TVL FINANCE PLC

FY 2017 – YEAR ENDED 31 DECEMBER 2017

REPORT TO NOTEHOLDERS

£232,000,000 8.5% SENIOR SECURED NOTES DUE 2023

£195,000,000 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 calender year accounting period from 1 January 2017 to 31 December 2017 (prior year from 1 January 2016 to 31 December 2017), 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 year ended 31 December 2017 (Unaudited)

Good revenue growth and outperformance

Highlights – Full Year 2017

- Total revenue **up 6.6%** to £637.1m (2016: £597.8m)
- 2017 RevPAR[1] **up 2.9%** to £40.49 (2016: £39.37)
- RevPAR growth **0.7pts ahead** of competitive segment [2]
- Average room rate[1] up 2.8% to £53.19 (2016: £51.75)
- Occupancy[1] maintained at 76.1%
- FY 2017 EBITDA **up £2.3m** to £112.4m (2016: £110.1m)
- Cash of **£95.0m** at 31 December 2017
- SuperRooms showing encouraging early trading with 990 rooms in 20 hotels
- **15 new hotels** opened in 2017
- Estate stood at 558 hotels and 42,110 rooms at 31 December 2017

Peter Gowers, Travelodge Chief Executive commented:

"Our continued focus on quality and service is delivering good results. Rising sales from business customers, boosted by our new SuperRooms, helped drive strong sales growth, with like-for-like RevPAR once again ahead of the competitive segment. This helped mitigate the significant macroeconomic and external cost pressures facing the sector and deliver another year of progress for the business."

"Over the last four years we have strengthened Travelodge considerably. We have upgraded our estate, opened over 50 new hotels, launched our new SuperRooms and now have more than 170 hotels with on-site bar cafes. While we are not immune to the cost headwinds facing many UK leisure and hospitality businesses, with strong underlying demand for budget hotels and a healthy secure pipeline of new hotels to open, we will be well positioned once the current cost pressures abate."

Summary

We delivered total revenue growth of 6.6% in 2017, with 2.9% like-for-like RevPAR growth and a significant contribution from new hotels opened since 2016. We once again outperformed the STR MSE segment by 0.7%.

This good revenue growth has helped to mitigate the impact of significant cost increases, particularly on regulated costs such as the National Living Wage and business rates, as well as general cost inflation with our full year EBITDA up £2.3m.

In addition, we opened 15 hotels in 2017 in line with our target.

This continued good performance has allowed us to undertake a further re-financing in January 2018, reducing our cost of debt as a result.

Recent Trading and Outlook

The UK is currently in a period of well understood macroeconomic uncertainty with significant regulatory and other inflationary cost pressures.

Demand for budget hotels has remained positive since the start of the year. However, the market is up against tough comparables for last year, which included strong inbound travel owing to the weak pound, and it also faces the impact of new supply growth in what is traditionally a low occupancy period. For the midscale and economy sector, the first few weeks of the year have seen declines in London RevPAR and somewhat flat performance in the Regions, with the overall midscale and economy sector down (0.5)% in the first 7 weeks of the year. We have continued to outperform our segment and deliver like-for-like RevPAR growth.

In view of the wider economic uncertainty and the well-known cost headwinds, especially those relating to the national living wage, other regulated cost increases and general inflationary pressures, we remain cautious on the immediate outlook. However once these pressures abate, we are well positioned.

Financial Performance

Growing Sales and Mitigating Cost Pressures

<u>For the year ended 31 December 2017:</u>

UK like-for-like RevPAR was up 2.9% to £40.49, ahead of the growth rate of the STR Midscale and Economy Sector, which was up 2.2% for the same period.

We continue to use effective revenue management to optimise the balance between occupancy and rate growth. We maintained UK like-for-like occupancy at 76.1% and grew UK like-for-like average room rate by 2.8% to £53.19 (2016: £51.75), principally driven by continued growth from business customers and improved conversion rates from our upgraded website, supported by effective yield management.

The positive like-for-like sales growth, together with strong food & beverage sales and the contribution from our maturing new hotels opened since the beginning of 2016, has resulted in total revenue growth of 6.6% for the year to date to £637.1m.

Full year 2017 EBITDA is up £2.3m to £112.4m (2016: £110.1m) with the good revenue growth including strong performance from our Spanish business offsetting a number of regulated cost increases including the National Living Wage and business rates which increased from April.

The business continues to generate strong operating cashflow, with a closing cash balance of £95.0m at the year end. Following our refinancing in Q2 2017 we have long-term facilities in place including the benefit of an undrawn £50m RCF facility.

