

TVL FINANCE PLC

PERIOD ENDED 27 MARCH 2019

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

Highlights	2 – 5
Operating and financial review for the period	6 – 11
Risk factors	12
Period to date financials (with prior year comparatives)	13 – 31

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 periods 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 on this basis and will apply similar adjustments, in accordance with IFRS, to its interim financial statements.

The summary financial information provided has been derived from our records for the 13 week accounting period from 1 January 2019 to 27 March 2019 (prior year from 1 January 2018 to 28 March 2018), which are maintained in accordance with International Financial Reporting Standards ("IFRS").

The group has adopted IFRS16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year ("Frozen GAAP").

We continue to present 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) and the rent free adjustment. The impact of IFRS16 is also excluded from this measure.

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 that 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 March 2019 (Unaudited)

Strong revenue growth, continued outperformance

Highlights – Quarter 1 2019

- Total revenue **up 6.6%** to £146.7m (2018: £137.6m)
- 2019 Q1 RevPAR⁽¹⁾ up 1.0% to £33.86 (2018: £33.51)
- RevPAR growth **3.4pts ahead** of competitive segment⁽²⁾
- Occupancy⁽¹⁾ up 3.6pts to 75.3%
- Average room rate⁽¹⁾ down (3.8)% at £44.98 (2018: £46.74)
- Q1 2019 EBITDA⁽³⁾ £54.8m (post IFRS16)
- Q1 2019 EBITDA (adjusted)⁽⁴⁾ down £(0.6)m to £3.0m
- Cash of **£103.3m** at 27 March 2019
- **6 new hotels** opened in the quarter, further 1 after quarter end
- 'SuperRooms' now available across 48 hotels and 1,761 rooms
- 6 'Travelodge Plus' hotels showing encouraging early trading signs
- Network now 581 hotels/44,266 rooms (up 5%)⁽⁵⁾

Peter Gowers, Travelodge Chief Executive commented:

"Against the backdrop of a slowing UK economy, Travelodge has once again delivered strong revenue growth and outperformed its competitive segment, helping to mitigate the cost pressures facing the whole sector. While it is too early to say how the continued economic uncertainty will affect trading conditions for the full year, with our strong competitive position, development pipeline and significant cash reserves, we remain well positioned."

Summary

The first quarter of the year is typically the UK hotel industry's lowest seasonal demand period and usually our smallest in financial terms. In the quarter Travelodge delivered total revenue growth of 6.6%, with 1.0% like-for-like RevPAR growth and a good contribution from new hotels opened since 2018.

We have continued to outperform our competitive segment with our like-for-like RevPAR growth 3.4pts ahead of the STR MSE segment, which declined by (2.3)%.

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

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

³ EBITDA = Earnings before interest, tax, depreciation, amortisation and exceptional items presented on an IFRS16 basis

⁴ EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items

⁵ Increase from 28 March 2018 to 27 March 2019

This strong growth has helped to mitigate the impact of significant cost increases, particularly the National Living Wage and the costs associated with our improved occupancy.

EBITDA (adjusted) of £3.0m was down £(0.6)m on the prior year.

We opened 6 new hotels in quarter 1 with a further 1 opened shortly after quarter end.

Outlook and Recent Trading

In view of the economic uncertainty facing the UK and the cost pressures impacting the wider hospitality and leisure sector, we remain cautious on the short-term outlook.

In the year to date, the STR MSE segment has seen mixed trading. Overall the STR MSE segment RevPAR is down (2.9)%⁽⁶⁾, with good, but slowing, London growth offset by declines in the Regions. Travelodge has continued to outperform the segment, largely as a result of stronger occupancy.

Our new opening programme remains on-track and we expect to open 17 new hotels in 2019, with the majority of these expected to open in the final quarter of the year.

The long-term potential for low-cost hotels remains clear and with our straightforward budget positioning, rising reputation for quality and strong development pipeline, we remain well positioned.

Financial Performance

For the quarter (13 weeks) ended 27 March 2019:

In what is typically our lowest revenue quarter UK like-for-like RevPAR was up 1.0% to £33.86, 3.4pts ahead of the growth rate of the STR MSE segment, which was down (2.3)%⁽⁷⁾. This good performance was driven by a focus on effective revenue management with strong growth in UK like-for-like occupancy of 3.6pts to 75.3%, offsetting a decline in UK like-for-like average room rate of (3.8)% to £44.98 (2018: £46.74).

The positive like-for-like sales growth, together with good growth in food and beverage sales benefiting from the increased occupancy and the contribution from our maturing new hotels, including the 6 new hotels opened in the quarter, resulted in total revenue growth of 6.6% for the quarter to £146.7m.

This strong revenue growth has helped to mitigate the impact of the significant cost pressures facing the industry as a whole, as well as higher operational costs as a result of our improved occupancy.

In the quarter EBITDA (adjusted) decreased by £(0.6)m to £3.0m (2018: £3.6m).

We continue to have a strong cash position in addition to the benefit of long-term facilities including an undrawn £50m RCF.

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.

⁶ STR MS&E RevPAR growth 27 Dec 18 to 8 May 19

⁷ STR MS&E RevPAR growth 27 Dec 18 to 27 Mar 19

Location

We successfully opened 6 new hotels in the first quarter of the year, which are performing in line with expectations, alongside our 17 maturing hotels opened during 2018.

The Travelodge network stood at 581 hotels across the UK, Ireland and Spain at the end of the quarter with a further 1 hotel opened shortly after the quarter end. At this early stage of the year we remain on track with our new opening programme and expect to open 17 new hotels in 2019, with the majority of these expected to open in the final quarter of the year.

Price

Our strong value proposition continues to support our strong revenue growth, including continued growth in food and beverage sales. Targeted customer offers have helped to improve website conversion, driving increased occupancy and outperformance. We continue to attract rising numbers of business customers in line with our range of locations, continued focus on attractive pricing and enhanced quality levels including SuperRooms in most major city markets.

Quality

We continued to strengthen quality and choice for our guests, continuing our refit upgrade programme for the core estate.

We maintained our average 4 star TripAdvisor rating.

Accounting Standards Update

The group has adopted IFRS16, a new lease accounting standard, from 1 January 2019.

The new standard has no economic impact on the business and will not change the way the business is run.

It has, however, had a significant impact on the presentation of the financial statements including reported EBITDA, reported profit before tax and the balance sheet treatment of leasehold obligations. As at 27 March 2019, the standard increased EBITDA⁽⁸⁾ by £52.4m and increased the reported loss for the period (before exceptional items) by £(10.6)m. Fixed assets, representing the right of use relating to leasehold obligations, have increased by £2.3bn and liabilities, representing the discounted value of future lease liabilities, have increased by £(2.5)bn.

In implementing IFRS16, the financial statements have been prepared under the modified retrospective approach under which comparative results are not restated. Accordingly, in order to facilitate comparability to the previously reported results, the financial statements include, where applicable, a reconciliation of the IFRS16 result to the frozen GAAP⁽⁹⁾ result.

