TVL FINANCE PLC

PERIOD ENDED 27 JUNE 2018

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 28 April 2017 (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 26 week accounting period from 1 January 2018 to 27 June 2018 (prior year from 1 January 2017 to 28 June 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 - adjusted", 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 (adjusted) is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because EBITDA (adjusted) 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 June 2018 (Unaudited)

Strong revenue growth and outperformance

Highlights – Half Year

- Total revenue **up 8.0%** to £317.2m (2017: £293.8m)
- 2018 H1 RevPAR[1] **up 3.1%** to £38.68 (2017: £37.53)
- RevPAR growth **2.7pts ahead** of competitive segment [2]
- Occupancy[1] **up 2.1pts** to 75.6%
- Average room rate[1] maintained at £51.14 (2017: £51.07)
- EBITDA (adjusted) [3] **up £1.3m** to £43.3m
- Cash of **£132.2m** at 27 June 2018
- **6 new hotels** opened in the period, 3 since period end – in line with expectations
- Estate stood at 564 hotels and 42,620 rooms at 27 June 2018 up 4% on prior year

Peter Gowers, Travelodge Chief Executive commented:

"In the first half of half of the year, Travelodge delivered strong revenue growth and has continued to outperform the midscale and economy market segment. Our focus on location, price and quality is paying off with another period of increased occupancy. We now offer UK travellers more choice than ever, with a modernised core estate, our premium economy 'SuperRooms' and our new 'Travelodge PLUS' format. The recent opening of our new flagship hotel with 395 rooms in the heart of the City of London is a major milestone, highlighting just how far Travelodge has come since we opened our first small hotel by the roadside in 1985."

"While the UK continues to face economic uncertainty, demand for budget hotels remains strong and more and more businesses are choosing the budget sector. While the general economic picture, the impact of new supply growth and clear short-term cost headwinds lead us to remain cautious about the immediate outlook, our strategic focus and growing pipeline will position us well as these pressures abate."

Summary

We delivered total revenue growth of 8.0% in the first half of the year, with 3.1% like-for-like RevPAR growth and a significant contribution from new hotels opened since 2017.

We have continued to outperform our competitive segment with our revenue growth 2.7pts ahead of the STR MSE segment which reported growth of 0.4%. In addition to strong trading, this included the benefit of rooms closed for refit last year in connection with the roll-out of 'SuperRooms'.

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[1] Revenue per available, Average room rate and Occupancy on a UK like-for-like basis

[2] Our competitive segment is the Midscale and Economy Sector of the UK hotel market as reported by Smith Travel Research (STR), an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance

[3] EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment and exceptional items

This good revenue growth has helped to mitigate the impact of the significant cost increases, particularly the National Living Wage and higher operational costs including the impact of occupancy increases. As a result EBITDA of £43.3m was up £1.3m on the prior year.

We opened 6 hotels in the period with a further 3 opened in the current quarter to date including our largest ever new-build hotel at London City.

Recent Trading and Outlook

The UK continues to be in a period of economic uncertainty with the sector facing a number of significant regulatory and inflationary cost pressures.

The second half of the year is typically larger than the first in revenue terms, with the third quarter historically accounting for slightly more of our revenue than any other. The demand for budget hotels remains good and in the early weeks of the third quarter we have seen modestly improved RevPAR growth in the segment, impacted by the good weather, and Travelodge has continued to outperform the segment. However, the significant cost pressures remain and will continue in the short-term.

Our development programme remains on-track and we expect to open 20 new hotels this year.

Overall, we remain cautious on the immediate financial outlook. However, with our rising reputation for quality and strong development pipeline, we remain well positioned once these pressures abate.

Financial Performance

<u>For the period (26 weeks) ended 27 June 2018:</u>

UK like-for-like RevPAR was up 3.1% to £38.67, 2.7pts ahead of the growth rate of the MS&E segment, which was up 0.4% for the same period. In the period our outperformance benefited from the re-opening of one of our London hotels which was temporarily closed in the first half of 2017 alongside the temporary room closures in 2017 as part of our 'SuperRoom' refit program.

We continue to use effective revenue management to optimise the balance between occupancy and rate growth. We grew UK like-for-like occupancy by 2.1pts to 75.6%, with UK like-for-like average room rate maintained at £51.14 (2017: £51.07).

The positive like-for-like sales growth, together with good growth in food & beverage sales and the contribution from our maturing new hotels opened since the beginning of 2017, has resulted in total revenue growth of 8.0% for the year to date to £317.2m.

This good revenue growth has helped to mitigate the impact of the significant cost increases, particularly on regulated costs such as the National Living Wage and higher operational costs as a result of the higher occupancy. The period also included a number of one-off cost increases alongside the impact of changes to the legislation regarding payment card charges.

The combination of this good revenue growth and cost increases has resulted in EBITDA increasing by £1.3m to £43.3m (2017: £42.0m).

The business continues to generate strong cashflow with a closing cash balance of £132.2m at the period end. We also benefit from our long-term facilities including an undrawn £50m RCF. We continue to keep our cash position under review.

For the quarter (13 weeks) ended 28 June 2018:

UK like-for-like RevPAR was up 3.2% to £43.72, ahead of the growth rate of the STR Midscale and Economy Sector, which was up 0.6% for the same period. In the quarter our outperformance benefited from the re-opening of one of our London hotels which was temporarily closed in the first half of 2017 alongside the temporary room closures in 2017 as part of our 'SuperRoom' refit program.

The positive like-for-like sales growth, together with good growth in food & beverage sales and the contribution from our maturing new hotels opened since the beginning of 2017, has resulted in total revenue growth of 8.3% for the quarter to £179.6m.