For the quarter (13 weeks) ended 31 December 2017:

In the quarter UK like-for-like RevPAR was up 3.7% to £39.52, ahead of the growth rate of the STR Midscale and Economy Sector, which was up 1.1% for the same period. This reflected good demand growth balanced by supply increases, particularly in London and major regional cities.

These positive like-for-like sales results, together with strong food & beverage sales and the contribution from our maturing new hotels opened since the beginning of 2016, resulted in total revenue growth of 6.1% for the quarter to £158.0m.

The good revenue growth in the quarter helped to offset a number of regulated cost increases including the National Living Wage and business rates and the impact of phasing of new openings, with 7 new hotels opened in the fourth quarter. However, as previously indicated, EBITDA in the fourth quarter was adversely impacted by the timing of spend on sales and marketing activities, which were phased more evenly in 2017, compared to the first half TV marketing campaign in 2016 and as a result, EBITDA declined by £2.4m to £20.1m (2016: £22.5m).

Operational Update

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

Location

During the year we extended our network with a further 15 hotels, including new sites at London Harrow, Bath City Centre, Redhill Town Centre and Newcastle Quayside. We now have a wide network, including more than 170 hotels with on-site bar café restaurants, a network that would be the fourth largest hotel chain in the UK if it were a separate brand. In 2018 we expect to open 20 hotels, including our new 395 room London City hotel in the summer, with a significant proportion of these openings in the fourth quarter. We have already opened 1 hotel this year in Gravesend.

Price

We continue to drive to be the cheapest of the big competitor brands, with a clear positioning to our customers, while raising our average RevPAR by winning a greater share of business customers, who are more likely to stay in our premium locations and for longer than the average. We made good progress during the year, again outperforming the midscale and economy segment.

Quality

We continue to invest in upgrading our hotels, launching our new SuperRoom product in early 2017. We now have 990 SuperRooms across the UK, which feature Lavazza coffee pod machines, Hansgrohe raindance showers, a choice of pillows and other improved facilities. Early results from this new offer have been encouraging, with an average rate premium of £10-20.

We again upgraded our food and beverage offer during the year, resulting in record sales. We are also in the process of trialling a new bar café format in a small number of hotels.

We received a record number of TripAdvisor certificates of Excellence in 2017, and an average TripAdvisor rating of 4 stars out of 5. This continued improvement in quality has been driven by the efforts of our 12,000 strong team, which includes our in-house housekeeping team, supported by investment in standardisation of our ten step proprietary room cleaning process.

We made further improvements to our digital platform in 2017, helping us sustain more than 80% of our bookings being made through Travelodge.co.uk, and more than 89% direct overall, well in excess of the industry norms.

About Travelodge

Founded in 1985, Travelodge is one of the UK's leading hotel brands. There were 558 Travelodge hotels and 42,110 rooms in the UK, Spain and Ireland as at 31 December 2017. Travelodge welcomes approximately 19 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 year ended 31 December 2017

	Year ended 31 Dec 2017 £m	Year ended 31 Dec 2016 £m	Var £m	Var %
Revenue by geographical region				
Revenue	**637.1**	**597.8**	**39.3**	**6.6%**
Revenue UK	624.0	587.7	36.3	6.2%
Revenue International	13.1	10.1	3.0	29.7%
Key income statement items				
Revenue	**637.1**	**597.8**	**39.3**	**6.6%**
Operating expenses	(341.7)	(316.0)	(25.7)	*(8.1)%*
Of which cost of goods sold	*(39.6)*	*(37.5)*	*(2.1)*	*(5.6)%*
Of which employee costs	*(150.2)*	*(136.2)*	*(14.0)*	*(10.3)%*
Of which other operating expenses	*(151.9)*	*(142.3)*	*(9.6)*	*(6.7)%*
Net external rent payable	(183.0)	(171.7)	(11.3)	(6.6)%
EBITDA[(1)]	**112.4**	**110.1**	**2.3**	**2.1%**
Rent free adjustment [(2)]	(2.4)	(3.4)	1.0	29.4%
Depreciation	(35.0)	(29.9)	(5.1)	(17.1)%
Amortisation	(16.5)	(15.8)	(0.7)	(4.4)%
Operating profit (before exceptional items)	**58.5**	**61.0**	**(2.5)**	**(4.1)%**
Finance costs before investor loan interest	(39.9)	(38.3)	(1.6)	(4.2)%
Investor loan interest	(14.3)	(15.0)	0.7	4.7%
Finance income	0.3	1.1	(0.8)	(72.7)%
Income tax	(1.9)	(0.9)	(1.0)	-
Profit for the period (before exceptional items)	**2.7**	**7.9**	**(5.2)**	**65.8%**
Exceptional items	(13.4)	(10.5)	(2.9)	(27.6)%
Profit for the period	**(10.7)**	**(2.6)**	**(8.1)**	**-**

(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 £39.3m, or 6.6%, from £597.8m for the year ended 31 December 2016 to £637.1m for the year ended 31 December 2017. This increase was primarily due to like-for-like UK RevPAR growth of 2.9%, maturity of the 19 new hotels added in the 2016 and the 15 hotels opened in 2017. We also saw good revenue growth in food & beverage and from our hotels in Spain. Like-for-like UK RevPAR growth was ahead of the MS&E segment growth of 2.2% for the year.

