TVL FINANCE PLC

QUARTER ENDED 31 MARCH 2020

REPORT TO NOTEHOLDERS

£440,000,000 SENIOR SECURED FLOATING RATE NOTES DUE 2025

(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 June 2019 (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 and our like-for-like reporting is prepared on this basis. 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 period from 1 January 2020 to 31 March 2020 (prior year from 1 January 2019 to 31 March 2019), which are maintained in accordance with International Financial Reporting Standards ("IFRS").

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 non-underlying items (material non-recurring and one-off in nature) and the rent free adjustment. The impact of IFRS 16 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 'before IFRS 16' basis and EBITDA (adjusted) (the "Non-IFRS Measures") are not specifically defined under IFRS or any other generally accepted accounting principles. In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles ("Before IFRS 16").

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 quarter ended 31 March 2020

Significant and increasing Covid-19 impact

Highlights – quarter ended 31 March 2020

- Strong start to the year in January and February
- Significant and increasing Covid-19 impact on trading from mid-March
- Total revenue down (10.8)% to £129.5m (2019: £145.2m)
- RevPAR[(1)] down (7.5)% to £31.39 (2019: £33.94)
- Occupancy[(1)] down (2.5)pts to 72.6%
- Average room rate[(1)] down (4.3)% at £43.27 (2019: £45.20)
- EBITDA[(2)] down £(13.3)m to £40.2m (under IFRS 16)
- EBITDA (adjusted)[(3)] down £(15.6)m to £(13.9)m
- 3 new hotels opened in the quarter
- Cash position - £141.3m at 31 March 2020, after the £40m RCF drawdown
- Hotel closures expected to continue until early July
- Recovery plan underway including proposed temporary changes to landlord rents

First Quarter Summary

After a strong start in the first two months, our first quarter results have been significantly impacted by Covid-19.

During January and February Travelodge continued its strong performance with revenue up 4.6%. We also continued to outperform the STR Midscale & Economy segment. However, since the onset of Covid-19 in March we have seen a significant impact on trading. This began with a slowing in booking pace and culminated in the government directed closure of virtually the entire estate from 24 March.

Revenue for the quarter was down (10.8)% to £129.5m driven by the decline in our like-for-like RevPAR of (7.5)%.

This rapid revenue decline in conjunction with our high operating leverage means that the majority of this revenue shortfall has impacted profits with EBITDA (adjusted) down £(15.6)m on the prior year to a loss of £(13.9)m.

Our closing cash position of £141.3m benefited from deferral of the second quarter rent payments and drawdown of the £40m RCF on 17 March.

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[1] Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 26 December 2019 to 25 March 2020

[2] EBITDA = Earnings before interest, tax, depreciation, amortisation and non-underlying items presented on an IFRS basis – including IFRS 16

[3] EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent free adjustment, non-underlying items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). Non-underlying items have been removed as they relate to non-recurring, one-off items

Financial Performance

For the quarter ended 31 March 2020:

UK like-for-like RevPAR was down (7.5)% to £31.39, this decline has been driven by a combination of both UK like-for-like occupancy, down (2.5)pts to 72.6%, and UK like-for-like average room rate which was down (4.3)% to £43.27 due to the significant impact of the onset of Covid-19 during March. For this quarter we are not reporting our performance against the STR MSE segment due to the small sample size across the industry following the hotel closures.

In the quarter we saw some benefit from the contribution of our new and maturing hotels (the 14 maturing hotels opened in 2019 and the 3 new hotels opened in the quarter).

Total revenue decreased (10.8)% to £129.5m.

The cost pressures facing the industry, including the National Living Wage and general inflationary increases, remain and these, in conjunction with our high operating leverage and the rapid revenue reduction due to Covid-19, mean that the majority of this revenue shortfall has impacted profit in this quarter.

EBITDA (adjusted) of £(13.9)m was down £(15.6)m on the prior year.

We end the quarter with closing cash of £141.3m which included the drawdown of the £40m RCF and the working capital benefit from the reversal of the adverse VAT timing at the end of 2019 and the deferral of quarter 2 rent payments.