In the quarter, EBITDA was £4.1m ahead of 2017 at £39.7m with the good revenue growth offsetting a number of the significant cost increases, particularly on regulated costs such as the National Living Wage, pension auto-enrollment and higher operational costs as a result of the higher occupancy. The quarter also included a number of one off cost increases alongside the impact of changes to the legislation regarding payment card charges. We also benefited from the phasing of marketing costs in the quarter following the adverse phasing in the previous quarter.

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

Travelodge now has 564 hotels across the UK, Ireland and Spain at the period end, with a further 3 openings to date including our new 395 room flagship hotel London City which is located in the City of London.

At this stage in the year, we remain on track to achieve our target of 20 new hotel openings in 2018 with the majority of these hotels expected to open in the fourth quarter of the year.

Price

Our value offers continue to help drive RevPAR with strong occupancy increases and continued outperformance against the midscale and economy segment in the period.

We continue to invest in our website capability with our improved data analytics now enabling targeted customer communications. This helps us better match customer needs with our availability, driving improved conversion and supporting our direct distribution strategy.

Quality

Our reputation for quality continues to grow, maintaining our average 4 star TripAdvisor rating and providing customers with greater choice through the 'SuperRoom' roll-out.

In the period we launched our new 'Traveldoge PLUS' format across 6 hotels, including the new London City hotel. These hotels include new look standard rooms, SuperRooms and a new bar café design.

The programme to upgrade our Wi-Fi product across the network has made good progress with approximately half of our hotels now upgraded offering improved speed and reliability to our customers.

About Travelodge

Founded in 1985, Travelodge is one of the UK's leading hotel brands. There were 564 Travelodge hotels and 42,620 rooms in the UK, Spain and Ireland as at 27 June 2018. 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 26 weeks ended 27 June 2018.

	Period ended 27 Jun 2018 £m	Period ended 28 Jun 2017 £m	Var £m	Var %
Revenue by geographical region				
Revenue	**317.2**	**293.8**	**23.4**	**8.0%**
Revenue UK	310.9	287.6	23.3	8.1%
Revenue International	6.3	6.2	0.1	1.6%
Key income statement items				
Revenue	**317.2**	**293.8**	**23.4**	**8.0%**
Operating expenses	(177.6)	(162.4)	(15.2)	*(9.4)%*
Of which cost of goods sold	*(20.3)*	*(20.1)*	*(0.2)*	*(1.0)%*
Of which employee costs	*(78.0)*	*(70.8)*	*(7.2)*	*(10.2)%*
Of which other operating expenses	*(79.3)*	*(71.5)*	*(7.8)*	*(10.9)%*
Net external rent payable	(96.3)	(89.4)	(6.9)	(7.7)%
EBITDA (adjusted) (1)	**43.3**	**42.0**	**1.3**	**3.1%**
Rent free adjustment (2)	(0.9)	(1.3)	0.4	30.8%
Depreciation	(20.4)	(16.5)	(3.9)	(23.6)%
Amortisation	(8.5)	(8.3)	(0.2)	(2.4)%
Operating profit (before exceptional items)	**13.5**	**15.9**	**(2.4)**	**(15.1)%**
Finance costs before investor loan interest	(19.3)	(20.3)	1.0	4.9%
Investor loan interest	(7.0)	(7.0)	0.0	-
Finance income	0.5	0.2	0.3	(150.0)%
Income tax	(1.1)	2.5	(3.6)	144.0%
Loss for the period (before exceptional items)	**(13.4)**	**(8.7)**	**(4.8)**	**(55.2)%**
Exceptional items	(2.4)	(9.7)	7.3	75.3%
Loss for the period	**(15.8)**	**(18.4)**	**2.6**	**14.1%**

(1) - EBITDA (adjusted) = 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 relate to 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 is the measure which is used for internal management reporting.

Revenue

Revenue increased by £23.4m, or 8.0%, from £293.8m for the period from 1 January 2017 to 28 June 2017 to £317.2m for the period from 1 January 2018 to 27 June 2018. This increase was primarily due to like-for-like UK RevPAR growth of 3.1%, maturity of the 15 new hotels opened in 2017 and the 6 new hotels opened in the period. We also achieved strong revenue growth in food & beverage. Like-for-like UK RevPAR growth of 3.1% was ahead of the MS&E segment by 2.7pts, which showed growth of 0.4%.

Operating expenses

Operating expenses increased by £15.2m, or 9.4%, from £162.4m for the period from 1 January 2017 to 28 June 2017 to £177.6m for the period from 1 January 2018 to 27 June 2018. 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 increases on the National Living Wage and pension auto-enrollment).

Higher other operating expenses have been largely driven by utility costs (impacted by both price increases and the weather), business rates, and changes to the legislation regarding payment card charges, as well as new hotels.

Net external rent payable

Net external rent payable increased by £6.9m, or 7.7%, from £89.4m for the period from 1 January 2017 to 28 June 2017 to £96.3m for the period from 1 January 2018 to 27 June 2018. This increase was primarily due to 6 new hotel openings during the period, the annualisation of 15 new hotel openings in 2017 and upwards only rent reviews predominantly linked to RPI.

Depreciation / amortisation

Depreciation increased by £3.9m, or 23.6%, from £16.5m for the period from 1 January 2017 to 28 June 2017 to £20.4m for the period from 1 January 2018 to 27 June 2018. This is mainly due to new hotel openings and investment in maintenance, refurbishment and upgrading our hotels to offer SuperRooms, Travelodge PLUS and improved Wifi.

Amortisation increased by £0.2m, or 2.4%, from £8.3m for the period from 1 January 2017 to 28 June 2017 to £8.5m for the period from 1 January 2018 to 27 June 2018. This is mainly due to ongoing website development.