Operating expenses

Operating expenses increased by £25.7m, or 8.1%, from £316.0m for the year to 31 December 2016 to £341.7m for the year to 31 December 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 sales and marketing costs which were focused on more targeted digital and customer relationship management (CRM) and business to business sales activity, with spend spread more evenly through the year in contrast to the phasing driven by the first half TV brand marketing campaign last year.

Net rent payable

Net external rent payable increased by £11.3m, or 6.6%, from £171.7m for the year to 31 December 2016 to £183.0m for the year to 31 December 2017. This increase was primarily due to 15 new hotel openings during the year, the annualisation of the 19 hotels which opened in 2016, together with upwards only rent reviews predominantly linked to RPI.

Depreciation / amortisation

Depreciation increased by £5.1m, or 17.1%, from £29.9m for the year to 31 December 2016 to £35.0m for the year to 31 December 2017. This is mainly due to new hotel openings and investment in maintenance, refurbishment and upgrading our hotels.

Amortisation increased by £0.7m, or 4.4%, from £15.8m for the year to 31 December 2016 to £16.5m for the year to 31 December 2017. This is mainly due to the finance system implementation project during 2016 and ongoing website development.

Finance costs

Finance costs, including investor loan interest, increased by £0.9m, or 1.7%, from £53.3m for the year to 31 December 2016 to £54.2m for the year to 31 December 2017. The increase was primarily due to bond interest costs for the year being higher than the combined bond and bank interest costs last year (with the original bond issue in May 2016 and the subsequent refinancing in April 2017 which reduced bond interest costs).

Finance income

Finance income of £0.3m for the year to 31 December 2017 is bank interest received. The year on year decrease from £1.1m for the year to 31 December 2016 was primarily due to additional interest last year in respect of a loan to our previous Irish franchisee partner which was settled during quarter 4 2016.

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 £1.9m for the year to 31 December 2017 relates entirely to anges in deferred tax on intangible assets, tax losses and differences between accounting depreciation and capital allowances. There were no cash tax payments during the year.

Exceptional items

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

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the 13 weeks ended 31 December 2017 (Q4)

	Quarter from 28 Sep 2017 to 31 Dec 2017 £m	**Quarter from 29 Sep 2016 to 31 Dec 2016** £m	Var £m	Var %
Revenue by geographical region				
Revenue	**158.0**	**148.9**	**9.1**	**6.1%**
Revenue UK	155.2	146.2	9.0	6.2%
Revenue International	2.8	2.7	0.1	3.7%
Key income statement items				
Revenue	**158.0**	**148.9**	**9.1**	**6.1%**
Operating expenses	(90.5)	(82.3)	(8.2)	*(10.0)%*
Of which cost of goods sold	*(9.7)*	*(9.4)*	*(0.3)*	*(3.2)%*
Of which employee costs	*(39.7)*	*(36.0)*	*(3.7)*	*(10.3)%*
Of which other operating expenses	*(41.1)*	*(36.9)*	*(4.2)*	*(11.4)%*
Net external rent payable	(47.4)	(44.1)	(3.3)	(7.5)%
EBITDA(1)	**20.1**	**22.5**	**(2.4)**	**(10.7)%**
Rent free adjustment (2)	(0.5)	(0.7)	0.2	28.6%
Depreciation	(9.5)	(7.7)	(1.8)	(23.4)%
Amortisation	(4.2)	(4.0)	(0.2)	(5.0)%
Operating profit (before exceptional items)	**5.9**	**10.1**	**(4.2)**	**(41.6)%**
Finance costs before investor loan interest	(9.7)	(10.5)	0.8	7.6%
Investor loan interest	(3.7)	(3.7)	(0.0)	-
Finance income	0.1	0.7	(0.6)	(85.7)%
Income tax	0.9	2.3	(1.4)	60.9%
Profit for the period (before exceptional items)	**(6.5)**	**(1.2)**	**(5.4)**	**-**
Exceptional items	(3.7)	(7.1)	3.5	49.3%
Profit for the period	**(10.2)**	**(8.3)**	**(1.9)**	**(22.9)%**

(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.