About Travelodge

Founded in 1985, Travelodge is one of the UK's leading hotel brands. There were 581 Travelodge hotels and 44,266 rooms in the UK, Ireland and Spain as at 27 March 2019. Travelodge welcomes approximately 19 million customers every year and nearly 12,000 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.

For further information, please contact:

Travelodge Investor Relations
01844 358655
investors@travelodge.co.uk

Travelodge Press Office
01844 358 703
pressoffice@travelodge.co.uk

(8) - EBITDA – Earnings before interest, tax, depreciation, amortisation and exceptional items.

(9) - Frozen GAAP - In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year.

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the quarter ended 27 March 2019 (Q1).

The impact of this new IFRS 16 lease accounting standard has been set out in the table below.

In order to allow meaningful comparison to prior periods, the commentary and variances to last year refer to the 'frozen GAAP'⁽¹⁾ results before any adjustments for the effect of IFRS 16.

	Period ended 27 Mar 2019			Period ended 28 Mar 2018	Variance (2018 vs 2019 Frozen GAAP) £m	Var %
	Frozen GAAP £m	IFRS 16 impact £m	2019 (Statutory) £m	2018 (Statutory) £m		
Revenue by geographical region						
Revenue	146.7	-	146.7	137.6	9.1	6.6%
Revenue UK	143.8	-	143.8	134.9	8.9	6.6%
Revenue International	2.9	-	2.9	2.7	0.2	7.4%
Key income statement items						
Revenue	146.7	-	146.7	137.6	9.1	6.6%
Operating expenses	(92.9)	-	(92.9)	(86.4)	(6.5)	(7.5)%
Of which cost of goods sold	(9.7)	-	(9.7)	(9.5)	(0.2)	(2.1)%
Of which employee costs	(39.8)	-	(39.8)	(36.8)	(3.0)	(8.2)%
Of which other operating expenses	(43.4)	-	(43.4)	(40.1)	(3.3)	(8.2)%
Net external rent payable	(50.8)	51.8	1.0	(47.6)	(3.2)	(6.7)%
EBITDA (adjusted)⁽²⁾ / EBITDA⁽³⁾	3.0 ⁽²⁾	51.8	54.8 ⁽³⁾	3.6	(0.6)	(16.7)%
Rent free adjustment ⁽⁴⁾	(0.6)	0.6	-	(0.5)	(0.1)	(20.0)%
Depreciation	(10.5)	(25.6)	(36.1)	(9.8)	(0.7)	(7.1)%
Amortisation	(4.3)	-	(4.3)	(4.2)	(0.1)	(2.4)%
Operating profit / (loss) (before exceptional items)	(12.4)	26.8	14.4	(10.9)	(1.5)	(13.8)%
Finance costs before investor loan interest	(9.4)	(39.5)	(48.9)	(9.5)	0.1	1.1%
Investor loan interest	(3.4)	-	(3.4)	(3.4)	-	-
Finance income	0.2	-	0.2	0.4	(0.2)	(50.0)%
Income tax	5.9	2.1	8.0	3.2	2.7	84.4%
Loss for the period (before exceptional items)	(19.1)	(10.6)	(29.7)	(20.2)	1.1	5.4%
Exceptional items	(0.2)	-	(0.2)	(1.9)	1.7	89.5%
Loss for the period	(19.3)	(10.6)	(29.9)	(22.1)	2.8	12.7%

(1) - Frozen GAAP - In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year.

(2) - EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items.

(3) - EBITDA = Earnings before interest, tax, depreciation, amortisation and exceptional items.

(4) - 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 statement 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 £9.1m, or 6.6%, from £137.6m for the period from 1 January 2018 to 28 March 2018 to £146.7m for the period from 1 January 2019 to 27 March 2019. This increase was primarily due to like-for-like UK RevPAR growth of 1.0% and maturity of the new hotels opened since January 2018, including the 6 new hotels opened in the period. We also achieved good revenue growth in food and beverage (up 4.3% like-for-like) benefiting from occupancy growth and in retail and other (up 21.1% like-for-like). Like-for-like UK RevPAR growth of 1.0% was ahead of the STR MSE segment by 3.4pts, which showed a decline of (2.3)%.

Operating expenses

Operating expenses increased by £6.5m, or 7.5%, from £86.4m for the period from 1 January 2018 to 28 March 2018 to £92.9m for the period from 1 January 2019 to 27 March 2019. Cost increases were driven by a combination of occupancy growth, the cost pressures on the like-for-like estate and increased costs from our new and maturing hotels opened since 2018.

Increases in cost of goods sold reflect growth in our food and beverage sales, including the impact of occupancy growth and the new and maturing hotels.

Employee cost increases reflect the impact of the National Living Wage and pension auto-enrolment in the like-for-like estate and the new colleagues in our new hotels.

Other operating expenses are largely driven by customer acquisition costs in line with revenue, higher banking charges and fees due to changes to the regulation of payment card charges, increases in business rates, higher utility costs as a result of price increases, as well as new hotels.

Net external rent payable

Net external rent payable increased by £3.2m, or 6.7%, from £47.6m for the period from 1 January 2018 to 28 March 2018 to £50.8m for the period from 1 January 2019 to 27 March 2019. This increase was primarily due to 6 new hotel openings during the period, the annualisation of new hotel openings in 2018 and upwards only rent reviews predominantly linked to RPI.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases.

The rent payable for operating leases previously reported under IAS 17, within EBITDA (adjusted), has been replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability.

Depreciation / Amortisation

Frozen GAAP Depreciation increased by £0.7m, or 7.1%, from £9.8m for the period from 1 January 2018 to 28 March 2018 to £10.5m for the period from 1 January 2019 to 27 March 2019. This is mainly due to new hotel openings and investment in maintenance, refurbishment and upgrading our hotels to offer SuperRooms, Travelodge Plus and improved Wi-Fi.

Amortisation increased by £0.1m, or 2.4%, from £4.2m for the period from 1 January 2018 to 28 March to £4.3m for the period from 1 January 2019 to 27 March 2019.

Following the adoption of IFRS16 on 1 January 2019, depreciation has increased by £25.6m, reflecting a charge for the right of use assets.

Finance costs

Finance costs before investor loan interest decreased by £0.1m, or 1.1%, from £9.5m for the period from 1 January 2018 to 28 March 2018 to £9.4m for the period from 1 January 2019 to 27 March 2019. This decrease was primarily due to the lower bond interest costs following the refinancing in January 2018, partially offset by the impact of an increase in LIBOR.

Following the adoption of IFRS16 from 1 January 2019, a notional interest charge of £39.5m has been reported relating to the lease liabilities.

Finance income

Finance income of £0.2m for the period from 1 January 2019 to 27 March 2019 is bank interest received. Finance income of £0.4m for the period from 1 January 2018 to 28 March 2018 included amounts received in respect of 2017.

