0.1)**	**0.6%**

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

(2) - In many of our leases we receive a rent free period at the beginning of the lease term. Under IFRS, the benefit of this rent free period is held as deferred income on our balance sheet and is recognised in our income 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, which represents a closer measure of cash outflow.

Revenue

Revenue increased by £11.4m, or 6.6%, from £173.9m for the quarter from 30 June 2016 to 28 September 2016 to £185.3m for the quarter from 29 June 2017 to 27 September 2017. This increase was primarily due to like-for-like UK RevPAR growth of 3.2%, maturity of the 19 new hotels added in the 2016 and the 8 hotels opened Q3 YTD. Like-for-like growth was slightly ahead the MS&E segment growth of 2.6% for the period.

Operating expenses

Operating expenses increased by £7.6m, or 9.4%, from £81.2m for the quarter from 30 June 2016 to 28 September 2016 to £88.8m for the quarter from 29 June 2017 to 27 September 2017. Cost increases were due to increased employee costs and other operating expenses.

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

Higher other operating expenses have been largely driven by our new hotels, business rates, inflationary increases and project spend.

Net rent payable

Net external rent payable increased by £2.4m, or 5.5%, from £43.8m for the quarter from 30 June 2016 to 28 September 2016 to £46.2m for the quarter from 29 June 2017 to 27 September 2017. This increase was primarily due to 5 new hotels opened during the period, 9 new hotels opened over the final quarter of 2016 and the first half of 2017 and the annualisation of 5 hotels which opened in the third quarter of 2016, together with upwards only rent reviews predominantly linked to RPI.

Depreciation / amortisation

Depreciation increased by £1.3m, or 16.9%, from £7.7m for the quarter from 30 June 2016 to 28 September 2016 to £9.0m for the quarter from 29 June 2017 to 27 September 2017. This is mainly due to new hotel openings and on-going maintenance and refurbishment costs to support the estate.

Amortisation was broadly flat, decreasing by 2.4%, from £4.1m for the quarter from 30 June 2016 to 28 September 2016 to £4.0m for the quarter from 29 June 2017 to 27 September 2017.

Finance costs

Finance costs including investor loan interest decreased by £0.3m, or 2.9%, from £13.9m for the quarter from 30 June 2016 to 28 September 2016 to £13.6m for the quarter from 29 June 2017 to 27 September 2017. The decrease was primarily due to the lower bond interest costs following the refinancing in April 2017.

Finance income

Finance income of £0.1m for the quarter from 29 June 2017 to 27 September 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 Travelodge Group continues to monitor the progress of tax legislation through the UK Parliament. It is noted that the provisions concerning restrictions on deductibility of corporate interest and the use of tax losses, due to take effect from 1 April 2017, have not yet been substantively enacted. As such, the effect is not included; however there is no anticipated impact on the current tax position for the period upon enactment of these provisions.

The income tax charge of £5.3m for the period from 29 June 2017 to 27 September 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.

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the 39 weeks ended 27 September 2017

	Period ended 27 Sep 2017 £m	Period ended 28 Sep 2016 £m	Var £m	Var %
Revenue by geographical region				
Revenue	**479.1**	**448.9**	**30.2**	**6.7%**
Revenue UK	468.8	441.5	27.3	6.2%
Revenue International	10.3	7.4	2.9	39.2%
Key income statement items				
Revenue	**479.1**	**448.9**	**30.2**	**6.7%**
Operating expenses	(251.2)	(233.7)	(17.5)	*(7.5)%*
Of which cost of goods sold	*(29.9)*	*(28.1)*	*(1.8)*	*(6.4)%*
Of which employee costs	*(110.5)*	*(100.2)*	*(10.3)*	*(10.3)%*
Of which other operating expenses	*(110.8)*	*(105.4)*	*(5.4)*	*(5.1)%*
Net external rent payable	(135.6)	(127.6)	(8.0)	(6.3)%
EBITDA(1)	**92.3**	**87.6**	**4.7**	**5.4%**
Rent free adjustment (2)	(1.9)	(2.7)	0.8	29.6%
Depreciation	(25.5)	(22.2)	(3.3)	(14.9)%
Amortisation	(12.3)	(11.8)	(0.5)	(4.2)%
Operating profit (before exceptional items)	**52.6**	**50.9**	**1.7**	**3.3%**
Finance costs before investor loan interest	(30.2)	(27.8)	(2.4)	(8.6)%
Investor loan interest	(10.6)	(11.3)	0.7	6.2%
Finance income	0.2	0.4	(0.2)	(50.0)%
Income tax	(2.8)	(3.2)	0.4	12.5%
Profit for the period (before exceptional items)	**9.2**	**9.0**	**0.2**	**(2.2)%**
Exceptional items	(9.7)	(3.3)	(6.4)	-
Profit for the period	**(0.5)**	**5.7**	**(6.2)**	**108.8%**