(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 £9.1m, or 6.1%, from £148.9m for the quarter from 29 September 2016 to 31 December 2016 to £158.0m for the quarter from 28 September 2017 to 31 December 2017. This increase was primarily due to like-for-like UK RevPAR growth of 3.7%, maturity of the 19 new hotels added in the 2016 and the 15 hotels opened in the year. We also saw good revenue growth in food & beverage and from our hotels in Spain. Like-for-like UK RevPAR growth of 3.7% was ahead of the MS&E segment growth of 1.1% for the period.

Operating expenses

Operating expenses increased by £8.2m, or 10.0%, from £82.3m for the quarter from 29 September 2016 to 31 December 2016 to £90.5m for the quarter from 28 September 2017 to 31 December 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. They include sales and marketing costs which were focused on more targeted digital and customer relationship management (CRM) and business to business sales activity, with spend spread more evenly through the year in contrast to the phasing driven by the first half TV brand marketing campaign last year.

Net rent payable

Net external rent payable increased by £3.3m, or 7.5%, from £44.1m for the quarter from 29 September 2016 to 31 December 2016 to £47.4m for the quarter from 28 September 2017 to 31 December 2017. This increase was primarily due to 15 new hotel openings during 2017 and the annualisation of 5 hotels which opened in the final quarter of 2016, together with upwards only rent reviews predominantly linked to RPI.

Depreciation / amortisation

Depreciation increased by £1.8m, or 23.4%, from £7.7m for the quarter from 29 September 2016 to 31 December 2016 to £9.5m for the quarter from 28 September 2017 to 31 December 2017. This is mainly due to new hotel openings and investment in maintenance, refurbishment and upgrading our hotels.

Amortisation was broadly flat, increasing by 5.0%, from £4.0m for the quarter from 29 September 2016 to 31 December 2016 to £4.2m for the quarter from 28 September 2017 to 31 December 2017. This is mainly due to ongoing website development.

Finance costs

Finance costs including investor loan interest decreased by £0.8m, or 5.6%, from £14.2m for the quarter from 29 September 2016 to 31 December 2016 to £13.4m for the quarter from 28 September 2017 to 31 December 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 28 September 2017 to 31 December 2017 is bank interest received. The year on year decrease from £0.7m for the year to 31 December 2016 was primarily due to additional interest last year in respect of a loan to our previous Irish franchisee partner which was settled during quarter 4 2016.

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 reduction of £0.9m for the period from 28 September 2017 to 31 December 2017 relates entirely to changes in deferred tax on intangible assets, tax losses and differences between accounting depreciation and capital allowances. There were no cash tax payments during the quarter.

Exceptional items

Exceptional items of £3.7m include £2.1m of charges in respect of the costs of early redemption, legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities, and a net rent provision reassessment charge of £2.9m, partially offset by other provision reassessment credits of £1.3m.

Cash flow

As at 31 December 2017, we had cash of £95.0m, an increase of £21.1m compared to £73.9m as at 31 December 2016. Operating cash inflows during the year ended 31 December of £117.4m were partially offset by investing cash outflows of £50.4m, which relate to the purchase of intangible and tangible fixed assets of £50.6m less interest received of £0.2m, and financing cash outflows during the period of £45.9m.

Included in financing cash outflows of £45.9m 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 £42.4m and finance lease interest payments of £4.5m.

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.

	Year ended 31 Dec 2017 £m	**Year ended 31 Dec 2016** £m	Var £m	Var %
Net cash generated from operating activities	117.4	106.3	11.1	10.4%
Net cash used in investing activities	(50.4)	(36.3)	(14.1)	(38.8)%
Net cash used in financing activities	(45.9)	(73.0)	27.1	37.2%
Net increase in aggregate cash and cash equivalents	21.1	(3.0)	24.1	-
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	**95.0**	**73.9**	**21.1**	**28.6%**

Net cash generated from operating activities

Net cash generated from operating activities increased by £11.1m, or 10.4%, from £106.3m for the year to 31 December 2016 to £117.4m for the year to 31 December 2017. This was due primarily to an increase of £7.8m in working capital driven predominantly by a reduction in spend on provisions and exceptional items.

Net cash used in investing activities

Net cash used in investing activities increased by £14.1m, or 38.8%, from £36.3m for the year to 31 December 2016 to £50.4m for the year to 31 December 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 £27.1m, or 37.2%, from £73.0m for the year to 31 December 2016 to £45.9m for the year to 31 December 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 £8.6m (2016: £15.3m) and lower external interest payments of £33.6m (2016: £38.8m).

Capital expenditure

Capital expenditure in the year to 31 December 2017 has been primarily made in relation to on-going maintenance and refits, including Super Rooms, as well as investment in website development 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.

