TVL FINANCE PLC

SIX MONTHS ENDED 30 JUNE 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

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 quarterly and statutory annual accounting period on the basis of a calendar year from 1 January to 31 December, we make certain adjustments to our results at the end of each quarter to ensure that the reported period aligns with the corresponding calendar quarter. 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 quarter from 1 April 2019 to 30 June 2019 (prior year from 1 April 2018 to 30 June 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.

Certain financial information, measures and ratios related thereto in this quarterly report, including the financial information presented on a Frozen GAAP basis and EBITDA (adjusted) (the "Non-IFRS Measures") are not specifically defined under IFRS or any other generally accepted accounting principles.

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 six months ended 30 June 2019 (Unaudited)

Continuing to outperform in challenging conditions

Highlights – six months ended 30 June 2019

- **Total revenue up 6.0%** to £337.3m (2018: £318.2m)
- 2019 H1 RevPAR[(1)] up 0.6% to £38.78 (2018: £38.57)
- **RevPAR growth 2.6pts ahead** of competitive segment [(2)]
- Occupancy[(1)] up 2.4pts to 77.9%
- Average room rate[(1)] down (2.5)% at £49.78 (2018: £51.06)
- **10 new hotels** opened in the period
- H1 2019 EBITDA[(3)] £149.6m (under IFRS16)
- **H1 2019 EBITDA (adjusted)[(4)] up £1.1m** to £44.7m
- Cash of £85.0m at 30 June 2019
- 'SuperRooms' now available in 50 hotels across the UK
- First 'Travelodge Plus' hotels trading strongly
- Record 325 TripAdvisor Certificates of Excellence – 101 more than prior year
- Network now stands at 584 hotels/44,514 rooms (up 4%)[(5)]
- Full £440m bond refinancing completed extending facilities to 2025

Peter Gowers, Travelodge Chief Executive commented:

"It's quite a tough market out there, but Travelodge has continued to outperform despite the challenging conditions. We've been investing in greater choice for customers while maintaining our reputation for low prices, helping us attract more and more people looking to make their travel money go further in these uncertain times."

Peter continued:

"Against the backdrop of Brexit uncertainty and a slowing economy, there are clearly some challenging trends to deal with. At Travelodge we're focused on what we can do, which is deliver value to our customers. We've been steadily investing to modernise our hotels, adding SuperRooms across the country and launching the new Travelodge Plus format to offer that little bit more choice, while maintaining low prices to stay true to our roots. With all the political and economic uncertainty, we naturally remain cautious about the short-term outlook. But in the longer-term, the fundamentals for low-cost hotels remain good, and with our clear brand proposition and strong development pipeline, we are well positioned for the future."

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[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 30 June 2018 to 30 June 2019

Summary

Against the backdrop of a challenging political and economic picture, our focus has been on doing all we can to develop our value proposition for customers and maintain our low-cost operational model.

In the first half of the year, total sales were up 6.0%, fuelled by a strong contribution from our recently opened new hotels, including 10 that were opened in the first half. They also benefitted from the encouraging results from our new SuperRooms, which now account for almost 5% of total sales after just two years of operation.

Like for like RevPAR was up 0.6% on the prior year, 2.6pts better than the STR Midscale and Economy Segment as a whole, which was down by 2.0%. Our effective data analytics and revenue management tools helped us strike a good balance between pricing and occupancy levels, underpinning our growth.

We opened 10 new hotels in the first half of the year, including our latest Travelodge Plus hotel, at Marlow in Buckinghamshire.

In common with the wider retail and hospitality sector, we continued to face significant cost pressures, including the further increase in the National Living Wage from April 2019. We helped mitigate these pressures with ongoing investments in operational technology, including smart tablets to help manage key processes, and improved automated scheduling for our maintenance team.

These changes helped to deliver EBITDA (adjusted) of £44.7m (2018: £43.6m), a £1.1m increase on the prior year.

We completed a full refinancing of the company in July 2019, extending our facilities to 2025 and bringing down our average cost of debt.

Outlook and Recent Trading

The UK continues to be in a period of political and economic uncertainty and there are well known cost pressures impacting the wider hospitality and leisure sector. We therefore remain cautious on the short-term outlook.

So far this year the STR MSE segment has seen mixed trading. Overall, to date, the STR MSE segment RevPAR is down (2.3)%[(6)], with good growth in London and significant declines in RevPAR in the Regions. In both London and the Regions Travelodge has continued to outperform the segment, driven by our strong price proposition and improved occupancy.

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

The outcome of the current Brexit discussions and the resulting position after 31 October will clearly have an impact on market conditions in the short-term.

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 for the future.

[6] STR MS&E RevPAR growth 27 Dec 18 to 07 Aug 19

Financial Performance

For the period ended 30 June 2019:

UK like-for-like RevPAR was up 0.6% to £38.78, 2.6pts ahead of the growth rate of the STR MSE segment, which was down 2.0%[7]. We saw strong growth in UK like-for-like occupancy of 2.4pts to 77.9%, offsetting a decline in UK like-for-like average room rate of 2.5% to £49.78 (2018: £51.06). This was supported by our strong price proposition and new SuperRooms.

The contribution from our maturing new hotels (including the 10 new hotels opened in the period), positive UK like-for-like sales growth, higher food and beverage sales and growth in Spain, resulted in total revenue growth of 6.0% for the period to £337.3m.

This good revenue growth has helped to mitigate the impact of the cost pressures facing the sector as a whole in conjunction with the higher operational costs resulting from our improved occupancy.

This combination of revenue growth and cost increases has resulted in EBITDA (adjusted) increasing by £1.1m to £44.7m (2018: £43.6m).

The business continues to generate strong cashflow with closing cash at the period end of £85.0m. We also benefit from our long-term facilities including an undrawn £40m RCF.

For the quarter ended 30 June 2019:

UK like-for-like RevPAR was up 0.1% to £43.69, 1.8pts ahead of the growth rate of the STR Midscale and Economy Sector, which was down 1.7%[8] for the same period.

Total revenue growth in the quarter of 6.0% to £192.1m was driven mainly by the contribution from our maturing new hotels opened since the beginning of 2018, together with growth in UK like-for-like RevPAR, food and beverage sales and Spain.

This good revenue growth has helped to mitigate the impact of the cost pressures facing the sector as a whole in conjunction with the higher operational costs resulting from our improved occupancy.

In the quarter, EBITDA (adjusted) was up £1.8m to £43.0m.

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

We continue to extend our network and further reposition Travelodge towards more business hubs, key city locations and emerging short-break leisure destinations.

We opened 10 new hotels during the first half of the year, investing right across the UK. In England, these included our latest new build Travelodge Plus hotel, in Marlow in

[7] STR MS&E RevPAR growth 27 Dec 18 to 26 Jun 19
[8] STR MS&E RevPAR growth 28 Mar 19 to 26 Jun 19

Buckinghamshire, our first hotel in Bury St Edmunds in Suffolk and our first hotel in the historic centre of Winchester, Hampshire. In Scotland we opened an additional hotel in Glasgow and in Wales a new seaside location at Rhyl.

By the end of the half year, our network stood at 584 hotels.

We expect to open 17 hotels by the end of the year, creating approximately 300 new jobs.

Price

Travelodge remains focused on making it affordable to travel in the UK, with a combination of flexible and advance saver rates to suit traveller needs. We made further investments in our digital channels, and in our predictive data capabilities, to help support the right pricing strategy in each location. We delivered strong occupancy growth in the first half of the year.

Quality

We have continued our substantial investment programme to modernise and upgrade our estate, delivering more choice than ever to our customers:

Core Travelodge:

We undertook a £100m modernisation programme to bring all our hotels into the new Travelodge look and feel from 2013 to 2016 alongside the roll-out of separate pull-out beds for children to replace older style sofa beds.