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

(2) - In many of our leases we receive a rent free period at the beginning of the lease term. Under IFRS, the benefit of this rent free period is held as deferred income on our balance sheet and is recognised in our income 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, which represents a closer measure of cash outflow.

Revenue

Revenue increased by £30.2m, or 6.7%, from £448.9m for the period from 1 January 2016 to 28 September 2016 to £479.1m for the period from 1 January 2017 to 27 September 2017. This increase was primarily due to like-for-like UK RevPAR growth of 2.6%, maturity of the 19 new hotels added in the 2016 and the 8 hotels opened Q3 YTD. Like-for-like growth was in line with the MS&E segment growth of 2.6% for the period, impacted 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.

Operating expenses

Operating expenses increased by £17.5m, or 7.5%, from £233.7m for the period from 1 January 2016 to 28 September 2016 to £251.2m for the period from 1 January 2017 to 27 September 2017. Cost increases were mainly due to increased employee costs and other operating expenses.

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

Higher other operating expenses have been largely driven by our new hotels, business rates, inflationary increases and project spend. They 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 with spend spread more evenly through the year.

Net rent payable

Net external rent payable increased by £8.0m, or 6.3%, from £127.6m for the period from 1 January 2016 to 28 September 2016 to £135.6m for the period from 1 January 2017 to 27 September 2017. This increase was primarily due to 8 new hotels opened during the period, 5 new hotels which opened in the final quarter of 2016 and the annualisation of the 14 hotels which opened in the first nine months of 2016, together with upwards only rent reviews predominantly linked to RPI.

Depreciation / amortisation

Depreciation increased by £3.3m, or 14.9%, from £22.2m for the period from 1 January 2016 to 28 September 2016 to £25.5m for the period from 1 January 2017 to 27 September 2017. This is mainly due to new hotel openings and on-going maintenance and refurbishment costs to support the estate.

Amortisation increased by £0.5m, or 4.2%, from £11.8m for the period from 1 January 2016 to 28 September 2016 to £12.3m for the period from 1 January 2017 to 27 September 2017. This is mainly due to the finance system implementation and business and international website development.

Finance costs

Finance costs, including investor loan interest, increased by £1.7m, or 4.3%, from £39.1m for the period from 1 January 2016 to 28 September 2016 to £40.8m for the period from 1 January 2017 to 27 September 2017. The increase was primarily due to bond interest costs in the period being higher than the combined bond and bank interest costs in the corresponding period last year (the original bond issue was in May 2016).

Finance income

Finance income of £0.2m for the period from 1 January 2017 to 27 September 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 Travelodge Group continues to monitor the progress of tax legislation through the UK Parliament. It is noted that the provisions concerning restrictions on deductibility of corporate interest and the use of tax losses, due to take effect from 1 April 2017, have not yet been substantively enacted. As such, the effect is not included; however there is no anticipated impact on the current tax position for the period upon enactment of these provisions.

The income tax charge of £2.8m for the period from 1 January 2017 to 27 September 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.

Exceptional items

Exceptional items of £9.7m include £6.5m in respect of the costs of early redemption, legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities, together with a £3.2m release of the relevant portion of 2016 fees on repayment of the previous floating rate bond.

Cash flow

As at 27 September 2017, we had cash of £111.9m, an increase of £38.0m compared to £73.9m as at 31 December 2016. Operating cash inflows during the period ended 27 September 2017 of £101.6m were partially offset by investing cash outflows of £39.3m, which relate to the purchase of intangible and tangible fixed assets of £39.4m less interest received of £0.1m, and financing cash outflows during the period of £24.3m.