Exceptional items

Exceptional items were £0.2m for the period from 1 January 2019 to 27 March 2019 compared to £1.9m for the period from 1 January 2018 to 28 March 2018. The charge of £0.2m related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities.

In the period to 28 March 2018, exceptional charges of £1.9m included £1.4m 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, together with a charge of £0.5m relating to the release of prepaid fees following the partial repayment of the fixed rate bond.

IFRS 16

As a result of the adoption of IFRS16 from 1 January 2019, the rent payable for operating leases of £51.8m and the rent free adjustment of £0.6m have been replaced by depreciation of the right to use assets of £25.6m and a notional interest charge of £39.5m relating to the lease liabilities.

Cash flow

As at 27 March 2019, we had cash of £103.3m, a decrease of £19.1m compared to £122.4m as at 28 March 2018, after the repayment of accrued interest relating to the investor loan of £34.6m in December 2018.

Frozen GAAP operating cash inflows for the period ended 27 March 2019 of £40.3m were partially offset by investing cash outflows of £14.7m, which relate to the purchase of intangible and tangible fixed assets of £14.9m less interest received of £0.2m, and financing cash outflows during the period of £4.1m. Included in financing cash outflows of £4.1m were bond interest payments of £3.1m and finance lease interest payments of £1.0m.

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 Mar 2019			Period ended 28 Mar 2018	Variance (2018 vs 2019 Frozen GAAP) £m	Var %
	Frozen GAAP £m	IFRS 16 impact £m	2019 (Statutory) £m	2018 (Statutory) £m		
Net cash generated from operating activities	40.3	44.6	84.9	46.2	(5.9)	(12.8)%
Net cash used in investing activities	(14.7)	-	(14.7)	(14.4)	(0.3)	(2.1)%
Net cash used in financing activities	(4.1)	(44.6)	(48.7)	(4.4)	0.3	6.8%
Net increase in aggregate cash and cash equivalents	21.5	-	21.5	27.4	(5.9)	(21.5)%
Cash and cash equivalents at beginning of the period	81.8	-	81.8	95.0	(13.2)	(13.9)%
Cash and cash equivalents at the end of the period	103.3	-	103.3	122.4	(19.1)	(15.6)%

Net cash generated from operating activities

Frozen GAAP net cash generated from operating activities decreased by £5.9m, or 12.8%, from £46.2m for the period ended 28 March 2018 to £40.3m for the period ended 27 March 2019. This was due to a decrease of £4.7m in working capital, a higher operating loss of £1.2m and a corporation tax payment of £0.8m, partially offset by an increase in depreciation and amortisation of £0.8m.

Following the adoption of IFRS16 from 1 January 2019, net cash generated from operating activities has increased by £44.6m reflecting rent paid on operating leases during the period, which is now reported as net cash used in financing activities.

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 Mar 2019			Period ended 28 Mar 2018	Variance (2018 vs 2019 Frozen GAAP) £m	Var %
	Frozen GAAP £m	IFRS 16 impact £m	2019 (Statutory) £m	2018 (Statutory) £m		
(Increase) / Reduction in inventory	-	-	-	0.3	(0.3)	(100.0)%
(Increase) in receivables	(1.5)	(7.5)	(9.0)	(5.4)	(3.6)	66.7%
Increase in payables	45.6	(1.2)	44.4	49.5	(5.1)	(10.3)%
Total working capital movement (before exceptional items)	44.1	(8.7)	35.4	44.4	(9.0)	(20.3)%
Provisions and exceptional items	(5.2)	0.9	(4.3)	(0.8)	(3.5)	-
Total working capital movement	38.9	(7.8)	31.1	43.6	(12.5)	(28.7)%

Frozen GAAP working capital inflow before exceptional items of £44.1m for the period ended 27 March 2019 compared to an inflow of £44.4m for the period ended 28 March 2018 is impacted by the timing of property costs (rent, insurance, service charges etc.) and creditor payments around the year end.

Frozen GAAP working capital inflow after exceptional items of £38.9m for period ended 27 March 2019 compared to an inflow of £43.6m for the period ended 28 March 2018 is impacted by payment of legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities.

Following adoption of IFRS16 from 1 January 2019, cash flows relating to operating lease rent, including the (decrease) in receivables relating to prepaid rent of £(7.5)m and deferred income relating to rent free periods of £(1.2)m, as well as movements in onerous lease provisions, are now reported within net cash used in financing activities.

Net cash used in investing activities

Net cash used in investing activities increased by £0.3m, or 2.1%, from £14.4m for the period ended 28 March 2018 to £14.7m for the period ended 27 March 2019, primarily due to changes in capital expenditure.

Capital expenditure

Capital expenditure of £14.9m in the period ended 27 March 2019 has mainly been in relation to on-going maintenance and refits. 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 energy efficiency projects as well as development pipeline spending have also contributed to spending.

Net cash used in financing activities

Frozen GAAP net cash used in financing activities decreased by £0.3m, or 6.8%, from £4.4m for the period ended 28 March 2018 to £4.1m for the period ended 27 March 2019. This was primarily due to the bond funding outflow in 2018 of £0.3m (net amount of bond issue, bond repayment, and transaction costs).

Following the adoption of IFRS16 from 1 January 2019, cash used in financing activities has increased by £44.6m reflecting rent paid on operating leases during the period, which was previously reported within net cash generated from operating activities.

Corporation tax

Corporation tax payments on account of £0.8m were made in the period ended 27 March 2019 (period ended 28 March 2018: £nil).

IFRS 16

Following the adoption of IFRS16 from 1 January 2019, net cash generated from operating activities has increased by £44.6m, with a corresponding increase in cash used in financing activities, reflecting rent paid on operating leases during the period. Actual total pre-tax cash payments relating to operating leases are not impacted by the adoption of IFRS 16.

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 2018 Annual Report for the year ended 31 December 2018 for a description of the risks that they should consider when making investment decisions about the Notes.

As outlined in the 2018 Annual Report Travelodge faces a number of risks relating to the terms of Brexit with the most significant of these risks outlined below.

- Potential changes to UK GDP growth and business confidence may adversely impact consumer demand for hotel accommodation.
- Changes to the inflationary and interest rate environment may impact on our cost base with a significant proportion of the cost base, including rent, inflation linked.
- Changes to border and immigration policies may impact our ability to recruit and retain staff at current pay levels resulting in increased cost of recruitment and wage inflation. Key elements of our supply chain face similar risk which may result in increased costs.
- Other factors such as the value of sterling or the imposition of tariffs and the associated impact on supplier costs.
- Investor confidence negatively impacts willingness to fund new investment projects which may impact our development pipeline.