We re-started the normal cyclical upgrade programme again in 2018, and in the first half of 2019 we invested £12m on hotel refits. Each new refit adds LED lighting to the room, reducing our energy consumption. We are also adding USB ports by the bedside to support phone and tablet charging. In parallel, we are reinforcing the success of our pull-out beds by upgrading these to a new higher comfort specification.

SuperRooms:

With more and more business travellers choosing Travelodge, we have added an extra choice for those who want just that little bit more comfort. Our new SuperRooms, in the same manner as 'premium economy' airline cabins, offer added amenities – including a coffee pod machine, iron and ironing board and greater refreshment choices. These have now been rolled out to 50 hotels nationwide and will be added to our new hotels in line with demand.

Travelodge Plus:

In key city and business locations, we have launched a new Travelodge Plus hotel format. These hotels feature a more premium look and feel, SuperRooms and a new-look restaurant, with separate zones for working, groups and dining. Now present in London City, London Waterloo, Gatwick Airport, Brighton, York, Edinburgh and Marlow, these are trading strongly with higher than average quality, RevPAR and food and beverage sales.

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 30 June 2019, the standard increased EBITDA(8) by £104.9m and increased the reported loss for the period (before exceptional items) by £(21.7)m. Non current assets (excluding deferred tax) have increased by £2.4bn, representing the right of use relating to leasehold obligations, and liabilities have increased by £(2.5)bn, representing the discounted value of future lease liabilities.

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 584 Travelodge hotels and 44,514 rooms in the UK, Ireland and Spain as at 30 June 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.

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(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 6 months ended 30 June 2019

Results are shown below, including the impact of the new IFRS 16 lease accounting.

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 30 June 2019			**Period ended 30 June 2018**	Variance (2018 vs 2019 Frozen GAAP)	
	Frozen GAAP £m	**IFRS 16 impact** £m	**IFRS** £m	**IFRS** £m	£m	Var %
Revenue by geographical region						
Revenue	**337.3**	**-**	**337.3**	**318.2**	**19.1**	**6.0%**
Revenue UK	330.2	-	330.2	311.9	18.3	5.9%
Revenue International	7.1	-	7.1	6.3	0.8	12.7%
Key income statement items						
Revenue	**337.3**	**-**	**337.3**	**318.2**	**19.1**	**6.0%**
Operating expenses	(189.8)	-	(189.8)	(178.3)	(11.5)	(6.4)%
Of which cost of goods sold	*(20.8)*	-	*(20.8)*	*(20.3)*	*(0.5)*	*(2.5)%*
Of which employee costs	*(83.5)*	-	*(83.5)*	*(78.0)*	*(5.5)*	*(7.1)%*
Of which other operating expenses	*(85.5)*	-	*(85.5)*	*(80.0)*	*(5.5)*	*(6.9)%*
Net external rent payable	(102.8)	104.9	2.1	(96.3)	(6.5)	(6.7)%
EBITDA (adjusted) (2) / EBITDA (3)	**44.7** (2)	**104.9**	**149.6** (3)	**43.6**	**1.1**	**2.5%**
Rent free adjustment (4)	(1.2)	1.2	-	(0.9)	(0.3)	(33.3)%
Depreciation	(21.8)	(57.8)	(79.6)	(20.4)	(1.4)	(6.9)%
Amortisation	(8.7)	5.9	(2.8)	(8.5)	(0.2)	(2.4)%
Operating profit (before exceptional items)	**13.0**	**54.2**	**67.2**	**13.8**	**(0.8)**	**(5.8)%**
Finance costs before investor loan interest	(19.2)	(80.3)	(99.5)	(19.3)	0.1	0.5%
Investor loan interest	(6.9)	-	(6.9)	(7.0)	0.1	1.4%
Finance income	0.3	-	0.3	0.5	(0.2)	40.0%
Income tax	0.6	4.4	5.0	(1.1)	1.7	-
Loss for the period (before exceptional items)	**(12.2)**	**(21.7)**	**(33.9)**	**(13.1)**	**0.9**	**6.9%**
Exceptional items	(0.4)	-	(0.4)	(2.4)	2.0	83.3%
Loss for the period	**(12.6)**	**(21.7)**	**(34.3)**	**(15.5)**	**2.9**	**18.7%**

(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 £19.1m, or 6.0%, from £318.2m for the period from 1 January 2018 to 30 June 2018 to £337.3m for the period from 1 January 2019 to 30 June 2019. This increase was primarily due to like-for-like UK RevPAR growth of 0.6% and maturity of the new hotels opened since January 2018, including the 10 new hotels opened in the period. We also achieved good revenue growth in Spain (up 12.7%) and in UK food and beverage (up 3.1% like-for-like) benefiting from occupancy growth. Like-for-like UK RevPAR growth of 0.6% was ahead of the STR MSE segment by 2.6pts, which showed a decline of (2.0)%.

Operating expenses

Operating expenses increased by £11.5m, or 6.4%, from £178.3m for the period from 1 January 2018 to 30 June 2018 to £189.8m for the period from 1 January 2019 to 30 June 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 mainly reflect increased costs from our new and maturing hotels, together with growth in our food and beverage sales, including the impact of occupancy growth.

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.

Increases in other operating expenses are largely driven by our new and maturing hotels as well as customer acquisition costs in line with revenue, higher banking charges and fees in line with increased revenue and the increased mix of credit card payments, and higher utility costs as a result of price increases.

Net external rent payable

Net external rent payable increased by £6.5m, or 6.7%, from £96.3m for the period from 1 January 2018 to 30 June 2018 to £102.8m for the period from 1 January 2019 to 30 June 2019. This increase was primarily due to 10 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

Depreciation increased by £1.4m, or 6.9%, from £20.4m for the period from 1 January 2018 to 30 June 2018 to £21.8m for the period from 1 January 2019 to 30 June 2019. This is mainly due to new hotel openings and ongoing investment in the maintenance and refurbishment of our estate, including upgrading our hotels to offer SuperRooms, Travelodge Plus and improved Wi-Fi.

Amortisation increased by £0.2m, or 2.4%, from £8.5m for the period from 1 January 2018 to 31 June 2018 to £8.7m for the period from 1 January 2019 to 30 June 2019. This is mainly due to ongoing website development.

Following the adoption of IFRS16 on 1 January 2019, depreciation has increased by £57.8m, reflecting a charge for the right of use assets, and amortisation has decreased by £(5.9)m reflecting a reclassification of leasehold premiums to right of use assets.

Finance costs

Finance costs before investor loan interest decreased by £0.1m, or 0.5%, from £19.3m for the period from 1 January 2018 to 30 June 2018 to £19.2m for the period from 1 January 2019 to 30 June 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 finance cost of £80.3m has been incurred relating to the lease liabilities.

Finance income

Finance income of £0.3m for the period from 1 January 2019 to 30 June 2019 is bank interest received. Finance income of £0.5m for the period from 1 January 2018 to 30 June 2018 included amounts received in respect of 2017.

Exceptional items

Exceptional items were £0.4m for the period from 1 January 2019 to 30 June 2019 compared to £2.4m for the period from 1 January 2018 to 30 June 2018. The charge of £0.4m related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities.

In the period to 30 June 2018, exceptional charges of £2.4m 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, 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 £104.9m, the rent free adjustment of £1.2m and amortisation of £5.9m have been replaced by depreciation of the right to use assets of £57.8m and a notional financing cost of £80.3m relating to the lease liabilities.