Included in financing cash outflows of £24.3m were the repayment in April 2017 of the existing senior secured floating rate sterling denominated notes of £100.0m and senior secured fixed rate sterling denominated notes of £29.0m, and the repayment in April 2017 of accrued interest of £35.0m relating to the investor loan, offset by the issue of new senior secured floating rate sterling denominated notes of £165.0m; together with bond interest payments and finance fees of £22.0m and finance lease interest payments of £3.3m.

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 27 Sep 2017 £m	**Period ended 28 Sep 2016** £m	Var £m	Var %
Net cash generated from operating activities	101.6	86.7	14.9	17.2%
Net cash used in investing activities	(39.3)	(25.7)	(13.6)	(52.9)%
Net cash used in financing activities	(24.3)	(52.4)	28.1	53.5%
Net increase in aggregate cash and cash equivalents	38.0	8.6	29.4	-
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	**111.9**	**85.5**	**26.4**	**30.8%**

Net cash generated from operating activities

Net cash generated from operating activities increased by £14.9m, or 17.2%, from £86.7m for the period from 1 January 2016 to 28 September 2016 to £101.6m for the period from 1 January 2017 to 27 September 2017. This was due primarily to an increase of £12.6m in working capital driven predominantly by the timing of payments to creditors and payments relating to exceptional items.

Net cash used in investing activities

Net cash used in investing activities increased by £13.6m, or 52.9%, from £25.7m for the period from 1 January 2016 to 28 September 2016 to £39.3m for the period from 1 January 2017 to 29 September 2017 primarily due to the standard refit recycle which commenced this year and investment in Super Rooms.

Net cash used in financing activities

Net cash used in financing activities decreased by £28.1m, or 53.5%, from £52.4m for the period from 1 January 2016 to 28 September 2016 to £24.3m for the period from 1 January 2017 to 27 September 2017.

This was primarily due to proceeds arising from the refinancing in April 2017 of £36.0m compared to net refinancing proceeds of £5.8m in 2016, partially offset by the repayment of accrued interest relating to the investor loan of £35.0m (2016: £20.0m); plus lower transaction costs of £2.1m (2016: £11.1m) and lower external interest payments of £19.7m (2016: £23.6m).

Capital expenditure

Capital expenditure in the period from 1 January 2017 to 27 September 2017 has been primarily made in relation to on-going maintenance and refits, including Super Rooms, 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 and Super Rooms. 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 27 Sep 2017 £m	**Period ended 28 Sep 2016** £m	Var £m	Var %
Reduction in inventory	-	0.1	(0.1)	-
Reduction / (increase) in receivables	0.6	(2.8)	3.4	(120.2)%
Increase in payables	19.9	17.0	2.9	17.3%
Total working capital movement (before exceptional items)	20.5	14.3	6.2	43.5%
Exceptional items	(2.8)	(9.2)	6.4	69.3%
Total working capital movement	**17.7**	**5.1**	**12.6**	**246.9%**

Our working capital inflow of £17.7m in the period from 1 January 2017 to 27 September 2017 compared to an inflow of £5.1m in the period from 1 January 2016 to 28 September 2016 is impacted by exceptional items and the timing of creditor payments around the quarter ends.

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 27 September 2017

TVL FINANCE PLC
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE PERIOD ENDED 27 SEPTEMBER 2017

	Unaudited Period ended 27 Sep 2017			Unaudited Period ended 28 Sep 2016		
	BEI (2)	**EI (2)**	**AEI (2)**	**BEI (2)**	**EI (2)**	**AEI (2)**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	479.1	-	**479.1**	448.9	-	**448.9**
Operating Expenses	(251.2)	(9.7)	**(260.9)**	(233.7)	(4.2)	**(237.9)**
Rent	(137.5)	-	**(137.5)**	(130.3)	0.9	**(129.4)**
EBITDA after rent free adjustment	**90.4**	**(9.7)**	**80.7**	**84.9**	**(3.3)**	**81.6**
Depreciation/Amortisation	(37.8)	-	**(37.8)**	(34.0)	-	**(34.0)**
Operating Profit / (Loss)	**52.6**	**(9.7)**	**42.9**	**50.9**	**(3.3)**	**47.6**
Finance Costs	(40.8)	-	**(40.8)**	(39.1)	-	**(39.1)**
Finance Income	0.2	-	**0.2**	0.4	-	**0.4**
Profit / (Loss) before Tax	**12.0**	**(9.7)**	**2.3**	**12.2**	**(3.3)**	**8.9**
Income Tax	(2.8)	-	**(2.8)**	(3.2)	-	**(3.2)**
Profit / (Loss) for the Period	**9.2**	**(9.7)**	**(0.5)**	**9.0**	**(3.3)**	**5.7**