Finance costs

Finance costs before investor loan interest decreased by £1.0m, or 4.9%, from £20.3m for the period from 1 January 2017 to 28 June 2017 to £19.3m for the period from 1 January 2018 to 27 June 2018. The decrease was primarily due to the lower bond interest costs following refinancing in April 2017 and January 2018.

Finance income

Finance income of £0.5m for the period from 1 January 2018 to 27 June 2018 is bank interest received. The year on year increase from £0.2m for the period from 1 January 2017 to 28 June 2017 was primarily due to amounts received in respect of 2017 in April 2018.

Taxation

Income tax is recognised based on management's best estimate of the income tax rate expected for the financial year, which includes the impact of recently enacted legislation in relation to hybrid mismatches, corporate interest restriction and amendments to the use of carried forward losses.

Whilst these legislative changes do impact the deductibility of interest expense, the impact is only in relation to deferred tax as a result of utilising accrued tax attributes at a higher rate than previously forecast.

The deferred tax charge of £1.1m for the period from 1 January 2018 to 27 June 2018 relates to differences between accounting depreciation and capital allowances, and derecognition of a deferred tax asset in relation to carried forward disallowed interest, for which there is no forecast utilisation in the next five years, set off by changes in deferred tax on intangible assets and tax losses. There were no cash tax payments during the period.

Exceptional items

Exceptional items decreased by £7.3m, or 75.3%, from £9.7m for the period from 1 January 2017 to 28 June 2017 to £2.4m for the period of 1 January 2018 to 27 June 2018.

Exceptional items of £2.4m for the period from 1 January 2018 to 27 June 2018 included £1.9m 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 £0.5m relating to the release of prepaid fees following the partial repayment of the fixed rate bond.

Exceptional items of £9.7m for the period from 1 January 2017 to 28 June 2017 included £6.5m 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 release of prepaid fees following the partial repayment of the fixed rate bond.

Cash flow

As at 27 June 2018, we had cash of £132.2m, an increase of £21.9m compared to £110.3m as at 28 June 2017. Operating cash inflows during the period from 1 January 2018 to 27 June 2018 of £85.1m were partially offset by investing cash outflows of £29.5m, which relate to the purchase of intangible and tangible fixed assets of £30.0m less interest received of £0.5m, and financing cash outflows during the period of £18.4m.

Included in financing cash outflows of £18.4m was the partial repayment in January 2018 of the existing senior secured fixed rate sterling denominated notes of £29.0m, offset by the issue of new senior secured floating rate sterling denominated notes of £30.0m; together with bond interest payments and finance fees of £15.9m, refinancing transaction costs of £1.4m and finance lease interest payments of £2.1m.

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 Jun 2018 £m	Period ended 28 Jun 2017 £m	Var £m	Var %
Net cash generated from operating activities	85.1	81.0	4.1	5.1%
Net cash used in investing activities	(29.5)	(22.6)	(6.9)	(30.5)%
Net cash used in financing activities	(18.4)	(22.0)	3.6	16.4%
Net increase in aggregate cash and cash equivalents	37.2	36.4	0.8	2.2%
Cash and cash equivalents at beginning of period	95.0	73.9	21.1	28.6%
Cash and cash equivalents at the end of the period	**132.2**	**110.3**	**21.9**	**19.9%**

Net cash generated from operating activities

Net cash generated from operating activities increased by £4.1m, or 5.1%, from £81.0m for the period from 1 January 2017 to 28 June 2017 to £85.1m for the period from 1 January 2018 to 27 June 2018. This was due primarily to a higher operating profit of £0.9m and an increase in depreciation and amortisation of £4.1m, partially offset by and a decrease of £0.9m in working capital.

Net cash used in investing activities

Net cash used in investing activities increased by £6.9m, or 30.5%, from £22.6m for the period from 1 January 2017 to 28 June 2017 to £29.5m for the period from 1 January 2018 to 27 June 2018, primarily due to the standard refit recycle, investment in SuperRooms and Travelodge PLUS, additional investment in IT and energy efficiency projects, and development pipeline growth.

Net cash used in financing activities

Net cash used in financing activities decreased by £3.6m, or 16.4%, from £22.0m for the period from 1 January 2017 to 28 June 2017 to £18.4m for the period from 1 January 2018 to 27 June 2018. This was primarily due to lower external interest payments and finance fees of £0.7m and lower refinancing transaction costs of £2.9m.

Capital expenditure

Capital expenditure in the period from 1 January 2018 to 27 June 2018 has mainly been in relation to on-going maintenance and refits, including Super Rooms and Travelodge PLUS, and we expect to refit the entire estate over a 7 to 8 year period, with interim works as appropriate in the heavier use hotels. Investment in IT and the energy efficiency projects as well as development pipeline spending have also contributed to spending.

Working capital requirements

Inventory primarily includes food and beverage products sold through our bar cafes. 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.

Liabilities to trade and other creditors include prepaid room purchases from customers who have yet to stay. Other current liabilities include normal trade creditors, accrued wages and salaries, other current debts and accrued interest and taxes.

	Period ended 27 Jun 2018 £m	**Period ended 28 Jun 2017** £m	Var £m	Var %
(Increase) / Reduction in inventory	(0.0)	(0.4)	0.4	(98.4)%
(Increase) / Reduction in receivables	(5.9)	(8.1)	2.2	(27.4)%
Increase in payables	51.0	54.2	(3.2)	(5.9)%
Total working capital movement (before exceptional items)	45.1	45.7	(0.6)	(1.3)%
Exceptional items	(1.4)	(1.1)	(0.3)	(22.8)%
Total working capital movement	**43.7**	**44.6**	**(0.9)**	**(2.0)%**

Working capital inflow of £43.7m for the period from 1 January 2018 to 27 June 2018 compared to an inflow of £44.6m for the period from 1 January 2017 to 28 June 2017 is impacted mainly by the timing of property costs (rent, insurance, service charges etc.) and creditor payments around the period ends.