	Year ended 31 Dec 2017 £m	**Year ended 31 Dec 2016** £m	Var £m	Var %
Reduction in inventory	0.4	-	0.4	-
Reduction / (increase) in receivables	(1.6)	(3.5)	1.9	(55.7)%
Increase in payables	11.8	14.6	(2.8)	(19.5)%
Total working capital movement (before exceptional items)	10.6	11.1	(0.5)	(4.5)%
Provisions and exceptional items	(3.2)	(11.5)	8.3	72.6%
Total working capital movement	**7.4**	**(0.4)**	**7.8**	**-**

Our working capital inflow of £7.4m in the year to 31 December 2017 compared to an outflow of £(0.4)m in the year to 31 December 2016 is impacted mainly by exceptional items.

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

THAME AND LONDON LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Unaudited Year ended 31 Dec 2017			Audited Year ended 31 Dec 2016		
	BEI (2)	**EI (2)**	**AEI (2)**	**BEI (2)**	**EI (2)**	**AEI (2)**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	637.1	-	**637.1**	597.8	-	**597.8**
Operating Expenses	(341.7)	1.3	**(340.4)**	(316.0)	-	**(316.0)**
Rent	(185.4)	(2.9)	**(188.3)**	(175.1)	(0.3)	**(175.4)**
EBITDA after rent free adjustment	**110.0**	**(1.6)**	**108.4**	**106.7**	**(0.3)**	**106.4**
Depreciation / Amortisation	(51.5)	-	**(51.5)**	(45.7)	(6.0)	**(51.7)**
Operating Profit / (Loss)	**58.5**	**(1.6)**	**56.9**	**61.0**	**(6.3)**	**54.7**
Finance Costs	(54.2)	(11.8)	**(66.0)**	(53.3)	(4.2)	**(57.5)**
Finance Income	0.3	-	**0.3**	1.1	-	**1.1**
Profit / (Loss) before Tax	**4.6**	**(13.4)**	**(8.8)**	**8.8**	**(10.5)**	**(1.7)**
Income Tax	(1.9)	-	**(1.9)**	(0.9)	-	**(0.9)**
Profit / (Loss) for the Period	**2.7**	**(13.4)**	**(10.7)**	**7.9**	**(10.5)**	**(2.6)**

Memorandum - EBITDA[1]

	Year ended 31 Dec 2017 £m	**Year ended 31 Dec 2016 £m**
EBITDA	**112.4**	**110.1**
Rent free adjustment[3]	**(2.4)**	(3.4)
EBITDA after rent free adjustment	**110.0**	**106.7**
Exceptional items	**(1.6)**	(0.3)
EBITDA after rent free adjustment and exceptional items	**108.4**	**106.4**

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.

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Unaudited Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Loss for the year recognised directly in the income statement	(10.7)	(2.6)
Movement on fair value of cash flow hedges	(0.2)	-
Currency translation differences	(0.4)	(0.6)
Net loss recognised directly in equity	**(0.6)**	**(0.6)**
Total comprehensive loss for the year	**(11.3)**	**(3.2)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 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 year	-	-	-	(10.7)	**(10.7)**
Other comprehensive loss					
Movement in fair value of hedging derivatives	-	-	(0.2)	-	**(0.2)**
Currency translation differences	-	(0.4)	-	-	**(0.4)**
Total comprehensive loss	**-**	**(0.4)**	**(0.2)**	**(10.7)**	**(11.3)**
31 December 2017	**-**	**(0.6)**	**0.4**	**(89.5)**	**(89.7)**

FOR THE YEAR ENDED 31 DECEMBER 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)**
Loss for the year	-	-	-	(2.6)	**(2.6)**
Other comprehensive (loss) / profit					
Movement in fair value of hedging derivatives	-	-	0.6	-	**0.6**
Currency translation differences	-	(0.6)	-	-	**(0.6)**
Total comprehensive (loss) / profit	**-**	**(0.6)**	**0.6**	**(2.6)**	**(2.6)**
31 December 2016	**-**	**(0.2)**	**0.6**	**(78.8)**	**(78.4)**