Memorandum - EBITDA[1]

	Period ended 27 Sep 2017 £m	**Period ended 28 Sep 2016 £m**
EBITDA	**92.3**	**87.6**
Rent free adjustment[3]	**(1.9)**	(2.7)
EBITDA after rent free adjustment	**90.4**	**84.9**
Exceptional items	**(9.7)**	(3.3)
EBITDA after rent free adjustment and exceptional items	**80.7**	**81.6**

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

2. BEI = Before exceptional items, EI = Exceptional items, AEI = After exceptional items

3. In many of our leases we receive a rent free period at the beginning of the lease term. Under IFRS, the benefit of this rent free period is held as deferred income on our balance sheet and is recognised in our income 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, which represents a closer measure of cash outflow.

TVL FINANCE PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 27 SEPTEMBER 2017

	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
(Loss) / Profit for the period recognised directly in the income statement	(0.5)	5.7
Currency translation differences	(0.4)	(0.6)
Net loss recognised directly in equity	**(0.4)**	**(0.6)**
Total comprehensive (loss) / profit for the period	**(0.9)**	**5.1**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 27 SEPTEMBER 2017

	Share Capital £m	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2017	**-**	**(0.2)**	**0.6**	**(78.8)**	**(78.4)**
Loss for the period	-	-	-	(0.5)	**(0.5)**
Other comprehensive loss					
Currency translation differences	-	(0.4)	-	-	**(0.4)**
Total comprehensive loss	**-**	**(0.4)**	**-**	**(0.5)**	**(0.9)**
27 September 2017	**-**	**(0.6)**	**0.6**	**(79.3)**	**(79.3)**

FOR THE PERIOD ENDED 28 SEPTEMBER 2016

	Share Capital £m	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2016	**-**	**0.4**	**-**	**(76.2)**	**(75.8)**
Profit for the period	-	-	-	5.7	**5.7**
Other comprehensive loss					
Currency translation differences	-	(0.6)	-	-	**(0.6)**
Total comprehensive (loss) / profit	**-**	**(0.6)**	**-**	**5.7**	**5.1**
28 September 2016	**-**	**(0.2)**	**-**	**(70.5)**	**(70.7)**

TVL FINANCE PLC
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 27 SEPTEMBER 2017

	Unaudited 27 Sep 2017 £m	Unaudited 28 Sep 2016 £m
NON CURRENT ASSETS		
Intangible assets	**383.8**	**397.5**
Property, plant and equipment	**128.7**	**119.7**
Financial derivative asset	**1.0**	**-**
Deferred tax asset	**52.2**	**59.4**
	565.7	**576.6**
CURRENT ASSETS		
Inventory	**1.4**	**1.4**
Trade and other receivables	**46.7**	**46.0**
Cash and cash equivalents	**111.9**	**85.5**
	160.0	**132.9**
TOTAL ASSETS	**725.7**	**709.5**
CURRENT LIABILITIES		
Trade and other payables	**(139.6)**	**(127.3)**
	(139.6)	**(127.3)**
NON-CURRENT LIABILITIES		
Bond related debt	**(418.0)**	**(379.6)**
Investor loan	**(113.7)**	**(134.4)**
Obligations under finance leases	**(32.2)**	**(31.6)**
Deferred tax liability	**(69.0)**	**(75.7)**
Deferred income	**(10.8)**	**(8.8)**
Provisions	**(21.7)**	**(22.8)**
	(665.4)	**(652.9)**
TOTAL LIABILITIES	**(805.0)**	**(780.2)**
NET LIABILITIES	**(79.3)**	**(70.7)**
EQUITY		
Share capital	**-**	**-**
Foreign exchange reserve	**(0.6)**	**(0.2)**
Cash flow hedge reserve	**0.6**	**-**
Accumulated losses	**(79.3)**	**(70.5)**
TOTAL DEFICIT	**(79.3)**	**(70.7)**