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the 13 weeks ended 27 June 2018 (Q2).

	Quarter from 29 Mar 2018 to 27 Jun 2018 £m	Quarter from 30 Mar 2017 to 28 Jun 2017 £m	Var £m	Var %
Revenue by geographical region				
Revenue	**179.6**	**165.9**	**13.7**	**8.3%**
Revenue UK	176.0	162.1	13.9	8.6%
Revenue International	3.6	3.8	(0.2)	(5.3)%
Key income statement items				
Revenue	**179.6**	**165.9**	**13.7**	**8.3%**
Operating expenses	(91.2)	(85.2)	(6.0)	*(7.0)%*
Of which cost of goods sold	*(10.8)*	*(11.1)*	*0.3*	*2.7%*
Of which employee costs	*(41.2)*	*(37.3)*	*(3.9)*	*(10.5)%*
Of which other operating expenses	*(39.2)*	*(36.8)*	*(2.4)*	*(6.5)%*
Net external rent payable	(48.7)	(45.1)	(3.6)	(8.0)%
EBITDA (adjusted) (1)	**39.7**	**35.6**	**4.1**	**11.5%**
Rent free adjustment (2)	(0.4)	(0.6)	0.2	33.3%
Depreciation	(10.6)	(8.4)	(2.2)	(26.2)%
Amortisation	(4.3)	(4.2)	(0.1)	(2.4)%
Operating profit (before exceptional items)	**24.4**	**22.4**	**2.0**	**8.9%**
Finance costs before investor loan interest	(9.8)	(10.2)	0.4	3.9%
Investor loan interest	(3.6)	(3.6)	0.0	-
Finance income	0.1	0.1	-	-
Income tax	(4.3)	(0.7)	(3.6)	-
Profit for the period (before exceptional items)	**6.8**	**8.0**	**(1.2)**	**(15.0)%**
Exceptional items	(0.5)	(9.7)	9.2	94.8%
Profit (loss) for the period	**6.3**	**(1.7)**	**7.9**	**-**

(1) - EBITDA (adjusted) = 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 relate to 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 £13.7m, or 8.3%, from £165.9m for the period from 30 March 2017 to 28 June 2017 to £179.6m for the period from 29 March 2018 to 27 June 2018. This increase was primarily due to like-for-like UK RevPAR growth of 3.2%, maturity of the 15 new hotels opened in 2017 and the 3 new hotels opened in the period. We also achieved strong revenue growth in food & beverage partially offset by negative growth from our hotels in Spain. Like-for-like UK RevPAR growth of 3.2% was ahead of the MS&E segment by 2.6pts, which showed growth of 0.6%.

Operating expenses

Operating expenses increased by £6.0m, or 7.0%, from £85.2m for the period from 30 March 2017 to 28 June 2017 to £91.2m for the period from 29 March 2018 to 27 June 2018. 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 increases on the National Living Wage and pension auto-enrollment).

Higher other operating expenses have been largely driven by changes to legislation regarding payment card charges and new hotels with marketing costs benefiting from reversal of the adverse phasing noted in Q1.

Net external rent payable

Net external rent payable increased by £3.6m, or 8.0%, from £45.1m for the period from 30 March 2017 to 28 June 2017 to £48.7m for the period from 29 March 2018 to 27 June 2018. This increase was primarily due to 3 new hotel openings during the period (and an additional 3 opened in quarter 1) and the annualisation of new hotel openings in 2017 and upwards only rent reviews predominantly linked to RPI.

Depreciation / amortisation

Depreciation increased by £2.2m, or 26.2%, from £8.4m for the period from 30 March 2017 to 28 June 2017 to £10.6m for the period from 29 March 2018 to 27 June 2018. This is mainly due to new hotel openings and investment in maintenance, refurbishment and upgrading our hotels to offer SuperRooms, Travelodge PLUS and improved Wifi.

Amortisation was broadly flat, increasing by £0.1m, or 2.4%, from £4.2m for the period from 30 March 2017 to 28 June 2017 to £4.3m for the period from 29 March 2018 to 27 June 2018. This is mainly due to ongoing website development.

Finance costs

Finance costs before investor loan interest decreased by £0.4m, or 3.9%, from £10.2m for the period from 30 March 2017 to 28 June 2017 to £9.8m for the period from 29 March 2018 to 27 June 2018. The decrease was primarily due to the lower bond interest costs following refinancing in January 2018.

Finance income

Finance income of £0.1m for the period from 29 March 2018 to 27 June 2018 is bank interest received which was in line with the prior year period.

Taxation

Income tax is recognised based on management's best estimate of the income tax rate expected for the financial year, which includes the impact of recently enacted legislation in relation to hybrid mismatches, corporate interest restriction and amendments to the use of carried forward losses.

Whilst these legislative changes do impact the deductibility of interest expense, the impact is only in relation to deferred tax as a result of utilising accrued tax attributes at a higher rate than previously forecast.

The deferred tax charge of £4.3m for the period from 29 March 2018 to 27 June 2018 relates to differences between accounting depreciation and capital allowances, and derecognition of a deferred tax asset in relation to carried forward disallowed interest, for which there is no forecast utilisation in the next five years, set off by changes in deferred tax on intangible assets and tax losses. There were no cash tax payments during the period.

Exceptional items

Exceptional items decreased by £9.2m, or 94.8%, from £9.7m for the period from 30 March 2017 to 28 June 2017 to £0.5m for the period from 29 March 2018 to 27 June 2018.

Exceptional items of £0.5m for the period from 29 March 2018 to 27 June 2018 comprised 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.

Exceptional items of £9.7m for the period of 30 March 2017 to 28 June 2017 included £6.5m 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 release of prepaid fees following the partial repayment of the fixed rate bond.