Notes

Thame and London Limited is currently discussing the audit of its financials for the year ended 31 December 2019 with its auditors. On 26 March 2020, the Financial Conduct Authority in the United Kingdom published a statement permitting a delay in the publication of audited annual financial reports for companies listed on regulated exchanges in the United Kingdom from four to six months from the end of the financial year. This policy is intended to be temporary while the United Kingdom faces the extreme disruption of the coronavirus pandemic and its aftermath, and recognises that some companies may have difficulties compiling audited financials while the current stay-at-home guidelines are in place, and also recognises that auditors may need additional time to assess the impact of the COVID-19 outbreak on the going concern analysis. Although the group is not listed, the auditors and the group are continuing to review the significant uncertainty surrounding the impact of the COVID-19 outbreak on the group's liquidity, and this uncertainty may affect the auditor's ability to deliver an audit opinion that is unqualified based on the going concern basis of accounting.

The group has received the necessary consents from bondholders and RCF lenders to permit publication of the Annual Report to be delayed until 31 July 2020.

Thame and London Limited (the "Parent") launched an amendment request on 22 May 2020 for consents from the lenders under its revolving credit facility agreement (the "Revolving Credit Facility Agreement"), and the requisite consents for these amendments were received on 26 May 2020. As a result, the Revolving Credit Facility has been amended as follows (among other items): (a) subject to obtaining a deal with the landlords (through a consensual proposal, CVA or other restructuring plan), (i) to provide the Parent and its subsidiaries with a financial covenant holiday for the relevant periods ending 30 June 2020 until and including 30 June 2021 and (ii) to require the Parent to ensure that available liquidity is not lower than £10,000,000 for any period of five (5) consecutive business days and provide monthly consolidated cashflow forecasts for the Travelodge Group; (b) to provide that no Restricted Payments (as defined in the Revolving Credit Facility Agreement) shall be permitted to be made under the general basket for Restricted Payments until 30 June 2021; and (c) to provide that (i) a company voluntary arrangement under Part 1 of the Insolvency Act 1986 ("CVA") or (ii) a restructuring plan with landlords and unsecured creditors under new legislation proposed to be enacted by the UK Parliament which would enable a company to propose a restructuring plan to its creditors, which if confirmed by the court, would bind all classes of affected creditors to that plan if at least one impaired class of creditors has voted in favour of the plan by the Group shall not constitute a default or event of default under the Revolving Credit Facility Agreement.

About Travelodge

Founded in 1985, Travelodge is one of the UK's leading hotel brands. There were 590 Travelodge hotels and 45,037 rooms in the UK, Ireland and Spain as at 31 March 2020. Travelodge welcomes approximately 19 million customers every year and over 11,500 colleagues worked across the business at the end of 2019.

Notes:

Financial results in this summary document are extracts from the management reporting of Thame and London Limited and its subsidiary companies, including Travelodge Hotels Limited. All financial references in this summary document are unaudited.

Smith Travel Research (STR) is an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance.

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OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the quarter ended 31 March 2020

Results for the Group are for the quarter ended 31 March 2020, with comparatives for the quarter ended 31 March 2019.

In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles ("Before IFRS 16"):

	Period ended 31 March 2020			Period ended 31 March 2019			Variance 2020 vs 2019 before IFRS 16[1]	
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	£m	Var %
Revenue by geographical region								
Revenue	**129.5**	**-**	**129.5**	**145.2**	**-**	**145.2**	**(15.7)**	**(10.8)%**
Revenue UK	127.2	-	127.2	142.3	-	142.3	(15.1)	(10.6)%
Revenue International	2.3	-	2.3	2.9	-	2.9	(0.6)	(20.7)%
Key income statement items								
Revenue	**129.5**	**-**	**129.5**	**145.2**	**-**	**145.2**	**(15.7)**	**(10.8)%**
Operating expenses	(90.2)	-	(90.2)	(92.7)	-	(92.7)	2.5	2.7%
Of which cost of goods sold	*(9.6)*	-	*(9.6)*	*(9.7)*	-	*(9.7)*	*0.1*	*1.0%*
Of which employee costs	*(41.2)*	-	*(41.2)*	*(39.8)*	-	*(39.8)*	*(1.4)*	*(3.5)%*
Of which other operating expenses	*(39.4)*	-	*(39.4)*	*(43.2)*	-	*(43.2)*	*3.8*	*8.8%*
Net external rent payable	(53.2)	54.1	0.9	(50.8)	51.8	1.0	(2.4)	(4.7)%
EBITDA (adjusted)[2] / EBITDA[3]	**(13.9)** [2]	**54.1**	**40.2** [3]	**1.7**	**51.8**	**53.5**	**(15.6)**	**(917.6)%**
Rent free adjustment[4]	(0.6)	0.6	-	(0.6)	0.6	-	-	-
Depreciation	(10.5)	(29.6)	(40.1)	(10.5)	(28.5)	(39.0)	-	-
Amortisation	(4.0)	2.8	(1.2)	(4.3)	3.0	(1.3)	0.3	7.0%
Operating profit (before non-underlying items)	**(29.0)**	**27.9**	**(1.1)**	**(13.7)**	**26.9**	**13.2**	**(15.3)**	**(111.7)%**
Finance costs before investor loan interest	(8.7)	(41.2)	(49.9)	(9.4)	(39.5)	(48.9)	0.7	7.4%
Investor loan interest	(3.3)	-	(3.3)	(3.4)	-	(3.4)	0.1	2.9%
Finance income	0.1	-	0.1	0.2	-	0.2	(0.1)	(50.0)%
Profit / (Loss) for the year (before non-underlying items)	**(40.9)**	**(13.3)**	**(54.2)**	**(26.3)**	**(12.6)**	**(38.9)**	**(14.6)**	**(55.5)%**
Non-underlying items	-	-	-	(0.2)	-	(0.2)	0.2	100.0%
Loss for the year before tax	**(40.9)**	**(13.3)**	**(54.2)**	**(26.5)**	**(12.6)**	**(39.1)**	**(14.4)**	**(54.3)%**
Income tax	1.1	(1.1)	-	2.9	2.1	5.0	(1.8)	(62.1)%
Loss for the year	**(39.8)**	**(14.4)**	**(54.2)**	**(23.6)**	**(10.5)**	**(34.1)**	**(16.2)**	**(68.6)%**