Memorandum - Analysis of debt	***£m***	***£m***
Cash at bank and in hand	***111.9***	***85.5***
External debt redeemable:		
Fixed Rate Bond	***(261.0)***	***(290.0)***
Floating Rate Bond	***(165.0)***	***(100.0)***
Issue costs	***8.0***	***10.4***
Gross external debt	***(418.0)***	***(379.6)***
Net external debt	***(306.1)***	***(294.1)***
Investor Loan Note	***(113.7)***	***(134.4)***
Finance leases	***(32.2)***	***(31.6)***
Net debt including finance leases	***(452.0)***	***(460.1)***

TVL FINANCE PLC
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 27 SEPTEMBER 2017

	Unaudited Period ended 27 Sep 2017	Unaudited Period ended 28 Sep 2016
	£m	£m
NET CASH GENERATED FROM OPERATING ACTIVITIES	**101.6**	**86.7**
INVESTING ACTIVITIES		
Interest received	**0.1**	**0.4**
Purchases of property, plant and equipment and other intangible assets	**(39.4)**	**(26.1)**
Net cash used in investing activities	**(39.3)**	**(25.7)**
FINANCING ACTIVITIES		
Finance fees paid	**(0.2)**	**(0.2)**
Interest paid	**(19.7)**	**(23.6)**
Finance lease payments	**(3.3)**	**(3.3)**
Net refinancing proceeds	**36.0**	**5.8**
Finance issue transaction costs	**(2.1)**	**(11.1)**
Repayment of investor loan	**(35.0)**	**(20.0)**
Net cash from financing activities	**(24.3)**	**(52.4)**
Net increase in aggregate cash and cash equivalents	**38.0**	**8.6**
Cash and cash equivalents at beginning of the year	73.9	76.9
Cash and cash equivalents at end of the period	**111.9**	**85.5**

Memorandum - Analysis of free cash flow [1]		***Unaudited Period ended 27 Sep 2017***	***Unaudited Period ended 28 Sep 2016***
		£m	***£m***
EBITDA[2]		***92.3***	***87.6***
Working capital		***18.6***	***11.6***
		110.9	***99.2***
Net cash flows from operating activities before exceptionals			
Capital expenditure		***(39.4)***	***(26.1)***
Free cash flow generated for the year		***71.5***	***73.1***
Non-trading cash flow			
Interest costs	*- bank interest paid*	***-***	***(21.4)***
	- bond interest paid	***(19.7)***	***(2.2)***
	- finance fees paid	***(0.2)***	***(0.2)***
Interest income		***0.1***	***0.4***
Finance lease payments		***(3.3)***	***(3.3)***
Cash spend on provisions and exceptional items [3]		***(11.4)***	***(23.6)***
Non-trading cashflow		***(34.5)***	***(50.3)***
Cash generated		***37.0***	***22.8***
Opening Cash		***73.9***	***76.9***
Movement in cash		***37.0***	***22.8***
Net refinancing proceeds		***36.0***	***5.8***
Repayment of investor loan note		***(35.0)***	***(20.0)***
Closing Cash		***111.9***	***85.5***
Opening net external debt		***(306.0)***	***(307.4)***
Net increase in aggregate cash		***38.0***	***8.6***
Net refinancing proceeds		***(36.0)***	***(5.8)***
Net finance issue transaction costs		***(0.9)***	***11.1***
Amortised bond transaction costs		***(1.2)***	***(0.6)***
Closing net external debt		***(306.1)***	***(294.1)***

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

2. EBITDA = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items.

Exceptional items have been removed as they are non-recurring, one-off items.

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	***110.9***	***99.2***
Cash spend on exceptional items through profit and loss	***(6.5)***	***(3.3)***
Cash spend on exceptional items through working capital	***(2.8)***	***(9.2)***
Net cash generated from operating activities	***101.6***	***86.7***

3. In the period ended 27 September 2017, cash spend on provisions and exceptional items of £11.4m includes costs of refinancing of £8.6m and other costs of £2.8m.

In the period ended 28 September 2016, cash spend on provisions and exceptional items of £23.6m includes costs of refinancing the Travelodge group of £14.9m, a payment in relation to the settlement of the CVA entered into in 2012 of £3.9m and other costs of £4.8m.