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Unaudited 31 Dec 2017 £m	Audited 31 Dec 2016 £m
NON CURRENT ASSETS		
Intangible assets	380.2	389.6
Property, plant and equipment	132.2	121.3
Financial derivative asset	0.7	0.6
Deferred tax asset	52.2	52.2
	565.3	563.7
CURRENT ASSETS		
Inventory	1.0	1.4
Trade and other receivables	48.7	47.1
Cash and cash equivalents	95.0	73.9
	144.7	122.4
TOTAL ASSETS	710.0	686.1
CURRENT LIABILITIES		
Trade and other payables	(130.4)	(117.7)
	(130.4)	(117.7)
NON-CURRENT LIABILITIES		
Bond related debt	(418.4)	(379.9)
Investor loan	(117.4)	(138.1)
Obligations under finance leases	(32.2)	(31.8)
Deferred tax liability	(67.9)	(66.2)
Deferred income	(10.4)	(7.6)
Provisions	(23.0)	(23.2)
	(669.3)	(646.8)
TOTAL LIABILITIES	(799.8)	(764.5)
NET LIABILITIES	(89.8)	(78.4)
EQUITY		
Share capital	-	-
Foreign exchange reserve	(0.6)	(0.2)
Cash flow hedge reserve	0.4	0.6
Accumulated losses	(89.5)	(78.8)
TOTAL DEFICIT	(89.7)	(78.4)

Memorandum - Analysis of net debt	***£m***	***£m***
Cash at bank and in hand	*95.0*	*73.9*
External debt redeemable:		
Fixed Rate Bond	*(261.0)*	*(290.0)*
Floating Rate Bond	*(165.0)*	*(100.0)*
Issue costs	*7.6*	*10.1*
Gross external debt	*(418.4)*	*(379.9)*
Net external debt	*(323.4)*	*(306.0)*
Investor Loan Note	*(117.4)*	*(138.1)*
Finance leases	*(32.2)*	*(31.8)*
Net debt including finance leases	*(473.0)*	*(475.9)*

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Unaudited Year ended 31 Dec 2017	Audited Year ended 31 Dec 2016
	£m	£m
NET CASH GENERATED FROM OPERATING ACTIVITIES	**117.4**	**106.3**
INVESTING ACTIVITIES		
Interest received	**0.2**	**1.1**
Purchases of property, plant and equipment and other intangible assets	**(50.6)**	**(37.4)**
Net cash used in investing activities	**(50.4)**	**(36.3)**
FINANCING ACTIVITIES		
Finance fees paid	**(0.2)**	**(0.2)**
Interest paid	**(33.6)**	**(38.8)**
Finance lease payments	**(4.5)**	**(4.5)**
Net refinancing proceeds	**36.0**	**5.8**
Finance issue transaction costs	**(8.6)**	**(15.3)**
Repayment of investor loan	**(35.0)**	**(20.0)**
Net cash from financing activities	**(45.9)**	**(73.0)**
Net increase in aggregate cash and cash equivalents	**21.1**	**(3.0)**
Cash and cash equivalents at beginning of the year	73.9	76.9
Cash and cash equivalents at end of the year	**95.0**	**73.9**

Memorandum - Analysis of free cash flow [1]		***Unaudited Year ended 31 Dec 2017***	***Unaudited Year ended 31 Dec 2016***
		£m	***£m***
EBITDA[2]		***112.4***	***110.1***
Working capital		***8.2***	***7.4***
		120.6	***117.5***
Net cash flows from operating activities before exceptionals			
Capital expenditure		***(50.6)***	***(37.4)***
Free cash flow generated for the year		***70.0***	***80.1***
Non-trading cash flow			
Interest costs	*- bank interest paid*	***-***	***(22.0)***
	- bond interest paid	***(33.6)***	***(16.8)***
	- finance fees paid	***(0.2)***	***(0.2)***
Interest income		***0.2***	***1.1***
Finance lease payments		***(4.5)***	***(4.5)***
Cash spend on provisions and exceptional items[3]		***(11.8)***	***(26.5)***
Non-trading cashflow		***(49.9)***	***(68.9)***
Cash generated		***20.1***	***11.2***
Opening Cash		***73.9***	***76.9***
Movement in cash		***20.1***	***11.2***
Net refinancing proceeds		***36.0***	***5.8***
Repayment of investor loan note		***(35.0)***	***(20.0)***
Closing Cash		***95.0***	***73.9***
Opening net external debt		***(306.0)***	***(307.4)***
Net increase / (decrease) in aggregate cash		***21.1***	***(3.0)***
Net refinancing proceeds		***(36.0)***	***(5.8)***
Net finance issue transaction costs		***(1.0)***	***11.1***
Amortised bond transaction costs		***(1.5)***	***(0.9)***
Closing net external debt		***(323.4)***	***(306.0)***

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 14)

Net cash flows from operating activities before exceptionals	***120.6***	***117.5***
Cash spend on exceptional items through working capital	***(3.2)***	***(11.2)***
Net cash generated from operating activities	***117.4***	***106.3***

3. In 2017, cash spend on provisions and exceptional items of £11.8m includes costs of refinancing of £8.7m and other costs of £3.1m.

In 2016, cash spend on provisions and exceptional items of £26.5m includes costs of refinancing the Travelodge group of £15.3m, a payment in relation to the settlement of the CVA entered into in 2012 of £3.9m and other costs of £7.6m. This spend can be further broken down as through profit and loss £4.5m, through working capital £11.2m and capitalised into debt £11.1m.