Registered number: 08170768

THAME AND LONDON LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 27 MARCH 2019

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE PERIOD ENDED 27 MARCH 2019

	Unaudited Period ended 27 Mar 2019					Unaudited Period ended 28 Mar 2018		
	Frozen GAAP ⁽³⁾ before exceptionals	Exceptional items	Frozen GAAP ⁽³⁾ after exceptionals	IFRS 16 impact	2019 (Statutory)	Before exceptional items	Exceptional items	2018 (Statutory)
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	146.7	-	146.7	-	146.7	137.6	-	137.6
Operating Expenses	(92.9)	(0.2)	(93.1)	-	(93.1)	(86.4)	(0.5)	(86.9)
Rent	(51.4)	-	(51.4)	52.4	1.0	(48.1)	-	(48.1)
EBITDA after rent free adjustment	2.4	(0.2)	2.2	52.4	54.6	3.1	(0.5)	2.6
Depreciation / Amortisation	(14.8)	-	(14.8)	(25.6)	(40.4)	(14.0)	-	(14.0)
Operating Profit / (Loss)	(12.4)	(0.2)	(12.6)	26.8	14.2	(10.9)	(0.5)	(11.4)
Finance Costs	(12.8)	-	(12.8)	(39.5)	(52.3)	(12.9)	(1.4)	(14.3)
Finance Income	0.2	-	0.2	-	0.2	0.4	-	0.4
Profit / (Loss) before Tax	(25.0)	(0.2)	(25.2)	(12.7)	(37.9)	(23.4)	(1.9)	(25.3)
Income Tax	5.9	-	5.9	2.1	8.0	3.2	-	3.2
Profit / (Loss) for the Period	(19.1)	(0.2)	(19.3)	(10.6)	(29.9)	(20.2)	(1.9)	(22.1)

Memorandum - EBITDA (adjusted)⁽¹⁾

	Period ended 27 March 2019 £m	Period ended 27 March 2018 £m
EBITDA (adjusted)⁽¹⁾	3.0	3.6
Rent free adjustment ⁽²⁾	(0.6)	(0.5)
EBITDA after rent free adjustment	2.4	3.1
Exceptional items	(0.2)	(0.5)
EBITDA after rent free adjustment and exceptional items	2.2	2.6
IFRS 16 Adjustment	52.4	-
EBITDA after exceptional items⁽⁴⁾	54.6	2.6

1. EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent free adjustment, exceptional items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. 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 Frozen GAAP, the benefit of this rent free period is held as deferred income on our balance sheet and is recognised in our income statement 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 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.

3. Frozen GAAP - In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year.

4. EBITDA after exceptional items - Earnings before interest, tax, depreciation & amortisation, after exceptional items.

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 27 MARCH 2019

	Unaudited Period ended 27 Mar 2019 £m	Unaudited Period ended 28 Mar 2018 £m
Loss for the period	(29.9)	(22.1)
Items that will subsequently be reclassified into profit and loss:		
Movement on fair value of cash flow hedges	(0.1)	0.4
Currency translation differences	-	0.4
Winding up of foreign investment	(0.2)	-
Other comprehensive income / (expense) for the period, net of tax	(0.3)	0.8
Total comprehensive expense for the period	(30.2)	(21.3)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 27 MARCH 2019

	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2019	(0.3)	0.4	(93.7)	(93.6)
Adjustment on adoption of IFRS 16 (net of tax)	-	-	(128.1)	(128.1)
Restated total equity at 1 January 2019	(0.3)	0.4	(221.8)	(221.7)
Loss for the period	-	-	(29.9)	(29.9)
Other comprehensive expense				
Movement in fair value of hedging derivatives	-	(0.1)	-	(0.1)
Currency translation differences	-	-	-	-
Winding up of foreign investment	-	-	(0.2)	(0.2)
Total comprehensive expense	-	(0.1)	(30.1)	(30.2)
27 March 2019	(0.3)	0.3	(251.9)	(251.9)

FOR THE PERIOD ENDED 28 MARCH 2018

	Foreign Exchange Reserve £m	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	-	-	(22.1)	(22.1)
Other comprehensive income				
Movement in fair value of hedging derivatives	-	0.4	-	0.4
Currency translation differences	0.4	-	-	0.4
Total comprehensive income / (expense)	0.4	0.4	(22.1)	(21.3)
28 March 2018	(0.2)	0.8	(111.6)	(111.0)

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 27 MARCH 2019

	Unaudited			Unaudited
	27 March 2019			28 March 2018
	Frozen GAAP ⁽¹⁾	IFRS 16 impact	2019 (Statutory)	2018 (Statutory)
	£m	£m	£m	£m
NON CURRENT ASSETS				
Intangible assets	362.9	-	362.9	377.4
Property, plant and equipment	140.1	(15.5)	124.6	133.7
Right of Use assets	-	2,351.5	2,351.5	-
Financial derivative asset	-	-	-	1.1
Deferred tax asset	52.3	28.3	80.6	51.4
	555.3	2,364.3	2,919.6	563.6
CURRENT ASSETS				
Financial derivative asset	0.3	-	0.3	-
Inventory	1.1	-	1.1	0.7
Trade and other receivables	55.2	(27.5)	27.7	54.5
Cash and cash equivalents	103.3	-	103.3	122.4
	159.9	(27.5)	132.4	177.6
TOTAL ASSETS	715.2	2,336.8	3,052.0	741.2
CURRENT LIABILITIES				
Trade and other payables	(180.0)	4.4	(175.6)	(177.4)
Lease liabilities	-	(51.2)	(51.2)	-
Provisions	(1.7)	1.7	-	(2.0)
	(181.7)	(45.1)	(226.8)	(179.4)
NON-CURRENT LIABILITIES				
Bond related debt	(421.2)	-	(421.2)	(419.7)
Investor loan	(100.3)	-	(100.3)	(120.8)
Obligations under finance leases	(33.1)	33.1	-	(32.5)
Lease liabilities	-	(2,489.2)	(2,489.2)	-
Deferred tax liability	(59.8)	-	(59.8)	(64.1)
Deferred income	(16.4)	16.4	-	(15.4)
Provisions	(16.0)	9.4	(6.6)	(20.3)
	(646.8)	(2,430.3)	(3,077.1)	(672.8)
TOTAL LIABILITIES	(828.5)	(2,475.4)	(3,303.9)	(852.2)
NET LIABILITIES	(113.3)	(138.6)	(251.9)	(111.0)
EQUITY				
Foreign exchange reserve	(0.4)	0.1	(0.3)	(0.2)
Cash flow hedge reserve	0.3	-	0.3	0.8
Accumulated losses	(113.2)	(138.7)	(251.9)	(111.6)
TOTAL EQUITY	(113.3)	(138.6)	(251.9)	(111.0)