Cash flow

As at 30 June 2019, we had cash of £85.0m, a decrease of £14.5m compared to £99.5m as at 30 June 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 6 months ended 30 June 2019 of £53.1m were partially offset by investing cash outflows of £31.9m, which relate to the purchase of intangible and tangible fixed assets of £32.2m less interest received of £0.3m, and financing cash outflows during the period of £18.0m. Included in financing cash outflows of £18.0m were bond interest payments of £15.8m 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.

The table below sets out certain line items from our consolidated cash flow statement for the 6 months ended 30 June 2019 and the 6 months ended 30 June 2018. In order to allow meaningful comparison to prior periods, the commentary and variances below are presented on a Frozen GAAP basis.

	Period ended 30 June 2019			Period ended 30 June 2018	Variance (2018 vs 2019 Frozen GAAP)	
	Frozen GAAP £m	IFRS 16 impact £m	IFRS £m	IFRS £m	£m	Var %
Net cash generated from operating activities	53.1	97.7	150.8	52.6	0.5	1.0%
Net cash used in investing activities	(31.9)	-	(31.9)	(29.5)	(2.4)	(8.1)%
Net cash used in financing activities	(18.0)	(97.7)	(115.7)	(18.6)	0.6	3.2%
Net increase in aggregate cash and cash equivalents	3.2	-	3.2	4.5	(1.3)	(28.9)%
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	**85.0**	**-**	**85.0**	**99.5**	**(14.5)**	**(14.6)%**

Net cash generated from operating activities

Net cash generated from operating activities increased by £0.5m, or 1.0%, from £52.6m for the 6 months ended 30 June 2018 to £53.1m for the 6 months ended 30 June 2019. This was due to an increase in depreciation and amortisation of £1.6m, partially offset by a corporation tax payment of £0.8m, a lower operating profit of £0.2m and a decrease of £0.1m in working capital.

Following the adoption of IFRS16 from 1 January 2019, net cash generated from operating activities has increased by £97.7m 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 30 June 2019			Period ended 30 June 2018	Variance (2018 vs 2019 Frozen GAAP)	
	Frozen GAAP £m	IFRS 16 impact £m	IFRS £m	IFRS £m	£m	Var %
Increase in inventory	(0.1)	-	(0.1)	-	(0.1)	-
Increase in receivables	(7.5)	(7.4)	(14.9)	(14.1)	6.6	(46.8)%
Increase / (Decrease) in payables	24.4	(2.7)	21.7	26.4	(2.0)	(7.6)%
Total working capital movement (before exceptional items)	16.8	(10.1)	6.7	12.3	4.5	36.6%
Provisions and exceptional items	(6.0)	1.7	(4.3)	(1.4)	(4.6)	-
Total working capital movement	**10.8**	**(8.4)**	**2.4**	**10.9**	**(0.1)**	**(0.9)%**

Working capital inflow before exceptional items of £16.8m for the 6 months ended 30 June 2019 compared to an inflow of £12.3m for the 6 months ended 30 June 2018 is impacted by the timing of rent payments.

Working capital inflow after exceptional items of £10.8m for 6 months ended 30 June 2019 compared to an inflow of £10.9m for the 6 months ended 30 June 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 rent, including the increase in receivables relating to prepaid rent of £7.4m and deferred income relating to rent free periods of £2.7m, 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 £2.4m, or 8.1%, from £29.5m for the 6 months ended 30 June 2018 to £31.9m for the 6 months ended 30 June 2019, primarily due to changes in capital expenditure.

Capital expenditure

Capital expenditure of £32.2m in the 6 months ended 30 June 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

Net cash used in financing activities decreased by £0.6m, or 3.2%, from £18.6m for the 6 months ended 30 June 2018 to £18.0m for the 6 months ended 30 June 2019. This was primarily due to the bond funding outflow in 2018 of £0.4m (net amount of bond issue, bond repayment, and transaction costs) together with reduced interest costs as a result of the refinancing.

Following the adoption of IFRS16 from 1 January 2019, cash used in financing activities has increased by £97.7m reflecting rent paid 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 6 months ended 30 June 2019 (6 months ended 30 June 2018: £nil).

IFRS 16

Following the adoption of IFRS16 from 1 January 2019, net cash generated from operating activities has increased by £97.7m, with a corresponding increase in cash used in financing activities, reflecting rent paid during the period. Actual total pre-tax cash payments relating to operating leases are not impacted by the adoption of IFRS 16.

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the quarter ended 30 June 2019 (Q2)

Results are shown below, including the impact of the new IFRS 16 lease accounting.

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.

	Quarter ended 30 June 2019			Quarter ended 30 June 2018	Variance (2018 vs 2019 Frozen GAAP)	
	Frozen GAAP £m	IFRS 16 impact £m	IFRS £m	IFRS £m	£m	Var %
Revenue by geographical region						
Revenue	**192.1**	**-**	**192.1**	**181.3**	**10.8**	**6.0%**
Revenue UK	187.9	-	187.9	177.7	10.2	5.7%
Revenue International	4.2	-	4.2	3.6	0.6	16.7%
Key income statement items						
Revenue	**192.1**	**-**	**192.1**	**181.3**	**10.8**	**6.0%**
Operating expenses	(97.1)	-	(97.1)	(91.4)	(5.7)	(6.2)%
Of which cost of goods sold	*(11.1)*	-	*(11.1)*	*(10.8)*	*(0.3)*	*(2.8)%*
Of which employee costs	*(43.7)*	-	*(43.7)*	*(41.2)*	*(2.5)*	*(6.1)%*
Of which other operating expenses	*(42.3)*	-	*(42.3)*	*(39.4)*	*(2.9)*	*(7.4)%*
Net external rent payable	(52.0)	53.1	1.1	(48.7)	(3.3)	(6.8)%
EBITDA (adjusted) (2) / EBITDA (3)	**43.0** (2)	**53.1**	**96.1** (3)	**41.2**	**1.8**	**4.4%**
Rent free adjustment (4)	(0.6)	0.6	-	(0.4)	(0.2)	(50.0)%
Depreciation	(11.3)	(29.2)	(40.5)	(10.6)	(0.7)	(6.6)%
Amortisation	(4.4)	2.9	(1.5)	(4.3)	(0.1)	(2.3)%
Operating profit (before exceptional items)	**26.7**	**27.4**	**54.1**	**25.9**	**0.8**	**3.1%**
Finance costs before investor loan interest	(9.8)	(40.8)	(50.6)	(9.8)	-	-
Investor loan interest	(3.5)	-	(3.5)	(3.6)	0.1	2.8%
Finance income	0.1	-	0.1	0.1	-	-
Income tax	(2.3)	2.3	-	(3.2)	0.9	28.1%
Profit / (Loss) for the period (before exceptional items)	**11.2**	**(11.1)**	**0.1**	**9.4**	**1.8**	**19.1%**
Exceptional items	(0.2)	-	(0.2)	(0.5)	0.3	60.0%
Profit / (Loss) for the period	**11.0**	**(11.1)**	**(0.1)**	**8.9**	**2.1**	**23.6%**

(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.

(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 £10.8m, or 6.0%, from £181.3m for the period from 1 April 2018 to 30 June 2018 to £192.1m for the period from 1 April 2019 to 30 June 2019. This increase was primarily due to the maturity of the new hotels opened since January 2018, including the 4 new hotels opened in the period, and like-for-like UK RevPAR growth of 0.1%. We also achieved strong growth in food and beverage revenues. Like-for-like UK RevPAR growth of 0.1% was ahead of the STR MSE segment by 1.8pts, which showed a decline of 1.7%.