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 31 December 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.

IFRS 16, a new lease accounting standard, comes into effect for accounting periods beginning on or after 1 January 2019. The group's evaluation of the effect of adoption of this standard is ongoing, but it is expected to have a material effect on the presentation of the financial statements.

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 Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Revenue		
UK	**624.0**	**587.7**
International	**13.1**	**10.1**
	637.1	**597.8**
EBITDA[1]		
UK	**110.5**	**109.4**
Rent free adjustment	**(2.4)**	**(3.4)**
UK after rent free adjustment	**108.1**	**106.0**
International	**1.9**	**0.7**
	110.0	**106.7**
Operating profit before exceptionals		
UK	**56.7**	**60.3**
International	**1.8**	**0.7**
	58.5	**61.0**
Profit before tax before exceptionals		
UK	**2.7**	**8.3**
International	**1.9**	**0.5**
	4.6	**8.8**
Exceptional items (note 6)	**(13.4)**	**(10.5)**
Profit before tax after exceptionals	**(8.8)**	**(1.7)**

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 Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Cost of goods sold	39.6	37.5
Employee costs	150.2	136.2
Operating expenses	151.9	142.3
Net operating expenses before rent, depreciation and amortisation	341.7	316.0
Rent payable (third party landlords) for operating leases	186.8	175.3
Rent receivable	(3.8)	(3.6)
Net external rent payable	183.0	171.7
Rent free adjustment	2.4	3.4
Net rent	185.4	175.1
Net operating expenses before depreciation and amortisation	527.1	491.1
Depreciation	35.0	29.9
Amortisation	16.5	15.8
Net depreciation and amortisation	51.5	45.7
Total net operating expenses	578.6	536.8

5 FINANCE COSTS

	Unaudited Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Interest on bank loans	-	11.5
Interest on bonds	34.3	20.9
Interest on obligations under finance leases	4.9	5.2
Unwinding of discount on provisions	0.7	0.7
Finance costs (before investor loan interest and exceptional items)	39.9	38.3
Interest on investor loan note	14.3	15.0
Finance costs (before exceptional items)	54.2	53.3
Exceptional items:		
Refinancing costs	11.8	4.2
Finance costs	66.0	57.5

6 EXCEPTIONAL ITEMS

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

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

7 INTANGIBLE ASSETS

	Unaudited Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Opening net book value	389.6	402.5
Additions	7.5	9.1
Movement on capital creditors	(0.3)	(0.9)
Write-down of fully depreciated assets	(3.6)	(2.9)
Depreciation	(16.6)	(15.8)
Write-back of fully depreciated assets	3.6	2.9
Impairment	-	(5.3)
Closing net book value	**380.2**	**389.6**

The closing net book value at 31 December 2017 comprises brand value of £145.0m, assets under construction of £4.5m, lease premiums of £221.7m and IT software of £9.0m.

The closing net book value at 31 December 2016 comprises brand value of £145.0m, assets under construction of £3.3m, lease premiums of £231.4m and IT software of £9.9m.

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 of 7.5% (2016 7.5%). When calculating the discount rate, the market-weighted average cost of capital for the sector was increased by 2% to adjust for factors such as country and currency diversification risk and the fact that intangible assets would tend to have a higher risk than other assets. In relation to lease premium assets the Company excludes a number of company risks such as those specific to other asset types that are not relevant to the value of a specific leased asset. 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 Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Opening net book value	**121.3**	**123.9**
Additions	**43.1**	**28.3**
Movement on capital creditors	**2.7**	**0.2**
Write-down of fully depreciated assets	**(9.8)**	**(5.7)**
Depreciation	**(34.9)**	**(29.9)**
Write-back of fully depreciated assets	**9.8**	**5.7**
Impairment	**-**	**(1.2)**
Closing net book value	**132.2**	**121.3**

The closing net book value at 31 December 2017 comprises assets under construction of £3.8m, freehold and long leaseholds of £1.7m, financed leased land and buildings of £16.0m and fixtures and fittings of

The closing net book value at 31 December 2016 comprises assets under construction of £3.3m, freehold and long leaseholds of £1.7m, financed leased land and buildings of £16.5m and fixtures and fittings of £99.8m.

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.

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 of 7.5% (2016 7.5%). When calculating the discount rate, the market-weighted average cost of capital for the sector was increased by 2% to adjust for factors such as country and currency diversification risk and the fact that intangible assets would tend to have a higher risk than other assets. Reviews are performed on a site by site basis over the length of the lease.