Memorandum - Analysis of net funding	£m	£m	£m	£m
Cash at bank	103.3	-	103.3	122.4
External debt redeemable (excluding finance leases):				
Fixed Rate Bond	(232.0)	-	(232.0)	(232.0)
Floating Rate Bond	(195.0)	-	(195.0)	(195.0)
Issue costs	5.8	-	5.8	7.3
Gross debt	(421.2)	-	(421.2)	(419.7)
External net debt	(317.9)	-	(317.9)	(297.3)
Investor loan	(100.3)	-	(100.3)	(120.8)
Finance leases	(33.1)	33.1	-	(32.5)
Net debt	(451.3)	33.1	(418.2)	(450.6)
Lease liabilities	-	(2,540.4)	(2,540.4)	-
	(451.3)	(2,507.3)	(2,958.6)	(450.6)

1. Frozen GAAP - In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year.

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 27 MARCH 2019

	Unaudited	Unaudited	Unaudited	Unaudited
	Period ended 27 March 2019			Period ended 28 March 2018
	Frozen GAAP ³	IFRS 16 impact	2019 (Statutory)	2018 (Statutory)
	£m	£m	£m	£m
CASH GENERATED FROM OPERATING ACTIVITIES	41.1	44.6	85.7	46.2
Corporate tax	(0.8)	-	(0.8)	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	40.3	44.6	84.9	46.2
INVESTING ACTIVITIES				
Interest received	0.2	-	0.2	0.1
Purchases of property, plant and equipment and intangible assets	(14.9)	-	(14.9)	(14.5)
Net cash used in investing activities	(14.7)	-	(14.7)	(14.4)
FINANCING ACTIVITIES				
Finance fees paid (including exceptional items)	-	-	-	(0.1)
Interest paid	(3.1)	-	(3.1)	(3.1)
Finance lease rental interest payments	(1.0)	1.0	-	(0.9)
IFRS 16 lease rental capital payments	-	(7.6)	(7.6)	-
IFRS 16 lease rental interest payments	-	(38.0)	(38.0)	-
Issue of floating rate bonds	-	-	-	30.0
Repayment of fixed and floating rate bonds	-	-	-	(29.0)
Finance issue transaction costs	-	-	-	(1.3)
Repayment of accrued interest on investor loan	-	-	-	-
Net cash used in financing activities	(4.1)	(44.6)	(48.7)	(4.4)
Net increase in aggregate cash and cash equivalents	21.5	-	21.5	27.4
Cash and cash equivalents at beginning of the period	81.8	-	81.8	95.0
Cash and cash equivalents at end of the period	103.3	-	103.3	122.4

	Unaudited	Unaudited	Unaudited	Unaudited
	Period ended 27 March 2019			Period ended 28 March 2018
	Frozen GAAP	IFRS 16 impact	2019 (Statutory)	2018 (Statutory)
	£m	£m	£m	£m
Memorandum - Analysis of free cash flow¹				
EBITDA (adjusted) ²	3.0	51.8	54.8	3.6
Working capital	43.5	(8.1)	35.4	43.4
Net cash flows from operating activities before exceptionals	46.5	43.7	90.2	47.0
Capital expenditure	(14.9)	-	(14.9)	(14.5)
Free cash flow generated for the year	31.6	43.7	75.3	32.5
Non-trading cash flow				
Interest costs				
- bank interest paid	(0.4)	-	(0.4)	(0.4)
- bond interest paid	(2.7)	-	(2.7)	(2.7)
- finance fees paid	-	-	-	(0.1)
Interest income	0.2	-	0.2	0.1
Finance lease rental interest payments	(1.0)	1.0	-	(0.9)
IFRS 16 lease rental capital payments	-	(7.6)	(7.6)	-
IFRS 16 lease rental interest payments	-	(38.0)	(38.0)	-
Cash spend on provisions and exceptional items ⁴	(5.4)	0.9	(4.5)	(2.1)
Corporate tax	(0.8)	-	(0.8)	-
Non-trading cashflow	(10.1)	(43.7)	(53.8)	(6.1)
Cash generated	21.5	-	21.5	26.4
Opening Cash	81.8	-	81.8	95.0
Movement in cash	21.5	-	21.5	26.4
Net refinancing proceeds	-	-	-	1.0
Repayment of investor loan note	-	-	-	-
Closing Cash	103.3	-	103.3	122.4
Opening external net debt	(339.1)	-	(339.1)	(323.4)
Net increase in aggregate cash	21.5	-	21.5	27.4
Net refinancing	-	-	-	(1.0)
Net finance issue transaction costs	-	-	-	(0.0)
Net amortised bond transaction costs	(0.3)	-	(0.3)	(0.3)
Closing net debt	(317.9)	-	(317.9)	(297.3)

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, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items.

3. Frozen GAAP - In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS16 from 1 January 2019, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year.

Reconciliation of net cash flows from operating activities before exceptionals to net cash generated from operating activities (note 16)

Net cash flows from operating activities before exceptionals	46.5	43.7	90.2	47.0
Cash spend on exceptional items through working capital ⁵	(5.4)	0.9	(4.5)	(0.8)
Cash flows from operating activities	41.1	44.6	85.7	46.2
Corporate tax	(0.8)	-	(0.8)	-
Net cash generated from operating activities	40.3	44.6	84.9	46.2

4. In 2019, cash spend on provisions and exceptional items of £5.4m includes exceptional legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities of £4.5m and onerous lease provisions of £0.9m. In 2018, cash spend on provisions and exceptional items of £2.1m includes costs of refinancing the Travelodge Group of £1.3m and other costs of £0.5m.

5. Cash spend on exceptional items through working capital of £5.4m includes £4.5m cash spend relating to accruals and £0.9m cash spend on provisions.

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

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, 2019 and have been adopted in these statements.

IFRS 16, 'Leases'

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 March 2019. 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 Group's principal performance obligation is to provide budget hotel accommodation and other goods and services to guests. Revenue includes rooms revenue and food and beverage sales, which is recognised when the guests stay. When payment is received at the time of room booking, prior to arrival date, a liability for prepaid room purchases is recognised and held on the balance sheet. Revenue is recognised when the customer stays. A proportion of the prepaid room purchases would be non-refundable on cancellation of the room booking.

Under management agreements, the Group's performance obligation is to provide hotel management services. Base and incentive management fees are typically charged. Base management fees are typically a percentage of total hotel revenues and incentive management fees are generally based on the hotel's profitability. Both are treated as variable consideration. Base management fees are recognised as the underlying hotel revenues occur. Incentive management fees are recognised over time when it is considered highly probable that the related performance criteria will be met, provided there is no expectation of a subsequent reversal of the revenue.

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.

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

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

Effective on 1 January 2019, the group has adopted IFRS 16, which specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all major leases. The group has applied IFRS 16 using the modified retrospective approach and therefore the comparison information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Policy applicable from 1 January 2019

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
 - the group has the right to obtain substantially all of the economic benefit from use of the asset throughout the period of use; and
 - the group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are the most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either:
 - the group has the right to operate the asset; or
 - the group designed the asset in a way that predetermines how and for what purpose it will be used
- This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while receiving or controlling more than an
 - the purchaser had the ability or right to control physical access to the asset while receiving or controlling more than an insignificant benefit from use of the asset;
 - the facts and circumstances indicated that it was remote that other parties would receive or control more than an insignificant benefit from use of the asset.