Operating expenses

Operating expenses increased by £5.7m, or 6.2%, from £91.4m for the period from 1 April 2018 to 30 June 2018 to £97.1m for the period from 1 April 2019 to 30 June 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 mainly reflect increased costs from our new and maturing hotels, together with growth in our food and beverage sales, including the impact of occupancy growth.

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.

Increases in other operating expenses are largely driven by our new and maturing hotels as well as customer acquisition costs in line with revenue, higher banking charges and fees in line with increased revenue and the increased mix of credit card payments, and higher utility costs as a result of price increases.

Net external rent payable

Net external rent payable increased by £3.3m, or 6.8%, from £48.7m for the period from 1 April 2018 to 30 June 2018 to £52.0m for the period from 1 April 2019 to 30 June 2019. This increase was primarily due to 4 new hotel openings during the period, the additional 6 opened earlier in the year and the annualisation of new hotel openings in 2018 and upwards only rent reviews predominantly linked to RPI.

Depreciation / amortisation

Depreciation increased by £0.7m, or 6.6%, from £10.6m for the period from 1 April 2018 to 30 June 2018 to £11.3m for the period from 1 April 2019 to 30 June 2019. This is mainly due to new hotel openings and ongoing investment in the maintenance and refurbishment of our estate, including upgrading our hotels to offer SuperRooms, Travelodge Plus and improved Wi-Fi.

Amortisation increased by £0.1m, or 2.3%, from £4.3m for the period from 1 April 2018 to 30 June 2018 to £4.4m for the period from 1 April 2019 to 30 June 2019. This is mainly due to ongoing website development.

Finance costs

Finance costs before investor loan interest remained unchanged at £9.8m for the period from 1 April 2019 to 30 June 2019 compared to the period from 1 April 2018 to 30 June

2018. Lower bond interest costs following the refinancing in January 2018 were partially offset by the impact of an increase in LIBOR.

Finance income

Finance income of £0.1m for the period from 1 April 2018 to 30 June 2018 and £0.1m for the period from 1 April 2019 to 30 June 2019 is bank interest received.

Exceptional items

Exceptional items were £0.2m for the period from 1 April 2019 to 30 June 2019 compared to £0.5m for the period from 1 April 2018 to 30 June 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.

Exceptional items of £0.5m for the period from 1 April 2018 to 30 June 2018 comprised charges in respect of management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities.

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 June 2019, 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.

Registered number: 08170768

THAME AND LONDON LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE 6 MONTHS ENDED 30 JUNE 2019

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE 6 MONTHS ENDED 30 JUNE 2019

		Unaudited Period ended 30 June 2019					Unaudited Period ended 30 June 2018 IFRS		
		Frozen GAAP(3) before exceptionals	**Exceptional items**	**Frozen GAAP(3) after exceptionals**	**IFRS 16 impact**	**IFRS**	**Before exceptional items**	**Exceptional items**	**After exceptional items**
	Note	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	*4*	337.3	-	337.3	-	**337.3**	318.2	-	**318.2**
Operating Expenses	*5*	(189.8)	(0.4)	(190.2)	-	**(190.2)**	(178.3)	(1.0)	**(179.3)**
Rent	*5*	(104.0)	-	(104.0)	106.1	**2.1**	(97.2)	-	**(97.2)**
EBITDA after rent free adjustment		**43.5**	**(0.4)**	**43.1**	**106.1**	**149.2**	**42.7**	**(1.0)**	**41.7**
Depreciation / Amortisation	*5*	(30.5)	-	(30.5)	(51.9)	**(82.4)**	(28.9)	-	**(28.9)**
Operating Profit / (Loss)		**13.0**	**(0.4)**	**12.6**	**54.2**	**66.8**	**13.8**	**(1.0)**	**12.8**
Finance Costs	*6*	**(26.1)**	-	(26.1)	**(80.3)**	**(106.4)**	(26.3)	(1.4)	**(27.7)**
Finance Income		0.3	-	0.3	-	**0.3**	0.5	-	**0.5**
Loss before Tax		**(12.8)**	**(0.4)**	**(13.2)**	**(26.1)**	**(39.3)**	**(12.0)**	**(2.4)**	**(14.4)**
Income Tax		0.6	-	0.6	4.4	**5.0**	(1.1)	-	**(1.1)**
Loss for the Period		**(12.2)**	**(0.4)**	**(12.6)**	**(21.7)**	**(34.3)**	**(13.1)**	**(2.4)**	**(15.5)**

Memorandum - EBITDA (adjusted) (1)

	Period ended 30 June 2019 £m	**Period ended 30 June 2018 £m**
EBITDA (adjusted) (1)	**44.7**	**43.6**
Rent free adjustment (2)	**(1.2)**	**(0.9)**
EBITDA after rent free adjustment	**43.5**	**42.7**
Exceptional items	**(0.4)**	**(1.0)**
EBITDA after rent free adjustment and exceptional items	**43.1**	**41.7**
IFRS 16 Adjustment	**106.1**	**-**
EBITDA after exceptional items(4)	**149.2**	**41.7**

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 PROFIT AND LOSS
FOR THE 6 MONTHS ENDED 30 JUNE 2019

	Unaudited Period ended 30 June 2019 £m	Unaudited Period ended 30 June 2018 £m
Loss for the period	**(34.3)**	**(15.5)**
Items that will subsequently be reclassified into profit and loss:		
Movement on fair value of cash flow hedges	**(0.3)**	**0.1**
Currency translation differences	**-**	**0.3**
Winding up of foreign investment	**(0.2)**	**-**
Other comprehensive income / (expense) for the period, net of tax	**(0.5)**	**0.4**
Total comprehensive expense for the period	**(34.8)**	**(15.1)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2019

	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	-	-	(15.5)	**(15.5)**
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**	**(15.5)**	**(15.1)**
30 June 2018	**(0.3)**	**0.5**	**(105.0)**	**(104.8)**
Profit for the period	-	-	11.3	**11.3**
Other comprehensive income				
Movement in fair value of hedging derivatives	-	(0.1)	-	**(0.1)**
Currency translation differences	-	-	-	**-**
Total comprehensive income / (expense)	**-**	**(0.1)**	**11.3**	**11.2**
1 January 2019	**(0.3)**	**0.4**	**(93.7)**	**(93.6)**
Adjustment on adoption of IFRS 16 (net of tax) (Note 3)	**-**	**-**	(128.1)	**(128.1)**
Restated total equity at 1 January 2019	**(0.3)**	**0.4**	**(221.8)**	**(221.7)**
Loss for the period	-	-	(34.3)	**(34.3)**
Other comprehensive expense				
Movement in fair value of hedging derivatives	-	(0.3)	-	**(0.3)**
Currency translation differences	-	-	-	**-**
Winding up of foreign investment	-	-	(0.2)	**(0.2)**
Total comprehensive expense	**-**	**(0.3)**	**(34.5)**	**(34.8)**
30 June 2019	**(0.3)**	**0.1**	**(256.3)**	**(256.5)**