RISK FACTORS

Note holders are reminded that investing in the Notes involves substantial risks and Note holders should refer to the "Risk Factors" section of the Offering Memorandum, published on 28 April 2017, and the 2017 Annual Report for the year ended 31 December 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 27 JUNE 2018

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE PERIOD ENDED 27 JUNE 2018

	Unaudited Period ended 27 Jun 2018			Unaudited Period ended 28 Jun 2017		
	Before exceptional items £m	**Exceptional items £m**	**After exceptional items £m**	**Before exceptional items £m**	**Exceptional items £m**	**After exceptional items £m**
Revenue	317.2	-	**317.2**	293.8	-	**293.8**
Operating Expenses	(177.6)	(1.0)	**(178.6)**	(162.4)	(4.3)	**(166.7)**
Rent	(97.2)	-	**(97.2)**	(90.7)	-	**(90.7)**
EBITDA after rent free adjustment	**42.4**	**(1.0)**	**41.4**	**40.7**	**(4.3)**	**36.4**
Depreciation / Amortisation	(28.9)	-	**(28.9)**	(24.8)	-	**(24.8)**
Operating Profit	**13.5**	**(1.0)**	**12.5**	**15.9**	**(4.3)**	**11.6**
Finance Costs	(26.3)	(1.4)	**(27.7)**	(27.3)	(5.4)	**(32.7)**
Finance Income	0.5	-	**0.5**	0.2	-	**0.2**
Loss before Tax	**(12.3)**	**(2.4)**	**(14.7)**	**(11.1)**	**(9.7)**	**(20.9)**
Income Tax	(1.1)	-	**(1.1)**	2.5	-	**2.5**
Loss for the Period	**(13.4)**	**(2.4)**	**(15.8)**	**(8.6)**	**(9.7)**	**(18.4)**

Memorandum - EBITDA (adjusted) [1]

	Period ended 27 Jun 2018 £m	**Period ended 28 Jun 2017 £m**
EBITDA (adjusted) [1]	**43.3**	**42.0**
Rent free adjustment [2]	**(0.9)**	(1.3)
EBITDA after rent free adjustment	**42.4**	**40.7**
Exceptional items	**(1.0)**	(4.3)
EBITDA after rent free adjustment and exceptional items	**41.4**	**36.3**

1. EBITDA (adjusted) = 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 relate to 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 is the measure which is used for internal management reporting.

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 27 JUNE 2018

	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Loss for the period	(15.8)	(18.4)
Items that will subsequently be reclassified into profit and loss:		
Movement on fair value of cash flow hedges	0.1	(0.2)
Currency translation differences	0.3	(0.4)
Other comprehensive income / (expense) for the period, net of tax	**0.4**	**(0.6)**
Total comprehensive expense for the period	**(15.4)**	**(19.0)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 27 JUNE 2018

	Share Capital £m	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2018	**-**	**(0.6)**	**0.4**	**(89.5)**	**(89.7)**
Loss for the period	-	-	-	(15.8)	**(15.8)**
Other comprehensive income					
Movement in fair value of hedging derivatives	-	-	0.1	-	**0.1**
Currency translation differences	-	0.3	-	-	**0.3**
Total comprehensive income / (expense)	**-**	**0.3**	**0.1**	**(15.8)**	**(15.4)**
27 June 2018	**-**	**(0.3)**	**0.5**	**(105.3)**	**(105.1)**

FOR THE PERIOD ENDED 28 JUNE 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	-	-	-	(18.4)	**(18.4)**
Other comprehensive expense					
Movement in fair value of hedging derivatives	-	-	(0.2)	-	**(0.2)**
Currency translation differences	-	(0.4)	-	-	**(0.4)**
Total comprehensive expense	**-**	**(0.4)**	**(0.2)**	**(18.4)**	**(19.0)**
28 June 2017	**-**	**(0.6)**	**0.4**	**(97.2)**	**(97.4)**

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 27 JUNE 2018

	Unaudited 27 Jun 2018 £m	Unaudited 28 Jun 2017 £m
NON CURRENT ASSETS		
Intangible assets	**375.5**	**384.7**
Property, plant and equipment	**137.1**	**124.7**
Financial derivative asset	**0.7**	**0.4**
Deferred tax asset	**51.4**	**52.2**
	564.7	**562.0**
CURRENT ASSETS		
Inventory	**1.0**	**1.8**
Trade and other receivables	**54.7**	**55.1**
Cash and cash equivalents	**132.2**	**110.3**
	187.9	**167.2**
TOTAL ASSETS	**752.6**	**729.2**
CURRENT LIABILITIES		
Trade and other payables	**(176.5)**	**(169.7)**
	(176.5)	**(169.7)**
NON-CURRENT LIABILITIES		
Bond related debt	**(420.1)**	**(417.6)**
Investor loan	**(124.3)**	**(110.1)**
Obligations under finance leases	**(32.6)**	**(32.2)**
Deferred tax liability	**(68.4)**	**(63.7)**
Deferred income	**(15.8)**	**(12.4)**
Provisions	**(20.0)**	**(20.9)**
	(681.2)	**(657.0)**
TOTAL LIABILITIES	**(857.7)**	**(826.6)**
NET LIABILITIES	**(105.1)**	**(97.4)**
EQUITY		
Share capital	**-**	**-**
Foreign exchange reserve	**(0.3)**	**(0.6)**
Cash flow hedge reserve	**0.5**	**0.4**
Accumulated losses	**(105.3)**	**(97.2)**
TOTAL EQUITY	**(105.1)**	**(97.4)**