9 TRADE AND OTHER RECEIVABLES

	Unaudited Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	**6.5**	**6.6**
- Bad debt provision	**(0.2)**	**(0.1)**
- Net amounts receivable	**6.3**	**6.5**
Other amounts receivable	**6.1**	**5.3**
Accrued income	**1.3**	**1.4**
Prepayments	**35.0**	**33.9**
	48.7	**47.1**

THAME AND LONDON LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

10 TRADE AND OTHER PAYABLES

	Unaudited Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Trade payables	**(15.7)**	**(15.6)**
Other payables	**(7.6)**	**(8.0)**
Social security and other taxation	**(10.7)**	**(10.5)**
Accruals	**(52.8)**	**(45.9)**
Deferred income	**(1.6)**	**(2.2)**
Prepaid room purchases	**(33.2)**	**(29.1)**
Capital payables	**(8.8)**	**(6.4)**
Amounts falling due within one year	**(130.4)**	**(117.7)**
Amounts falling due after one year:		
Deferred income	**(10.4)**	**(7.6)**
Total	**(140.8)**	**(125.3)**

11 POST BALANCE SHEET EVENTS

On 3 January 2018, Travelodge completed a refinancing of part of its existing bond facilities (note 12).

As part of this, new senior secured floating rate sterling denominated notes of £30m were issued on 3 January 2018 with a termination date of 15 May 2023. Interest is floating at three month LIBOR plus a margin of 4.875%.

Existing senior secured fixed rate sterling denominated notes of £29m were repaid on 3 January 2018. These notes charged interest at 8.5%.

A premium of £0.9m was paid on redemption of the existing senior secured fixed rate sterling denominated notes.

12 FINANCIAL ASSETS AND LIABILITIES

	Maturity Date	Unaudited Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Cash at bank and in hand		**95.0**	**73.9**
External debt redeemable:			
Fixed Rate Bond	May 2023	**(261.0)**	**(290.0)**
Floating Rate Bond	May 2023	**(165.0)**	**(100.0)**
Issue Costs		**7.6**	**10.1**
Gross External debt		**(418.4)**	**(379.9)**
Net external debt		**(323.4)**	**(306.0)**
Investor Loan Note	January 2026	**(117.4)**	**(138.1)**
Net debt before finance leases		**(440.8)**	**(444.1)**
Finance leases		**(32.2)**	**(31.8)**
Net debt including finance leases		**(473.0)**	**(475.9)**

The financial derivative asset of £0.7m (2016: £0.6m) 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 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 31 December 2017, the group had utilised £14.9m.

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 31 December 2017, accrued interest for the year from 1 January 2017 to 31 December 2017 totalled £14.3m (2016: £15.0m). 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 31 December 2017, the fair value of the hedge was £0.5m.

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 31 December 2017, the fair value of the swaption was £0.2m.

13 PROVISIONS

	Unaudited Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
At 1 January 2017 / 2016	**(23.2)**	**(28.6)**
Cash spend	**2.7**	**6.9**
Reassessment of provisions	**(1.6)**	**(0.3)**
Unwinding of discount on provisions	**(0.7)**	**(0.7)**
Foreign exchange rate movement	**(0.2)**	**(0.5)**
At 31 December 2017 / 31 December 2016	**(23.0)**	**(23.2)**

A discount rate of 4% (2016: 4%) being the pre tax risk free rate adjusted for property risk is used to calculate the net present value of the provisions.

Provisions of £23.0m can be analysed as: onerous lease provisions of £8.9m relating to future rent and rates liabilities on sub leased historic restaurant units, £10.7m relating to five UK hotels and two Spanish hotels where it is considered improbable that trading profits will be generated within a period of 7 years and £3.4m of other provisions.

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

14 NOTE TO THE CASH FLOW STATEMENT

	Unaudited Year ended 31 Dec 2017 £m	Audited Year ended 31 Dec 2016 £m
Operating profit	**56.9**	**54.7**
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**35.0**	**29.9**
Amortisation of other intangible assets	**16.5**	**15.8**
Impairment of fixed assets	**-**	**6.0**
Net provision reassessment	**1.6**	**0.3**
Operating cash flows before movements in working capital	**110.0**	**106.7**
Movement in inventory	**0.4**	**-**
Movement in receivables	**(1.6)**	**(3.5)**
Movement in payables	**11.3**	**10.0**
Movement in provisions	**(2.7)**	**(6.9)**
Total working capital movement (1)	**7.4**	**(0.4)**
Cash flows from operating activities	**117.4**	**106.3**

1. Working capital movement of £7.4m (2016: £(0.4)m) is after exceptional outflows of £3.2m (2016: outflows of £11.2m) and after rent free adjustment of £2.4m (2016: £3.4m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 20 is stated before exceptional movements and before rent free adjustment.