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019

		Unaudited			Unaudited	Audited
		30 June 2019			30 June 2018	31 December 2018
	Note	Frozen GAAP(1) £m	IFRS 16 impact £m	IFRS £m	IFRS £m	IFRS £m
NON CURRENT ASSETS						
Intangible assets	*8*	**360.6**	**(201.0)**	**159.6**	**375.5**	**365.5**
Property, plant and equipment	*9*	**144.2**	**(15.4)**	**128.8**	**137.1**	**140.3**
Right of Use assets	*10*	**-**	**2,581.5**	**2,581.5**	**-**	**-**
Financial derivative asset		**-**	**-**	**-**	**0.7**	**-**
Deferred tax asset		**47.2**	**30.7**	**77.9**	**51.4**	**47.4**
		552.0	**2,395.8**	**2,947.8**	**564.7**	**553.2**
CURRENT ASSETS						
Financial derivative asset		**0.1**	**-**	**0.1**	**-**	**0.5**
Inventory		**1.2**	**-**	**1.2**	**1.0**	**1.1**
Trade and other receivables	*12*	**58.4**	**(27.6)**	**30.8**	**62.9**	**53.7**
Cash and cash equivalents		**85.0**	**-**	**85.0**	**99.5**	**81.8**
		144.7	**(27.6)**	**117.1**	**163.4**	**137.1**
TOTAL ASSETS		**696.7**	**2,368.2**	**3,064.9**	**728.1**	**690.3**
CURRENT LIABILITIES						
Trade and other payables	*13*	**(150.4)**	**4.9**	**(145.5)**	**(149.9)**	**(138.9)**
Lease liabilities	*11*	**-**	**(53.4)**	**(53.4)**	**-**	**-**
Provisions	*15*	**(1.5)**	**1.5**	**-**	**(2.0)**	**(1.7)**
		(151.9)	**(47.0)**	**(198.9)**	**(151.9)**	**(140.6)**
NON-CURRENT LIABILITIES						
Bond related debt		**(421.6)**	**-**	**(421.6)**	**(420.1)**	**(420.8)**
Investor loan		**(103.9)**	**-**	**(103.9)**	**(124.3)**	**(97.0)**
Obligations under finance leases		**(33.3)**	**33.3**	**-**	**(32.4)**	**(32.8)**
Lease liabilities	*11*	**-**	**(2,530.6)**	**(2,530.6)**	**-**	**-**
Deferred tax liability		**(60.0)**	**-**	**(60.0)**	**(68.4)**	**(60.5)**
Deferred income		**(17.4)**	**17.4**	**-**	**(15.8)**	**(15.3)**
Provisions	*15*	**(15.4)**	**9.0**	**(6.4)**	**(20.0)**	**(16.9)**
		(651.6)	**(2,470.9)**	**(3,122.5)**	**(681.0)**	**(643.3)**
TOTAL LIABILITIES		**(803.5)**	**(2,517.9)**	**(3,321.4)**	**(832.9)**	**(783.9)**
NET LIABILITIES		**(106.8)**	**(149.7)**	**(256.5)**	**(104.8)**	**(93.6)**
EQUITY						
Share capital		**-**	**-**	**-**	**-**	**-**
Foreign exchange reserve		**(0.3)**	**-**	**(0.3)**	**(0.3)**	**(0.3)**
Cash flow hedge reserve		**0.1**	**-**	**0.1**	**0.5**	**0.4**
Accumulated losses		**(106.6)**	**(149.7)**	**(256.3)**	**(105.0)**	**(93.7)**
TOTAL EQUITY		**(106.8)**	**(149.7)**	**(256.5)**	**(104.8)**	**(93.6)**

Memorandum - Analysis of net funding

		Unaudited			Unaudited	Audited
		30 June 2019			30 June 2018	31 December 2018
	Note	Frozen GAAP(1) *£m*	IFRS 16 impact *£m*	IFRS *£m*	IFRS *£m*	IFRS *£m*
Cash at bank		***85.0***	***-***	***85.0***	***99.5***	***81.8***
External debt redeemable (excluding finance leases):						
Fixed Rate Bond		***(232.0)***	***-***	***(232.0)***	***(232.0)***	***(232.0)***
Floating Rate Bond		***(195.0)***	***-***	***(195.0)***	***(195.0)***	***(195.0)***
Issue costs		***5.4***	***-***	***5.4***	***6.9***	***6.2***
Gross debt		***(421.6)***	***-***	***(421.6)***	***(420.1)***	***(420.8)***
External net debt		***(336.6)***	***-***	***(336.6)***	***(320.6)***	***(339.0)***
Investor loan		***(103.9)***	***-***	***(103.9)***	***(124.3)***	***(97.0)***
Finance leases		***(33.3)***	***33.3***	***-***	***(32.4)***	***(32.8)***
Net debt		***(473.8)***	***33.3***	***(440.5)***	***(477.3)***	***(468.8)***
Lease liabilities	*11*	***-***	***(2,584.0)***	***(2,584.0)***	***-***	***-***
		(473.8)	***(2,550.7)***	***(3,024.5)***	***(477.3)***	***(468.8)***

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 STATEMENTAS
AT 30 JUNE 2019

	Unaudited			Unaudited
	Period ended 30 June 2019			Period ended 30 June 2018
	Frozen GAAP[3]	IFRS 16 impact	IFRS	IFRS
	£m	£m	£m	£m
CASH GENERATED FROM OPERATING ACTIVITIES	**53.9**	**97.7**	**151.6**	**52.6**
Corporate tax	**(0.8)**	**-**	**(0.8)**	**-**
NET CASH GENERATED FROM OPERATING ACTIVITIES	**53.1**	**97.7**	**150.8**	**52.6**
INVESTING ACTIVITIES				
Interest received	**0.3**	**-**	**0.3**	**0.5**
Purchases of property, plant and equipment and intangible assets	**(32.2)**	**-**	**(32.2)**	**(30.0)**
Net cash used in investing activities	**(31.9)**	**-**	**(31.9)**	**(29.5)**
FINANCING ACTIVITIES				
Finance fees paid (including exceptional items)	**(0.1)**	**-**	**(0.1)**	**(0.1)**
Interest paid	**(15.8)**	**-**	**(15.8)**	**(15.8)**
Finance lease rental interest payments	**(2.1)**	**2.1**	**-**	**(2.3)**
IFRS 16 lease rental capital payments	**-**	**(16.9)**	**(16.9)**	**-**
IFRS 16 lease rental interest payments	**-**	**(82.9)**	**(82.9)**	**-**
Issue of floating rate bonds	**-**	**-**	**-**	**30.0**
Repayment of fixed and floating rate bonds	**-**	**-**	**-**	**(29.0)**
Finance issue transaction costs	**-**	**-**	**-**	**(1.4)**
Net cash used in financing activities	**(18.0)**	**(97.7)**	**(115.7)**	**(18.6)**
Net increase in aggregate cash and cash equivalents	**3.2**	**-**	**3.2**	**4.5**
Cash and cash equivalents at beginning of the period	**81.8**	-	**81.8**	95.0
Cash and cash equivalents at end of the period	**85.0**	**-**	**85.0**	**99.5**

Memorandum - Analysis of free cash flow [1]	*Unaudited*			*Unaudited*
	Period ended 30 June 2019			*Period ended 30 June 2018*
	Frozen GAAP	IFRS 16 impact	IFRS	IFRS
	£m	*£m*	*£m*	*£m*
EBITDA (adjusted)[2]	***44.7***	***104.9***	***149.6***	***43.6***
Working capital	***15.6***	***(8.9)***	***6.7***	***10.4***
Net cash flows from operating activities before exceptionals	***60.3***	***96.0***	***156.3***	***54.0***
Capital expenditure	***(32.2)***	***-***	***(32.2)***	***(30.0)***
Free cash flow generated for the year	***28.1***	***96.0***	***124.1***	***24.0***
Non-trading cash flow				
Interest costs				
- bank interest paid	***(0.7)***	***-***	***(0.7)***	***(0.6)***
- bond interest paid	***(15.1)***	***-***	***(15.1)***	***(15.2)***
- finance fees paid	***(0.1)***	***-***	***(0.1)***	***(0.1)***
Interest income	***0.3***	***-***	***0.3***	***0.5***
Finance lease rental interest payments	***(2.1)***	***2.1***	***-***	***(2.3)***
IFRS 16 lease rental capital payments	***-***	***(16.9)***	***(16.9)***	***-***
IFRS 16 lease rental interest payments	***-***	***(82.9)***	***(82.9)***	***-***
Cash spend on provisions and exceptional items [4]	***(6.4)***	***1.7***	***(4.7)***	***(2.8)***
Corporate tax	***(0.8)***	***-***	***(0.8)***	***-***
Non-trading cashflow	***(24.9)***	***(96.0)***	***(120.9)***	***(20.5)***
Cash generated	***3.2***	***-***	***3.2***	***3.5***
Opening Cash	***81.8***	***-***	***81.8***	***95.0***
Movement in cash	***3.2***	***-***	***3.2***	***3.5***
Net refinancing proceeds	***-***	***-***	***-***	***1.0***
Closing Cash	***85.0***	***-***	***85.0***	***99.5***
Opening external net debt	***(339.1)***	***-***	***(339.1)***	***(323.4)***
Net increase in aggregate cash	***3.2***	***-***	***3.2***	***4.5***
Net refinancing	***-***	***-***	***-***	***(1.0)***
Net amortised bond transaction costs	***(0.7)***	***-***	***(0.7)***	***(0.7)***
Closing net debt	***(336.6)***	***-***	***(336.6)***	***(320.6)***