Memorandum - Analysis of net funding	***£m***	***£m***
Cash at bank	***132.2***	***110.3***
External debt redeemable (excluding finance leases):		
Fixed Rate Bond	***(232.0)***	***(261.0)***
Floating Rate Bond	***(195.0)***	***(165.0)***
Issue costs	***6.9***	***8.4***
Gross debt	***(420.1)***	***(417.6)***
External net debt	***(287.9)***	***(307.3)***
Investor loan	***(124.3)***	***(110.1)***
Finance leases	***(32.6)***	***(32.2)***
Net debt	***(444.8)***	***(449.6)***

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 27 JUNE 2018

	Unaudited Period ended 27 Jun 2018	Unaudited Period ended 28 Jun 2017
	£m	£m
NET CASH GENERATED FROM OPERATING ACTIVITIES	**85.1**	**81.0**
INVESTING ACTIVITIES		
Interest received	**0.5**	**0.3**
Purchases of property, plant and equipment and intangible assets	**(30.0)**	**(22.9)**
Net cash used in investing activities	**(29.5)**	**(22.6)**
FINANCING ACTIVITIES		
Finance fees paid (including exceptional items)	**(0.1)**	**(0.1)**
Interest paid	**(15.8)**	**(16.5)**
Finance lease payments	**(2.1)**	**(2.1)**
Issue of floating rate bonds	**30.0**	**165.0**
Repayment of fixed and floating rate bonds	**(29.0)**	**(129.0)**
Finance issue transaction costs	**(1.4)**	**(4.3)**
Repayment of investor loan	**-**	**(35.0)**
Net cash used in financing activities	**(18.4)**	**(22.0)**
Net increase in aggregate cash and cash equivalents	**37.2**	**36.4**
Cash and cash equivalents at beginning of the year	95.0	73.9
Cash and cash equivalents at end of the period	**132.2**	**110.3**

Memorandum - Analysis of free cash flow [1]	***Unaudited Period ended 27 Jun 2018***	***Unaudited Period ended 28 Jun 2017***
	£m	***£m***
EBITDA (adjusted)[2]	***43.3***	***42.0***
Working capital	***43.2***	***45.0***
	86.5	***87.0***
Net cash flows from operating activities before exceptionals		
Capital expenditure	***(30.0)***	***(22.9)***
Free cash flow generated for the year	***56.5***	***64.1***
Non-trading cash flow		
Interest costs		
- bank interest paid	***(0.6)***	***(0.7)***
- bond interest paid	***(15.2)***	***(15.8)***
- finance fees paid	***(0.1)***	***(0.1)***
Interest income	***0.5***	***0.3***
Interest element of finance lease rental payments	***(2.1)***	***(2.1)***
Cash spend on provisions and exceptional items [3]	***(2.8)***	***(10.3)***
Non-trading cashflow	***(20.3)***	***(28.7)***
Cash generated	***36.2***	***35.4***
Opening Cash	***95.0***	***73.9***
Movement in cash	***36.2***	***35.4***
Net refinancing proceeds	***1.0***	***36.0***
Repayment of investor loan note	***-***	***(35.0)***
Closing Cash	***132.2***	***110.3***
Opening external net debt	***(323.4)***	***(306.0)***
Net increase in aggregate cash	***37.2***	***36.4***
Net refinancing	***(1.0)***	***(36.0)***
Net finance issue transaction costs	***(0.0)***	***(0.9)***
Net amortised bond transaction costs	***(0.7)***	***(0.8)***
Closing net debt	***(288.0)***	***(307.3)***

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

2. EBITDA (adjusted) = 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 relate to 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	***86.5***	***87.0***
Cash spend on exceptional items through profit and loss	***(0.0)***	***(4.9)***
Cash spend on exceptional items through working capital	***(1.4)***	***(1.1)***
Net cash generated from operating activities	***85.1***	***81.0***

3. In 2018, cash spend on provisions and exceptional items of £2.8m includes costs of refinancing the Travelodge Group of £1.4m and other costs of £1.4m. In the period ended 28 June 2017, cash spend on provisions and exceptional items of £10.3m includes costs of refinancing of £8.6m and other costs of £1.7m.

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

New and Amended Standards

The following new and amended standards are effective for the year ending December 31, 2018 and have been adopted in these statements.

IFRS 9, 'Financial Instruments'
IFRS 15, 'Revenue from contracts with customers'

As the impact of adoption was immaterial no adjustment was necessary to the prior period figures previously presented.

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 June 2018. 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. Incentives received by the Group to enter into leases as a lessee are credited to the income statement on a straight line basis over the lease term.

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

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

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. It will have a material effect on the presentation of the financial statements, although no impact on actual pre-tax cash flows.

IFRS 16 will significantly increase the group's recognised assets and liabilities in the Consolidated Balance Sheet introducing right-of-use assets and lease liabilities calculated based on discounted future lease payments. It will also materially change the presentation and timing of recognition of charges in the Consolidated Income Statement as the operating lease expense currently reported under IAS 17, typically on a straight-line basis, within EBITDA (adjusted), will be replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability. This will result in increased 'lease-related expenses' being charged to the Consolidated Income Statement in the early years of a lease due to the front-loaded notional financing costs, reducing reported Profit Before Tax.

In addition, the presentation of the Consolidated Statement of Cash Flows will be affected as actual lease payments, which are currently part of Operating Profit / (Loss) or Movements in Payables within Net Cash Generated from Operating Activities, will now be split into a notional repayment of principal lease liability and a notional interest payment. The presentation of these cash payments in the Consolidated Statement of Cash Flows will therefore be notionally split (based on the discount rate and outstanding lease liability amounts) between Financing Activities (the notional repayment of principal lease liability) and Operating Activities (the notional interest payment). Though presented in different parts of the Consolidated Statement of Cash Flows actual total cash payments will remain unchanged.