As a lessee

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentives received. End of lease property restoration costs are excluded from the initial cost because it is not possible to estimate what they might be at the end of a typical 25 to 35 year lease term.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. The estimated useful lives of right-of use assets are determined on the same basis as those of plant and equipment. In addition, the right-of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the incremental borrowing rate specific to that lease. Generally, the group uses the incremental borrowing rate as the discount rate.

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

Leasing (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities as 'lease liabilities' in the consolidated balance sheet.

Short-term leases and leases of low-value assets

The group has elected to recognise all its property right-of-use assets and lease liabilities. It does not separately identify short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Under IAS 17

In the comparative period, as a lessee the group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the group's consolidated balance sheet. Payments made under operating leases were recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease.

To classify each lease, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income'.

The accounting policies applicable to the group as a lessor in the comparative period were not different from IFRS 16 except that sub-lease rental income was classified as part of 'rent', being offset against rent payable for operating leases. In the comparative period when the group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

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

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 March 2019 (before IFRS 16 adjustments) 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.

3 Changes in accounting policies

As indicated in note 2 above, the group has adopted IFRS 16 Leases from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.02%.

It has had a significant impact on the presentation of the financial statements including reported EBITDA, reported profit before tax and the balance sheet treatment of leasehold obligations. IFRS 16 has materially increased 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 committed lease payments. It has also materially changed the presentation and timing of recognition of charges in the Consolidated Income Statement. The operating lease expense previously reported under IAS 17, typically on a straight-line basis, within EBITDA (adjusted), has been replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability. This results 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, significantly reducing reported Profit (Loss) Before Tax.

In addition, the presentation of the Consolidated Cash Flow Statement has been affected. Actual lease payments, which were previously part of Operating Profit / (Loss) or Movements in Payables within Net Cash Generated from Operating Activities, have now been split into a notional repayment of principal lease liability and a notional interest payment within financing activities. Cash flows from Operating Activities has been positively impacted and cash flows from Financing Activities has been negatively impacted. Though presented in different parts of the Consolidated Cash Flow Statement, actual total pre-tax 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 committed lease payments to calculate the lease liability and are an area of significant judgement and estimation, particularly given the term of our leases.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.02%.

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

3 Changes in accounting policies (continued)

The associated right-of-use assets for the largest property leases were measured on a retrospective basis as if the new rules had always been applied and for the remaining property leases at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Property, plant and equipment increased by £2,336m on 1 January 2019, and lease liabilities increased by £2,487m. The net impact on retained earnings on 1 January 2019 was £(141)m after adjustments for prepayments, accruals, onerous lease provisions and deferred tax.

The adoption of IFRS16 resulted in the following transition adjustment at 1 January 2019:

As at 31 December 2018, the Group had non-cancellable operating lease commitments of £4,394m.

<u>Reconciliation of opening lease liability at 1 January 2019</u>	Reported as per IAS 17 £m	IFRS 16 discount adjustment ² £m	Reported as per IFRS 16 £m
Operating lease commitments (Note 9)	4,394	(2,101)	2,293
Existing finance leases	33	-	33
Lease commitments	4,427	(2,101)	2,326
Lessor only extension options ¹	790	(596)	194
Total lease commitments	5,217	(2,697)	2,520
Discounted at 7.02% ²		(2,697)	2,520
Lease liability at 1 January 2019			2,520
Comprising:			
Lease liability in respect of leases previously classified as operating leases			2,487
Lease liability in respect of leases previously classified as finance leases			33
			2,520

¹ Lessor only extension options relate to additional lease liabilities required to be recognised under IFRS 16, where a landlord has a non-rebuttable option to extend a lease.

² The discount rate of 7.02% is the weighted average, by lease, of the estimated incremental borrowing rates calculated for each individual lease as at transition. The estimated incremental borrowing rate for each lease has been calculated, based on a number of factors, to approximate the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar nature to and value of the right-of-use asset, in a similar economic environment.

<u>The balance sheet impact is further analysed as follows:</u>	£m
Right of use asset in respect of leases previously classified as operating leases	2,336
Lease liability in respect of leases previously classified as operating leases	(2,487)
Deferred Tax Asset	26
Adjustment for prepayments, accruals and onerous lease provisions	(3)
Changes to Equity³	(128)

³ The decrease in equity arises from those selected larger right-of-use property assets which have been measured on transition as if the new rules had applied from inception of the lease, rather than equal to the lease liability.

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- reliance on its assessment of whether a lease is onerous by applying IAS 37 immediately before the date of initial application.

The group has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

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

3 Changes in accounting policies (continued)

The group's leasing activities and how these are accounted for

The group leases various properties, all but a few being hotel properties. Rental contracts are typically made for fixed periods of 25 years or 35 years but may have extension options as described in (v) below. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs
- restoration costs.

The group does not recognise any of its property leases as being short-term or of low value.

Variable lease payments

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options

a) Lessee options

Due to a property lease term typically being for 25 years or 35 years lessee lease extension and termination options are not considered until 3 years prior to the termination date (in line with our 3 year planning process) unless commercial negotiations have commenced sooner.

b) Lessor options

Lessor only extension rights apply to a number of our properties and as required by IFRS 16 the period of the option to extend the lease is included as part of the overall lease term.

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

4 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	Unaudited Period ended 27 March 2019 £m	Unaudited Period ended 28 March 2018 £m
Revenue		
UK	143.8	134.9
International	2.9	2.7
	146.7	137.6
EBITDA (before exceptionals)		
UK EBITDA (adjusted) ⁽¹⁾	2.8	3.6
Rent free adjustment	(0.6)	(0.5)
UK after rent free adjustment	2.2	3.1
International	0.2	-
EBITDA after rent free adjustment before IFRS 16	2.4	3.1
UK IFRS 16 EBITDA adjustment	51.4	-
International IFRS 16 EBITDA adjustment	1.0	-
EBITDA after rent free adjustment	54.8	3.1
Operating profit / (loss) before exceptionals		
UK	(12.6)	(10.8)
International	0.2	(0.1)
Operating loss before IFRS 16 and exceptionals	(12.4)	(10.9)
UK IFRS 16 Operating profit adjustment	26.5	-
International IFRS 16 Operating profit adjustment	0.3	-
Operating profit / (loss) before exceptionals	14.4	(10.9)
Profit/ (loss) before tax before exceptionals		
UK	(25.2)	(23.3)
International	0.2	(0.1)
	(25.0)	(23.4)
Exceptional items (note 7)	(0.2)	(1.9)
Loss before tax and IFRS 16	(25.2)	(25.3)
UK IFRS 16 Loss before tax adjustment	(12.3)	-
International IFRS 16 Loss before tax adjustment	(0.4)	-
Loss before tax	(37.9)	(25.3)

1. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, exceptional items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability. Exceptional items have been removed as they relate to non-recurring, one-off items.