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)	*Unaudited*			*Unaudited*
	Period ended 30 June 2019			*Period ended 30 June 2018*
	Frozen GAAP	IFRS 16 impact	IFRS	IFRS
	£m	*£m*	*£m*	*£m*
Net cash flows from operating activities before exceptionals	***60.3***	***96.0***	***156.3***	***54.0***
Cash spend on exceptional items through working capital [5]	***(6.4)***	***1.7***	***(4.7)***	***(1.4)***
Cash flows from operating activities	***53.9***	***97.7***	***151.6***	***52.6***
Corporate tax	***(0.8)***	***-***	***(0.8)***	***-***
Net cash generated from operating activities	***53.1***	***97.7***	***150.8***	***52.6***

4. In 2019, cash spend on provisions and exceptional items of £6.4m 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 £1.9m. 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.

5. Cash spend on exceptional items through working capital of £6.4m includes £4.5m cash spend relating to accruals and £1.9m 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. Thame and London Limited, formerly Anchor UK Bidco Limited (the Company) is a private company limited by share capital and was incorporated in the United Kingdom on 7th August 2012. The Company changed its name from Anchor UK Bidco Limited on 23rd May 2013. The Company is domiciled in the UK.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The interim condensed consolidated financial statements are prepared in accordance with IAS 34 'Interim Financial Reporting'.

The interim financial report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018. The policies shown are an extract from the full disclosure in the annual financial statements for the year ended 31 December 2018, as not all policies are given.

Statutory accounts for the year ended 31 December 2018 were approved by the board of directors on 4 April 2019 and delivered to the Registrar of Companies.

These published accounts were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and reported on by the auditor without qualification or statement under Sections 498(2) or (3) of the Companies Act 2006.

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. In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS 16, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year ("Frozen GAAP").

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'

The new accounting policy is given below and the impact of its adoption is described in note 3.

Basis of consolidation

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

Seasonality

Revenue in the hotel sector fluctuates by season. The first quarter of the year is typically the hotel industry’s lowest seasonal demand period and usually our smallest in financial terms.

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.

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 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 insignificant benefit from use of the asset;
- 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.

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.

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 re-measurements 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.

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

- 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.

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 lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate or when there is a lease modification. 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.

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 lease classification of a sub-lease is also based on an assessment of the risks and rewards of ownership of the right-of-use-asset arising from the head lease, in particular whether or not the risks and rewards of ownership lie with the lessor.

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.

The key sensitivities resulting from estimates in the calculation of the IFRS 16 numbers are:

- the discount rate used (in the interim financial report no assessment has been made of the impact of a change in the discount rate).
- recognising right of use assets and lease liabilities based on lease terms which extend to the first break clause only.

Taxation

Taxes on income in the interim periods are accrued using the tax rate which would be applicable to expected total annual earnings.

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 30 June 2019 principally relate to onerous leases.

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.

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. Non current assets (excluding deferred tax) 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 £(128)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.

Reconciliation of opening lease liability at 1 January 2019	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		
Discounted at 7.02%[2]		(2,697)	
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.

The balance sheet impact is further analysed as follows:	£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 Equity[3]	(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, as an alternative to performing an impairment review. The impact of this was a reduction of £12m to the right-of-use asset at the date of initial application for the provision for onerous leases recognised (see note 10).

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.

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

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 30 June 2019 £m	Unaudited Period ended 30 June 2018 £m
Revenue		
UK	**330.2**	**311.9**
International	**7.1**	**6.3**
	337.3	**318.2**
EBITDA (before exceptionals)		
UK EBITDA (adjusted) [1]	**43.3**	**42.9**
Rent free adjustment	**(1.2)**	**(0.9)**
UK after rent free adjustment	**42.1**	**42.0**
International	**1.4**	**0.7**
EBITDA after rent free adjustment before IFRS 16	**43.5**	**42.7**
UK IFRS 16 EBITDA adjustment	**104.1**	**-**
International IFRS 16 EBITDA adjustment	**2.0**	**-**
EBITDA after rent free adjustment	**149.6**	**42.7**
Operating profit before exceptionals		
UK	**11.7**	**13.2**
International	**1.3**	**0.6**
Operating profit before IFRS 16 and exceptionals	**13.0**	**13.8**
UK IFRS 16 Operating profit adjustment	**53.5**	**-**
International IFRS 16 Operating profit adjustment	**0.7**	**-**
Operating profit before exceptionals	**67.2**	**13.8**
Profit/ (Loss) before tax before exceptionals		
UK	**(14.1)**	**(12.5)**
International	**1.3**	**0.5**
	(12.8)	**(12.0)**
Exceptional items (note 7)	**(0.4)**	**(2.4)**
Loss before tax and IFRS 16	**(13.2)**	**(14.4)**
UK IFRS 16 Loss before tax adjustment	**(25.5)**	**-**
International IFRS 16 Loss before tax adjustment	**(0.6)**	**-**
Loss before tax	**(39.3)**	**(14.4)**

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.

5 NET OPERATING EXPENSES (BEFORE EXCEPTIONAL ITEMS)

	Unaudited			Unaudited
	Period ended 30 June 2019			Period ended 30 June 2018
	Frozen GAAP before exceptionals £m	IFRS 16 impact £m	IFRS before exceptionals £m	IFRS £m
Cost of goods sold	20.8	-	20.8	20.3
Employee costs	83.5	-	83.5	78.0
Operating expenses	85.5	-	85.5	80.0
Net operating expenses before rent, depreciation and amortisation	189.8	-	189.8	178.3
Rent payable (third party landlords) for operating leases	104.9	(104.9)	-	98.3
Rent receivable	(2.1)	-	(2.1)	(2.0)
Net external rent payable	102.8	(104.9)	(2.1)	96.3
Rent free adjustment (1)	1.2	(1.2)	-	0.9
Net rent	104.0	(106.1)	(2.1)	97.2
Net operating expenses before depreciation and amortisation	293.8	(106.1)	187.7	275.5
Depreciation	21.8	57.8	79.6	20.4
Amortisation	8.7	(5.9)	2.8	8.5
Net depreciation and amortisation	30.5	51.9	82.4	28.9
Total net operating expenses	324.3	(54.2)	270.1	304.4

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.