In adopting IFRS 16 an entity is permitted to follow one of two approaches: the full retrospective approach or the modified retrospective approach. This is a single choice that must be applied to all leases. The Group has chosen to adopt the modified retrospective approach, which does not require restatement of comparative periods. Instead the cumulative impact of applying IFRS 16 is accounted for as an adjustment to equity at the start of the accounting period in which it is first applied, known as the ‘date of initial application’. Discount rates will be applied to future lease payments to calculate the lease liability and are an area of significant judgement and estimation, particularly given the term of our leases.

Following consultation, HMRC have confirmed that the tax treatment will follow the accounting treatment for ‘lease-related expenses’ for lessees adopting IFRS 16 or FRS 101 from 1 January 2019. The expected result of lessees adopting IFRS 16 or FRS 101 will be increased 'lease-related expenses' being charged to the Consolidated Income Statement in the early years of a lease due to the front-loaded financing costs, reducing reported Profit Before Tax. HMRC have confirmed that taxation of leases with right-of-use assets will remain dependent on the current accounting classification of leases, so the current distinction between operating leases and finance leases will continue to be relevant for Corporate Interest Restriction (CIR) purposes. Where there is a lease that is currently classified as an ‘operating lease’ for these purposes, any notional finance charge that is identified for accounting purposes under IFRS 16 or FRS 101 will not be treated as ‘tax interest’ for CIR purposes. HMRC also confirmed that there is no requirement to recognise the right-of-use asset equal to the lease liability for tax purposes, however, any transitional adjustment will be spread over the weighted average remaining length of leases at the date of transition.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Provisions recognised as at 27 June 2018 principally relate to onerous leases.

Share Capital

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

Prepaid Room Purchases

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

3 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Revenue		
UK	**310.9**	**287.6**
International	**6.3**	**6.2**
	317.2	**293.8**
EBITDA (before exceptionals)		
UK EBITDA (adjusted) [(1)]	**42.6**	**41.0**
Rent free adjustment	**(0.9)**	**(1.3)**
UK after rent free adjustment	**41.7**	**39.7**
International	**0.7**	**1.0**
EBITDA after rent free adjustment	**42.4**	**40.7**
Operating profit before exceptionals		
UK	**12.9**	**14.9**
International	**0.6**	**1.0**
	13.5	**15.9**
(Loss) / Profit before tax before exceptionals		
UK	**(12.8)**	**(12.1)**
International	**0.5**	**0.9**
	(12.3)	**(11.2)**
Exceptional items (note 6)	**(2.4)**	**(9.7)**
(Loss) before tax	**(14.7)**	**(20.9)**

1. EBITDA (adjusted) = 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 relate to non-recurring, one-off items.

4 NET OPERATING EXPENSES (BEFORE EXCEPTIONAL ITEMS)

	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Cost of goods sold	20.3	20.1
Employee costs	78.0	70.8
Operating expenses	79.3	71.5
Net operating expenses before rent, depreciation and amortisation	**177.6**	**162.4**
Rent payable (third party landlords) for operating leases	98.3	91.3
Rent receivable	(2.0)	(1.9)
Net external rent payable	96.3	89.4
Rent free adjustment[1]	0.9	1.3
Net rent	**97.2**	**90.7**
Net operating expenses before depreciation and amortisation	**274.8**	**253.1**
Depreciation	20.4	16.5
Amortisation	8.5	8.3
Net depreciation and amortisation	**28.9**	**24.8**
Total net operating expenses	**303.7**	**277.9**

1. In many of our leases we receive a rent free period at the beginning of the lease term. Under IFRS, the benefit of this rent free period is held as 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 (adjusted) 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 is the measure which is used for internal management reporting.

5 FINANCE COSTS

	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Finance fees	1.0	0.9
Interest on bank loans	0.6	0.7
Interest on fixed and floating rate bonds	14.7	15.8
Interest on obligations under finance leases	2.6	2.5
Unwinding of discount on provisions	0.4	0.4
Finance costs before interest on investor loan and exceptional items	**19.3**	**20.3**
Interest on investor loan	7.0	7.0
Finance costs before exceptional items	**26.3**	**27.3**
Exceptional items:		
Fees in relation to restructuring of debt	1.4	5.4
Finance costs	**27.7**	**32.7**

6 EXCEPTIONAL ITEMS

In the period to 27 June 2018, exceptional charges of £2.4m include £1.9m 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 £0.5m relating to the release of relevant prepaid fees following the partial repayment of the fixed rate bond.

In the period to 28 June 2017 exceptional charges of £9.7m include £6.5m 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 release of relevant prepaid fees following the repayment of the previous floating rate bond.

7 INTANGIBLE ASSETS

	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Opening net book value	**379.8**	389.6
Additions	**4.5**	3.9
Movement on capital creditors	**(0.3)**	(0.5)
Depreciation	**(8.5)**	(8.3)
Closing net book value	**375.5**	384.7

The closing net book value at 27 June 2018 comprises brand value of £145.0m, assets under construction of £8.2m, lease premiums of £215.7m and IT software of £6.6m.

The closing net book value at 28 June 2017 comprises brand value of £145.0m, assets under construction of £6.9m, lease premiums of £225.4m and IT software of £7.4m.

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 Group's year end of 31 December. The Group 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% (2017: 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 Group's risk adjusted pre-tax weighted average cost of capital of 9.0% (2017 9.0%). When calculating the discount rate, the market-weighted average cost of capital for the sector was used based on a portfolio of similar hotel businesses. Reviews are performed on a site by site basis over the length of the lease. The Directors have considered the Group's financial projections and the assumptions which underpin those projections including future growth of the budget hotel sector, brand demand and occupancy, the new hotel opening profile and development pipeline opportunities.