In many of our leases we receive a rent free period at the beginning of the lease term. Under IFRS, the benefit of this rent free period is held as deferred income on our balance sheet and is recognised in our income 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, which represents a closer measure of cash outflow.

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 27 September 2017. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Uniform accounting policies are adopted across the Group.

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the 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. Under IFRS any rent free period(s) 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. As a result, our IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA in each period recognises the portion of the credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, which represents a closer measure of cash outflow. This basis is consistent with our internal management reporting and statutory reporting of our main UK trading entity under FRS 102.

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 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
Revenue		
UK	**468.8**	**441.5**
International	**10.3**	**7.4**
	479.1	**448.9**
EBITDA[1]		
UK	**90.2**	**86.9**
Rent free adjustment	**(1.9)**	**(2.7)**
UK after rent free adjustment	**88.3**	**84.2**
International	**2.1**	**0.7**
	90.4	**84.9**
Operating profit before exceptionals		
UK	**50.6**	**50.3**
International	**2.0**	**0.6**
	52.6	**50.9**
Profit before tax before exceptionals		
UK	**10.1**	**11.7**
International	**1.9**	**0.5**
	12.0	**12.2**
Exceptional items (note 6)	**(9.7)**	**(3.3)**
Profit before tax after exceptionals	**2.3**	**8.9**

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

4 NET OPERATING EXPENSES (BEFORE EXCEPTIONAL ITEMS)

	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
Cost of goods sold	29.9	28.1
Employee costs	110.5	100.2
Operating expenses	110.8	105.4
Net operating expenses before rent, depreciation and amortisation	**251.2**	**233.7**
Rent payable (third party landlords) for operating leases	138.4	130.3
Rent receivable	(2.8)	(2.7)
Net external rent payable	135.6	127.6
Rent free adjustment	1.9	2.7
Net rent	**137.5**	**130.3**
Net operating expenses before depreciation and amortisation	**388.7**	**364.0**
Depreciation	25.5	22.2
Amortisation	12.3	11.8
Net depreciation and amortisation	**37.8**	**34.0**
Total net operating expenses	**426.5**	**398.0**

5 FINANCE COSTS

	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
Interest on bank loans	-	10.7
Interest on bonds	25.9	12.7
Interest on obligations under finance leases	3.7	3.9
Unwinding of discount on provisions	0.6	0.5
Finance costs before investor loan interest	**30.2**	**27.8**
Interest on investor loan note	10.6	11.3
Finance costs	**40.8**	**39.1**

6 EXCEPTIONAL ITEMS

In the period ended 27 September 2017, exceptional costs of £9.7m are refinancing costs relating to the floating rate bonds. £6.5m comprises fees and management incentives relating to the new floating rate bond and £3.2m comprises the release of the relevant portion of 2016 fees on extinguishment of the old floating rate bond.

In the period ended 28 September 2016, exceptional costs of £3.3m comprise £4.2m in relation to the refinancing of the Travelodge group in May 2015, partially offset by a credit of £0.9m in relation to the reassessment of provisions at several previously vacant historic restaurant units which were subsequently sublet.

7 INTANGIBLE ASSETS

	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
Opening net book value	**389.6**	**402.5**
Additions	**6.6**	**6.8**
Movement on capital creditors	**(0.1)**	**-**
Depreciation	**(12.3)**	**(11.8)**
Closing net book value	**383.8**	**397.5**

The closing net book value at 27 September 2017 comprises brand value of £145.0m, assets under construction of £9.4m, lease premiums of £222.6m and IT software of £6.8m.

The closing net book value at 28 September 2016 comprises brand value of £145.0m, assets under construction of £7.6m, lease premiums of £238.5m and IT software of £6.4m.

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 risk adjusted 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.

8 PROPERTY, PLANT AND EQUIPMENT

	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
Opening net book value	**121.3**	**123.9**
Additions	**32.7**	**18.0**
Movement on capital creditors	**0.2**	**-**
Depreciation	**(25.5)**	**(22.2)**
Closing net book value	**128.7**	**119.7**

The closing net book value at 27 September 2017 comprises assets under construction of £6.8m, freehold and long leaseholds of £1.6m, financed leased land and buildings of £16.1m and fixtures and fittings of £104.2m.