6 FINANCE COSTS

	Unaudited Period ended 30 June 2019	Unaudited Period ended 30 June 2018
	IFRS £m	IFRS £m
Finance fees	0.8	1.0
Interest on bank loans	0.5	0.6
Interest on fixed and floating rate bonds	15.1	14.7
Interest on obligations under finance leases	2.6	2.6
Unwinding of discount on provisions	0.2	0.4
Finance costs before interest on investor loan, exceptional items and IFRS 16	19.2	19.3
Interest on investor loan	6.9	7.0
Finance costs before exceptional items and IFRS 16	26.1	26.3
Exceptional items:		
Fees in relation to restructuring of debt	-	1.4
Finance costs before IFRS 16	26.1	27.7
IFRS 16 adjustment *(1)*	80.3	-
Finance costs after IFRS 16	106.4	27.7

1. The total IFRS 16 notional interest charge on lease liabilities is £83.1m, including interest on the finance leases. In addition, the IFRS 16 adjustment includes a £0.2m credit in respect of unwinding of discount on provisions.

7 EXCEPTIONAL ITEMS

In the period to 30 June 2019, exceptional items of £0.4m related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities.

In the period to 30 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, together with a charge of £0.5m relating to the release of prepaid fees following the partial repayment of the fixed rate bond.

8 INTANGIBLE ASSETS

	Unaudited			Unaudited
	30 June 2019			30 June 2018
	Frozen GAAP £m	IFRS 16 impact £m	IFRS £m	IFRS £m
Opening net book value	365.5	(206.8)	158.7	379.8
Additions	4.6	(0.1)	4.5	4.5
Movement on capital creditors	(0.8)	-	(0.8)	(0.3)
Amortisation	(8.7)	5.9	(2.8)	(8.5)
Closing net book value	**360.6**	**(201.0)**	**159.6**	**375.5**

The closing net book value at 30 June 2019 (under frozen GAAP) comprises brand value of £145.0m, assets under construction of £7.3m, lease premiums of £201.0m and IT software of £7.3m. The IFRS 16 adjustment relates to the reclassification of lease premiums to right of use assets (note 10).

The closing net book value at 30 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.

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 its 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			Unaudited
	30 June 2019			30 June 2018
	Frozen GAAP £m	IFRS 16 impact £m	IFRS £m	IFRS £m
Opening net book value	**140.3**	**(15.5)**	**124.8**	**132.5**
Additions	**27.7**	**(0.1)**	**27.6**	**25.5**
Movement on capital creditors	**(2.0)**	**-**	**(2.0)**	**(0.6)**
Depreciation	**(21.8)**	**0.2**	**(21.6)**	**(20.3)**
Closing net book value	**144.2**	**(15.4)**	**128.8**	**137.1**

The closing net book value at 30 June 2019 (under frozen GAAP) comprises assets under construction of £6.7m, freehold and long leaseholds of £1.6m, finance leased land and buildings of £15.4m and fixtures and fittings of £120.5m.

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

The closing net book value at 30 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.

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

10 RIGHT OF USE ASSETS

	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m
Opening net book value	-	-
Transfer from Property, Plant and Equipment [(1)]	15.5	-
Transfer from Intangible Assets [(2)]	206.8	-
Transfer from Provisions [(3)]	(12.0)	
New Right of Use Assets on Adoption	2,347.8	-
Adoption of IFRS 16	2,558.1	-
New leases	45.8	-
Rent Review Adjustments	35.8	-
Foreign Exchange Translation Adjustment	(0.2)	-
Depreciation	(58.0)	-
Closing net book value	**2,581.5**	**-**

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 £206.8m from Property, Plant & Equipment represents the net book value of assets previously classified as lease premiums.
3. 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 30 June 2019 £m	Unaudited 30 June 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	(45.8)	-
Rent Review Adjustments	(35.7)	-
Foreign Exchange Translation Adjustment	0.2	-
Finance Costs	(83.1)	-
Payments - Finance Leases	2.3	-
Payments - Operating Leases	97.5	-
Closing Balance	**(2,584.0)**	**-**
Amounts falling due within one year	(53.4)	-
Amounts falling due after one year	(2,530.6)	-
	(2,584.0)	-

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 23.5 years.

12 TRADE AND OTHER RECEIVABLES

	Unaudited			Unaudited	Audited
	30 June 2019			30 June 2018	31 December 2018
	Frozen GAAP £m	IFRS 16 impact £m	IFRS £m	IFRS £m	IFRS £m
Amounts due within one year:					
Trade amounts receivable					
- Gross amounts receivable	**11.5**	**-**	**11.5**	**11.4**	**7.5**
- Bad debt provision	**(0.3)**	**-**	**(0.3)**	**(0.2)**	**(0.4)**
- Net amounts receivable	**11.2**	**-**	**11.2**	**11.2**	**7.1**
Other amounts receivable	**10.7**	**-**	**10.7**	**7.3**	**8.9**
Accrued income	**1.9**	**-**	**1.9**	**1.8**	**1.8**
Prepayments	**34.6**	**(27.6)**	**7.0**	**42.6**	**35.9**
	58.4	**(27.6)**	**30.8**	**62.9**	**53.7**

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	Audited
	30 June 2019			30 June 2018	31 December 2018
	Frozen GAAP £m	IFRS 16 impact £m	IFRS £m	IFRS £m	IFRS £m
Trade payables	**(9.8)**	**-**	**(9.8)**	**(7.5)**	**(15.5)**
Other payables	**(7.9)**	**-**	**(7.9)**	**(7.4)**	**(8.1)**
Social security and other taxation	**(16.5)**	**-**	**(16.5)**	**(13.7)**	**(14.2)**
Accruals	**(46.5)**	**4.1**	**(42.4)**	**(50.9)**	**(54.9)**
Deferred income	**(2.7)**	**0.8**	**(1.9)**	**(1.0)**	**(1.6)**
Prepaid room purchases	**(60.7)**	**-**	**(60.7)**	**(61.5)**	**(35.9)**
Capital payables	**(6.3)**	**-**	**(6.3)**	**(7.9)**	**(8.7)**
Amounts falling due within one year	**(150.4)**	**4.9**	**(145.5)**	**(149.9)**	**(138.9)**
Amounts falling due after one year:					
Deferred income	**(17.4)**	**17.4**	**-**	**(15.8)**	**(15.3)**
Total	**(167.8)**	**22.3**	**(145.5)**	**(165.7)**	**(154.2)**

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.

14 POST BALANCE SHEET EVENTS

On 5 July 2019, Travelodge completed a refinancing of its existing debt facilities (note 15).

New senior secured floating rate sterling denominated notes of £440.0m were issued with a termination date of 15 July 2025. Interest is floating at three month LIBOR plus a margin of 5.375%. Interest is payable quarterly each January, April, July and October, commencing in October 2019. The Notes may be redeemed at any time on or after 15 July 2020, at par.

Existing senior secured 8.5% fixed rate sterling denominated notes of £232.0m and senior secured floating rate sterling denominated notes of £195.0m were repaid on 5 July 2019.

Additionally, the revolving credit facility was reduced from £50m to £40m while the existing letter of credit facility remains in place at £30m. Both of these facilities were also extended to expire in 2024.

Exceptional costs of £15.3m were incurred including break costs of £9.9m and the write off of unamortised loan issue costs in respect to the existing facilities. Further loan issue costs of approximately £8.6m will be amortised over the life of the facility in line with generally accepted accounting practice.

On 30 July 2019, Travelodge paid an upfront premium of £467k to purchase an interest rate cap in relation to the senior secured floating sterling denominated notes, on a notional amount of £300m.

The interest rate cap commences in respect of payments due on 15 January 2020 and is due to terminate on 15 October 2022.

As per the terms of the cap, if LIBOR exceeds 1.5% after 15 October 2019, Travelodge will receive a cash settlement on the difference between LIBOR and 1.5% to cover a portion of the scheduled quarterly payments on a notional amount of £300m, up to 15 October 2022.