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 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Opening net book value	**132.5**	**121.3**
Additions	**25.5**	**18.9**
Movement on capital creditors	**(0.6)**	**1.0**
Depreciation	**(20.3)**	**(16.5)**
Closing net book value	**137.1**	**124.7**

The closing net book value at 27 June 2018 comprises assets under construction of £6.2m, freehold and long leaseholds of £1.6m, financed leased land and buildings of £15.8m and fixtures and fittings of £113.5m.

The closing net book value at 28 June 2017 comprises assets under construction of £13.4m, freehold and long leaseholds of £1.7m, financed leased land and buildings of £16.2m and fixtures and fittings of £93.4m.

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 Group's year end of 31 December. The Group 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% (2017: 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 Group's risk adjusted pre-tax weighted average cost of capital of 9.0% (2017: 9.0%). When calculating the discount rate, the market-weighted average pre-tax cost of capital for the sector was used based on a portfolio of similar hotel businesses. Reviews are performed on a site by site basis over the length of the lease. The Directors have considered the Group's financial projections and the assumptions which underpin those projections including future growth of the budget hotel sector, brand demand and occupancy, the new hotel opening profile and development opportunities.

9 TRADE AND OTHER RECEIVABLES

	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	**11.7**	**10.4**
- Bad debt provision	**(0.2)**	**(0.1)**
- Net amounts receivable	**11.5**	**10.3**
Other amounts receivable	**7.1**	**5.1**
Accrued income	**1.8**	**1.5**
Prepayments	**34.4**	**38.3**
	54.7	**55.1**

10 TRADE AND OTHER PAYABLES

	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Trade payables	**(23.5)**	**(26.6)**
Other payables	**(7.3)**	**(7.8)**
Social security and other taxation	**(27.6)**	**(25.0)**
Accruals	**(50.3)**	**(49.1)**
Deferred income	**(1.0)**	**(0.7)**
Prepaid room purchases	**(56.8)**	**(51.9)**
Capital payables	**(7.9)**	**(6.9)**
Provisions (Note 12)	**(2.0)**	**(1.7)**
Amounts falling due within one year	**(176.5)**	**(169.7)**
Amounts falling due after one year:		
Deferred income	**(15.8)**	**(12.4)**
Provisions (Note 12)	**(20.0)**	**(20.9)**
Total	**(212.3)**	**(203.0)**

11 FINANCIAL ASSETS AND LIABILITIES

	Maturity Date	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Cash at bank and in hand		**132.2**	**110.3**
External debt redeemable:			
Fixed Rate Bond	May 2023	**(232.0)**	**(261.0)**
Floating Rate Bond	May 2023	**(195.0)**	**(165.0)**
Issue Costs		**6.9**	**8.4**
External debt		**(420.1)**	**(417.6)**
Net external debt		**(287.9)**	**(307.3)**
Investor Loan Note	January 2026	**(124.3)**	**(110.1)**
Net debt before finance leases		**(412.2)**	**(417.5)**
Finance leases		**(32.6)**	**(32.2)**
Net debt including finance leases		**(444.8)**	**(449.6)**

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, and a further £29.0m were repaid on 3 January 2018. 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 with early repayment fees of £2.1m applied. Interest was floating at three month LIBOR plus a margin of 7.5%.

New senior secured floating sterling denominated notes of £165.0m and £30.0m were issued on 28 April 2017 and 3 January 2018 respectively, with a termination date of 15 May 2023. Interest is floating at three month LIBOR plus a margin of 4.875% and is payable on a quarterly 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 June 2018, the group had utilised £16.1m.

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 June 2018, accrued interest for the period from 1 January 2018 to 27 June 2018 totalled £6.9m (2017: £7.0m). The investor loan note has a termination date of January 2026.

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 June 2018, the fair value of the hedge was £0.7m (2017: £0.4m).

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 June 2018, the fair value of the swaption was £0.1m.

12 PROVISIONS

	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
At 1 January	**(23.0)**	**(23.2)**
Cash spend	**1.3**	**1.1**
Unwinding of discount on provisions	**(0.4)**	**(0.4)**
Foreign exchange rate movement	**-**	**(0.1)**
At 27 June 2018 / 28 June 2017	**(22.0)**	**(22.6)**
The balance can be analysed as:		
Due in less than one year	**(2.0)**	**(1.7)**
Due in greater than one year	**(20.0)**	**(20.9)**
	(22.0)	**(22.6)**

A discount rate of 4% (2017: 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 £22.0m can be analysed as: onerous lease provisions of £8.8m relating to future rent and rates liabilities on sub leased historic restaurant units, £10.0m relating to seven UK hotels and two Spanish hotels where it is considered improbable that trading profits will be generated within a period of 7 years and £3.2m 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 pre-tax risk free rate of 4.0% (2017: 4.0%).

13 NOTE TO THE CASH FLOW STATEMENT

	Unaudited Period ended 27 Jun 2018 £m	Unaudited Period ended 28 Jun 2017 £m
Operating profit	**12.5**	**11.6**
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**20.4**	**16.5**
Amortisation of other intangible assets	**8.5**	**8.3**
	28.9	**24.8**
Operating cash flows before movements in working capital	**41.4**	**36.4**
Movement in inventory	**(0.0)**	**(0.4)**
Movement in receivables	**(5.9)**	**(8.1)**
Movement in payables	**51.0**	**54.2**
Movement in provisions	**(1.4)**	**(1.1)**
Total working capital movement (1)	**43.7**	**44.6**
Cash flows from operating activities	**85.1**	**81.0**

1. Working capital movement of £43.7m (2017: £44.6m) is after exceptional outflows of £0.4m (2017: outflows of £1.7m) and after rent free adjustment of £0.9m (2017: £1.3m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 19 is stated before exceptional movements and before rent free adjustment.