The closing net book value at 28 September 2016 comprises assets under construction of £9.1m, freehold and long leaseholds of £1.7m, financed leased land and buildings of £16.6m and fixtures and fittings of £92.3m.

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.

9 TRADE AND OTHER RECEIVABLES

	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	**10.3**	**10.2**
- Bad debt provision	**(0.1)**	**(0.1)**
- Net amounts receivable	**10.2**	**10.1**
Other amounts receivable	**4.0**	**3.8**
Prepayments and accrued income	**32.5**	**32.1**
	46.7	**46.0**

10 TRADE AND OTHER PAYABLES

	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
Trade payables	**(25.8)**	**(18.0)**
Other payables	**(16.4)**	**(18.7)**
Social security and other taxation	**(14.1)**	**(14.7)**
Accruals	**(39.3)**	**(36.9)**
Prepaid room purchases	**(37.5)**	**(33.4)**
Capital payables	**(6.5)**	**(5.6)**
Amounts falling due within one year	**(139.6)**	**(127.3)**
Amounts falling due after one year:		
Deferred income	**(10.8)**	**(8.8)**
Total	**(150.4)**	**(136.1)**

11 FINANCIAL ASSETS AND LIABILITIES

	Maturity Date	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
Cash at bank and in hand		**111.9**	**85.5**
External debt redeemable:			
Fixed Rate Bond	May 2023	**(261.0)**	**(290.0)**
Floating Rate Bond	May 2023	**(165.0)**	**(100.0)**
Issue Costs		**8.0**	**10.4**
Gross External debt		**(418.0)**	**(379.6)**
Net external debt		**(306.1)**	**(294.1)**
Investor Loan Note	January 2026	**(113.7)**	**(134.4)**
Net debt before finance leases		**(419.8)**	**(428.5)**
Finance leases		**(32.2)**	**(31.6)**
Net debt including finance leases		**(452.0)**	**(460.1)**

The financial derivative asset of £1.0m (2016: £nil) is not included in the table above.

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

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

New senior secured floating sterling denominated notes of £165.0m 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%. Interest is payable on a quarter basis.

Revolving credit facility
A sterling denominated revolving credit facility of £50.0m is available to the group. At the date of these financial statements no drawings on this facility had been made.

Letter of credit facility
The letter of credit facility has a maximum usage of £30.0m. At 27 September 2017, the group had utilised £15.2m.

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 27 September 2017, accrued interest for the period from 1 January 2017 to 27 September 2017 totalled £10.6m (2016: £11.3m). The investor loan note has a termination date of January 2026.

Accrued interest of £35.0m relating to the investor loan was repaid in April 2017.

Interest rate hedge
The interest rate hedge is against the old senior secured floating rate bond of £100.0m 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.

At 27 September 2017, the fair value of the hedge was £0.7m.

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

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

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

At 27 September 2017, the fair value of the swaption was £0.3m.

12 PROVISIONS

	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
At 1 January 2017 / 2016	(23.2)	(28.6)
Cash spend	2.2	6.1
Reassessment of provisions	-	0.9
Unwinding of discount on provisions	(0.6)	(0.5)
Foreign exchange rate movement	(0.1)	(0.7)
At 27 September 2017 / 28 September 2016	**(21.7)**	**(22.8)**

13 NOTE TO THE CASH FLOW STATEMENT

	Unaudited Period ended 27 Sep 2017 £m	Unaudited Period ended 28 Sep 2016 £m
Operating profit	**42.9**	**47.6**
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	25.5	22.2
Amortisation of other intangible assets	12.3	11.8
Release of transaction costs on extinguishment of bond debt	3.2	-
Operating cash flows before movements in working capital	**83.9**	**81.6**
Movement in inventory	-	0.1
Movement in receivables	0.6	(2.8)
Movement in payables	19.3	14.8
Movement in provisions	(2.2)	(7.0)
Total working capital movement [(1)]	**17.7**	**5.1**
Cash flows from operating activities	**101.6**	**86.7**

1. Working capital movement of £17.7m (2016: £5.1m) is after exceptional outflows of £2.8m (2016: outflows of £9.2m) and after rent free adjustment of £1.9m (2016: £2.7m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 19 is stated before exceptional movements and before rent free adjustment.