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

5 **NET OPERATING EXPENSES (BEFORE EXCEPTIONAL ITEMS)**

	Unaudited Period ended 27 March 2019			Unaudited Period ended 28 March 2018
	Frozen GAAP before exceptionals £m	IFRS 16 impact £m	2019 before exceptionals £m	2018 (Statutory) £m
Cost of goods sold	9.7	-	9.7	9.5
Employee costs	39.8	-	39.8	36.8
Operating expenses	43.4	-	43.4	40.1
Net operating expenses before rent, depreciation and amortisation	92.9	-	92.9	86.4
Rent payable (third party landlords) for operating leases	51.8	(51.8)	-	48.6
Rent receivable	(1.0)	-	(1.0)	(1.0)
Net external rent payable	50.8	(51.8)	(1.0)	47.6
Rent free adjustment ⁽¹⁾	0.6	(0.6)	-	0.5
Net rent	51.4	(52.4)	(1.0)	48.1
Net operating expenses before depreciation and amortisation	144.3	(52.4)	91.9	134.5
Depreciation	10.5	25.6	36.1	9.8
Amortisation	4.3	-	4.3	4.2
Net depreciation and amortisation	14.8	25.6	40.4	14.0
Total net operating expenses	159.1	(26.8)	132.3	148.5

1. In many of our leases we receive a rent free period at the beginning of the lease term. Under Frozen GAAP, the benefit of this rent free period is held as deferred income on our balance sheet and is recognised in our income statement 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 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.

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

6 FINANCE COSTS

	Unaudited Period ended 27 March 2019	Unaudited 2018 (Statutory)
	£m	£m
Finance fees	0.4	0.4
Interest on bank loans	0.3	0.3
Interest on fixed and floating rate bonds	7.3	7.3
Interest on obligations under finance leases	1.3	1.3
Unwinding of discount on provisions	0.1	0.2
Finance costs before interest on investor loan, exceptional items and IFRS 16	9.4	9.5
Interest on investor loan	3.4	3.4
Finance costs before exceptional items and IFRS 16	12.8	12.9
Exceptional items:		
Fees in relation to restructuring of debt	-	1.4
Finance costs before IFRS 16	12.8	14.3
IFRS 16 adjustment ⁽¹⁾	39.5	-
Finance costs after IFRS 16	52.3	14.3

1. The total IFRS 16 notional interest charge on lease liabilities is £40.8m, including interest on the finance leases.

7 EXCEPTIONAL ITEMS

In the period to 27 March 2019, exceptional items of £0.2m related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities.

In the period to 28 March 2018, exceptional charges of £1.9m include £1.4m 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, together with a charge of £0.5m relating to the release of prepaid fees following the partial repayment of the fixed rate bond.

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

8 INTANGIBLE ASSETS

	Unaudited 27 March 2019 £m	Unaudited 28 March 2018 £m
Opening net book value	365.5	379.8
Additions	2.5	2.1
Movement on capital creditors	(0.8)	(0.3)
Amortisation	(4.3)	(4.2)
Closing net book value	362.9	377.4

The closing net book value at 27 March 2019 comprises brand value of £145.0m, assets under construction of £5.3m, lease premiums of £203.9m and IT software of £8.7m.

The closing net book value at 28 March 2018 comprises brand value of £145.0m, assets under construction of £5.8m, lease premiums of £218.7m and IT software of £7.9m.

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 cash generating unit when assessing impairment.

In line with it's accounting policy, the Group assesses underperforming hotels for impairment annually at the Group's year end of 31 December.

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

9 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 27 March 2019 Frozen GAAP £m	Unaudited IFRS 16 impact £m	Unaudited 2019 (Statutory) £m	Unaudited 28 March 2018 (Statutory) £m
Opening net book value	140.3	(15.5)	124.8	132.5
Additions	12.4	-	12.4	12.4
Movement on capital creditors	(2.1)	-	(2.1)	(1.4)
Depreciation	(10.5)	-	(10.5)	(9.8)
Closing net book value	140.1	(15.5)	124.6	133.7

The closing net book value at 27 March 2019 comprises assets under construction of £5.2m, freehold and long leaseholds of £1.6m, finance leased land and buildings of £15.5m and fixtures and fittings of £117.8m.

The IFRS 16 adjustment relates to the reclassification of finance leases to right of use assets (note 10).

The closing net book value at 28 March 2018 comprises assets under construction of £7.6m, freehold and long leaseholds of £1.6m, financed leased land and buildings of £15.9m and fixtures and fittings of £108.6m.

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.

In line with it's accounting policy, the Group assesses underperforming hotels for impairment annually at the Group's year end of 31 December.

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

10 RIGHT OF USE ASSETS

	Unaudited 27 March 2019 £m	Unaudited 28 March 2018 £m
Opening net book value	-	-
Transfer from Property, Plant and Equipment ⁽¹⁾	15.5	-
Transfer from Provisions ⁽²⁾	(12.0)	-
New Right of Use Assets on Adoption	2,347.8	-
Adoption of IFRS 16	2,351.3	-
New leases	20.7	-
Rent Review Adjustments	7.0	-
Foreign Exchange Translation Adjustment	(1.9)	-
Depreciation	(25.6)	-
Closing net book value	2,351.5	-

1. The transfer of £15.5m from Property, Plant & Equipment represents the net book value of assets previously classified as finance lease assets.

2. The transfer of £12.0m from provisions is in respect of leases for which onerous lease provisions were held at the transition date.

11 IFRS 16 LEASE LIABILITIES

	Unaudited 27 March 2019 £m	Unaudited 28 March 2018 £m
Opening Balance	-	-
Transfer from Finance Lease Creditor ⁽¹⁾	(32.8)	-
New Lease Liabilities on Adoption	(2,486.6)	-
Adoption of IFRS 16	(2,519.4)	-
New leases	(20.7)	-
Rent Review Adjustments	(7.0)	-
Foreign Exchange Translation Adjustment	1.9	-
Finance Costs	(40.8)	-
Payments - Finance Leases	1.0	-
Payments - Operating Leases	44.6	-
Closing Balance	(2,540.4)	-
Amounts falling due within one year	(51.2)	-
Amounts falling due after one year	(2,489.2)	-
	(2,540.4)	-

1. Following the adoption of IFRS16 on 1 January 2019, leases previously classified as finance leases have been included in the IFRS16 lease liability.

Lease liabilities have been discounted at a weighted average discount rate of 7.11% and represent leases with a weighted average remaining length from the balance sheet date of 23.7 years.