15 FINANCIAL ASSETS AND LIABILITIES

		Unaudited			Unaudited	Audited
		30 June 2019			30 June 2018	31 December 2018
	Maturity Date	Frozen GAAP £m	IFRS 16 impact £m	IFRS £m	IFRS £m	IFRS £m
Cash at bank and in hand		**85.0**	**-**	**85.0**	**99.5**	**81.8**
External debt redeemable:						
Fixed Rate Bond	May 2023	**(232.0)**	**-**	**(232.0)**	**(232.0)**	**(232.0)**
Floating Rate Bond	May 2023	**(195.0)**	**-**	**(195.0)**	**(195.0)**	**(195.0)**
Issue Costs		**5.4**	**-**	**5.4**	**6.9**	**6.2**
External debt		**(421.6)**	**-**	**(421.6)**	**(420.1)**	**(420.8)**
Net external debt		**(336.6)**	**-**	**(336.6)**	**(320.6)**	**(339.0)**
Investor Loan Note	January 2026	**(103.9)**	**-**	**(103.9)**	**(124.3)**	**(97.0)**
Net debt before finance leases		**(440.5)**	**-**	**(440.5)**	**(444.9)**	**(436.0)**
Obligations under Finance leases		**(33.3)**	**33.3**	**-**	**(32.4)**	**(32.8)**
Lease liabilities under IFRS 16		**-**	**(2,584.0)**	**(2,584.0)**	**-**	**-**
Net debt including finance leases		**(473.8)**	**(2,550.7)**	**(3,024.5)**	**(477.3)**	**(468.8)**

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 rate 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.

As detailed in note 14, these notes were repaid on 5 July 2019 and replaced with £440m senior secured floating rate sterling denominated notes with a termination date of 15 July 2025 bearing floating rate interest at three month LIBOR plus a margin of 5.375%.

Revolving credit facility
At the balance sheet date, a sterling denominated revolving credit facility of £50.0m was available to the Group until April 2022. At the date of these financial statements no drawings on this facility had been made.

As detailed in note 14, this facility was amended to £40m on 5 July 2019 and is available until July 2024.

Letter of credit facility
The letter of credit facility has a maximum usage of £30m and is available until July 2024 (as amended on 5 July 2019). At 30 June 2019, a letter of credit was in issue to the Group to the value of £14.8m but not called upon.

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 30 June 2019, accrued interest for the period from 1 January 2019 to 30 June 2019 totalled £6.9m (2018: £6.9m). The investor loan note has a termination date of January 2026.

A comparison of the carrying value and fair value of the Group's financial assets and liabilities is shown below.

	30 June 2019				31 December 2018	
	Carrying amount			Fair value	Carrying amount	Fair value
	Frozen GAAP	IFRS 16 impact	IFRS	IFRS	IFRS	IFRS
	£m	£m	£m	£m	£m	£m
Financial instrument categories						
Cash and Cash Equivalents	**85.0**	**-**	**85.0**	**85.0**	**81.8**	**81.8**
Loans and receivables[1]	**23.8**	**-**	**23.8**	**23.8**	**17.8**	**17.8**
Financial derivative asset	**0.1**	**-**	**0.1**	**0.1**	**0.5**	**0.5**
Bond related debt	**(421.6)**	**-**	**(421.6)**	**(438.6)**	**(420.8)**	**(432.3)**
Investor Loan Note	**(103.9)**	**-**	**(103.9)**	**(103.9)**	**(97.0)**	**(97.0)**
Financial liabilities[2]	**(120.7)**	**47.9**	**(72.8)**	**(72.8)**	**(138.6)**	**(138.6)**
	(537.3)	**47.9**	**(489.4)**	**(506.4)**	**(556.3)**	**(567.8)**

1. Loans and receivables of £23.8m (2018: £17.8m) are made up of trade receivables £11.2m (2018: £7.1m), other receivables of £10.7m (2018: £8.9m) and accrued income of £1.9m (2018: £1.8m).
2. Financial liabilities of £124.7m (2018: £138.6m) are made up of finance lease payables £33.3m (2018: £32.8m), provisions £16.9 (2018: £18.6m), trade payables £9.8m (2018: £15.5m), capital payables £6.3m (2018: £8.7m), accruals £49.5m (2018: £54.9m) and other payables £8.9m (2018: £8.1m).

Loans and receivables and financial liabilities (excluding finance lease payables) are due within one year.

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 30 June 2019, the fair value of the hedge was £0.1m (30 June 2018: £0.7m, 31 December 2018: £0.4m).

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 30 June 2019, the fair value of the swaption was £0.0m (30 June 2018: £0.1m, 31 December 2018: £0.1m).

16 PROVISIONS

	Unaudited			Unaudited
	30 June 2019			30 June 2018
	Frozen GAAP	IFRS 16 impact	IFRS	IFRS
	£m	£m	£m	£m
At 1 January 2019	**(18.6)**	**12.0**	**(6.6)**	**(23.0)**
Cash spend	**1.9**	**(1.7)**	**0.2**	**1.3**
Unwinding of discount on provisions	**(0.2)**	**0.2**	**-**	**(0.3)**
At 30 June 2019	**(16.9)**	**10.5**	**(6.4)**	**(22.0)**
The balance can be analysed as:				
Due in less than one year	**(1.5)**	**1.5**	**-**	**(2.0)**
Due in greater than one year	**(15.4)**	**9.0**	**(6.4)**	**(20.0)**
	(16.9)	**10.5**	**(6.4)**	**(22.0)**

A Frozen GAAP 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 £16.9m can be analysed as: onerous lease provisions of £2.5m relating to future rent and rates liabilities on sub leased historic restaurant units, £8.0m 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 £6.4m of other provisions.

Onerous lease provisions relate to the future discounted cash outflow in relation to certain rent and rates liabilities where no economic benefit is expected to accrue to the Group. These provisions have an average remaining lease term of 12 years and have been discounted at a Frozen GAAP 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.

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

17 NOTE TO THE CASH FLOW STATEMENT

	Unaudited			Unaudited
	30 June 2019			30 June 2018
	Frozen GAAP £m	IFRS 16 impact £m	IFRS £m	IFRS £m
Operating profit / (loss)	**12.6**	**54.2**	**66.8**	**12.8**
Adjustments for non-cash items:				
Depreciation of property, plant and equipment	**21.8**	**57.8**	**79.6**	**20.4**
Amortisation of other intangible assets	**8.7**	**(5.9)**	**2.8**	**8.5**
	30.5	**51.9**	**82.4**	**28.9**
Operating cash flows before movements in working capital	**43.1**	**106.1**	**149.2**	**41.7**
Movement in inventory	**(0.1)**	**-**	**(0.1)**	**-**
Movement in receivables	**(7.5)**	**(7.4)**	**(14.9)**	**(14.1)**
Movement in payables	**20.3**	**(2.7)**	**17.6**	**26.4**
Movement in provisions	**(1.9)**	**1.7**	**(0.2)**	**(1.4)**
Total working capital movement (1)	**10.8**	**(8.4)**	**2.4**	**10.9**
Cash flows from operating activities	**53.9**	**97.7**	**151.6**	**52.6**
Corporate tax	**(0.8)**	**-**	**(0.8)**	**-**
Net Cash Generated from operating activities	**53.1**	**97.7**	**150.8**	**52.6**

1. Working capital movement of £10.8m (2018: £10.9m) is after exceptional outflows of £6.0m (2018: outflows of £0.4m) and before rent free adjustment of £1.2m (2018: £0.9m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 17 is stated before exceptional movements and before rent free adjustment.