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

12 TRADE AND OTHER RECEIVABLES

	Unaudited	Unaudited	Unaudited	Unaudited
	27 March 2019			28 March 2018
	Frozen GAAP	IFRS 16	2019	2018
	£m	impact	(Statutory)	(Statutory)
	£m	£m	£m	£m
Amounts due within one year:				
Trade amounts receivable				
- Gross amounts receivable	9.9	-	9.9	10.5
- Bad debt provision	(0.4)	-	(0.4)	(0.2)
- Net amounts receivable	9.5	-	9.5	10.3
Other amounts receivable	9.7	-	9.7	7.8
Accrued income	1.7	-	1.7	1.5
Prepayments	34.3	(27.5)	6.8	34.9
	55.2	(27.5)	27.7	54.5

The IFRS16 impact represents the fact that all rent prepayments are now reflected as a reduction to the lease liabilities once the payments are made.

13 TRADE AND OTHER PAYABLES

	Unaudited	Unaudited	Unaudited	Unaudited
	27 March 2019			28 March 2018
	Frozen GAAP	IFRS 16	2019	2018
	£m	impact	(Statutory)	(Statutory)
	£m	£m	£m	£m
Trade payables	(27.7)	-	(27.7)	(25.9)
Other payables	(11.5)	-	(11.5)	(10.7)
Social security and other taxation	(17.4)	-	(17.4)	(18.5)
Accruals	(59.0)	3.6	(55.4)	(56.4)
Deferred income	(1.9)	0.8	(1.1)	(1.1)
Prepaid room purchases	(56.3)	-	(56.3)	(57.7)
Capital payables	(6.2)	-	(6.2)	(7.1)
Amounts falling due within one year	(180.0)	4.4	(175.6)	(177.4)
Amounts falling due after one year:				
Deferred income	(16.4)	16.4	-	(15.4)
Total	(196.4)	20.8	(175.6)	(192.8)

The IFRS16 impact represents the fact that all rent review accruals in respect of reviews not yet agreed and deferred income relating to rent free periods are now reflected as adjustments to the right of use assets and lease liabilities.

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

14 FINANCIAL ASSETS AND LIABILITIES

		Unaudited	Unaudited	Unaudited	Unaudited
		27 March 2019			28 March 2018
	Maturity Date	Frozen GAAP £m	IFRS 16 impact £m	2019 (Statutory) £m	2018 (Statutory) £m
Cash at bank and in hand		103.3	-	103.3	122.4
External debt redeemable:					
Fixed Rate Bond	May 2023	(232.0)	-	(232.0)	(232.0)
Floating Rate Bond	May 2023	(195.0)	-	(195.0)	(195.0)
Issue Costs		5.8	-	5.8	7.3
External debt		(421.2)	-	(421.2)	(419.7)
Net external debt		(317.9)	-	(317.9)	(297.3)
Investor Loan Note	January 2026	(100.3)	-	(100.3)	(120.8)
Net debt before finance leases		(418.2)	-	(418.2)	(418.1)
Obligations under Finance leases		(33.1)	33.1	-	(32.5)
Lease liabilities under IFRS 16		-	(2,540.4)	(2,540.4)	-
Net debt including finance leases		(451.3)	(2,507.3)	(2,958.6)	(450.6)

The IFRS16 impact represents the fact that operating lease commitments and finance lease creditors have been replaced by the lease liabilities from 1 January 2019. The lease liabilities represent the present value of future lease payments in respect of the right of use assets.

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 until April 2022. 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 and is available until April 2022. At 27 March 2019, the Group had utilised £14.8m.

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 March 2019, accrued interest for the period from 1 January 2019 to 27 March 2019 totalled £3.4m (2018: £3.4m). The investor loan note has a termination date of January 2026.

Interest rate hedge

The interest rate hedge is against £100.0m of the senior secured floating rate notes 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 March 2019, the fair value of the hedge was £0.3m (2018: £0.8m).

Swaption

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

The swaption commenced on 15 May 2019 and was due to terminate on 15 May 2021.

On 15 May 2019 LIBOR was less than 1.5% so the product was not activated and expired.

At 27 March 2019, the fair value of the swaption £0.0m (2018: £0.3m).

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

15 PROVISIONS

	Unaudited	Unaudited	Unaudited	Unaudited
	27 March 2019			28 March 2018
	Frozen GAAP £m	IFRS 16 impact £m	2019 (Statutory) £m	2018 (Statutory) £m
At 1 January	(18.6)	12.0	(6.6)	(23.0)
Cash spend	0.9	(0.9)	-	0.8
Unwinding of discount on provisions	(0.1)	0.1	-	(0.2)
Foreign exchange rate movement	0.1	(0.1)	-	0.1
At 27 March 2019 / 28 March 2018	(17.7)	11.1	(6.6)	(22.3)
The balance can be analysed as:				
Due in less than one year	(1.7)	1.7	-	(2.0)
Due in greater than one year	(16.0)	9.4	(6.6)	(20.3)
	(17.7)	11.1	(6.6)	(22.3)

A discount rate of 4.0% (2018: 4.0%), being the pre-tax risk free rate adjusted for property risk, is used to calculate the net present value of the provisions.

Provisions of £17.7m can be analysed as: onerous lease provisions of £2.6m relating to future rent and rates liabilities on sub leased historic restaurant units, £8.5m relating to eleven UK hotels and two Spanish hotels where it is considered improbable that trading profits will be generated within a period of 7 years and £6.6m 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 remaining lease term of 12 years and have been discounted at a pre-tax risk free rate of 4.0% (2018: 4.0%).

Following the adoption of IFRS16 on 1 January 2019, provisions in respect of onerous leases of £12.0m were reflected as a reduction to the Right of Use assets at the transition date. Any subsequent payments in respect of these leases reduce the IFRS16 lease creditor.

16 NOTE TO THE CASH FLOW STATEMENT

	Unaudited	Unaudited	Unaudited	Unaudited
	27 March 2019			28 March 2018
	Frozen GAAP £m	IFRS 16 impact £m	2019 (Statutory) £m	2018 (Statutory) £m
Operating profit / (loss)	(12.6)	26.8	14.2	(11.4)
<i>Adjustments for non-cash items:</i>				
Depreciation of property, plant and equipment	10.5	25.6	36.1	9.8
Amortisation of other intangible assets	4.3	-	4.3	4.2
	14.8	25.6	40.4	14.0
Operating cash flows before movements in working capital	2.2	52.4	54.6	2.6
Movement in inventory	-	-	-	0.3
Movement in receivables	(1.5)	(7.5)	(9.0)	(5.4)
Movement in payables	41.3	(1.2)	40.1	49.5
Movement in provisions	(0.9)	0.9	-	(0.8)
Total working capital movement ⁽¹⁾	38.9	(7.8)	31.1	43.6
Cash flows from operating activities	41.1	44.6	85.7	46.2
Corporate tax	(0.8)	-	(0.8)	-
Net Cash Generated from operating activities	40.3	44.6	84.9	46.2

1. Working capital movement of £38.9m (2018: £43.6m) is after exceptional outflows of £5.2m (2018: outflows of £0.3m) and before rent free adjustment of £0.6m (2018: £0.5m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 17 is stated before exceptional movements and before rent free adjustment.