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent free adjustment, non-underlying items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). Non-underlying items have been removed as they relate to non-recurring, one-off items.

(3) EBITDA = Earnings before interest, tax, depreciation, amortisation and non-underlying 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 an accrual 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 decreased by £15.7m, or 10.8%, from £145.2m for the quarter ended 31 March 2019 to £129.5m for the quarter ended 31 March 2020, heavily impacted in the last couple of weeks of the period by the current Covid-19 situation.

Like-for-like UK RevPAR declined by (7.5)%[2], with growth of 4.6%[3] for the first two periods offset by a decline of (26.7)%[4] in the last period impacted by Covid-19.

Operating expenses

Operating expenses decreased by £2.5m, or 2.7%, from £92.7m for the quarter ended 31 March 2019 to £90.2m for the quarter ended 31 March 2020.

Decreases in cost of goods sold mainly reflect the decrease in revenue, partially offset by increased costs from our new and maturing hotels.

Employee cost increases reflect the impact of the National Living Wage and pension auto-enrolment in the like-for-like estate and the additional staff in our new and maturing hotels, partially offset by savings from our cost efficiency programmes.

Decreases in other operating expenses are largely driven by the decreased revenue and cost efficiency programmes, partially offset by increased costs from our new and maturing hotels.

Net external rent payable

Net external rent payable (before rent free adjustment and before IFRS 16[1]) increased by £2.4m, or 4.7%, from £50.8m for the quarter ended 31 March 2019 to £53.2m for the quarter ended 31 March 2020. This increase was primarily due to 3 new hotel openings during the quarter, the annualisation of the 14 hotel openings in 2019 and upwards only rent reviews predominantly linked to RPI.

In many of our leases we receive a rent free period at the beginning of the lease term. Prior to IFRS 16, the benefit of this rent free period is held 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.

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 which are not included within Statutory EBITDA.

Depreciation / Amortisation

Depreciation (before IFRS 16[1]) remained constant, at £10.5m, for both the quarter ended 31 March 2019 and the quarter ended 31 March 2020. Depreciation is driven mainly by new hotel openings, ongoing investment in the maintenance and refurbishment of our estate and energy efficiency investments, principally in LED lighting and heating controls.

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.
(2) Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 26 December 2019 to 25 March 2020
(3) RevPAR for the management accounting period 26 December 2019 to 26 February 2020
(4) RevPAR for the management accounting period 27 February 2020 to 25 March 2020

Amortisation (before IFRS 16[1]) decreased by £0.3m, or 7.0%, from £4.3m for the quarter ended 31 March 2019 to £4.0m for the quarter ended 31 March 2020. This is mainly due to the impairment of assets at the end of 2019.

Statutory depreciation, including the impact of right of use assets, has increased by £1.1m to £40.1m, reflecting our new and maturing hotels, and Statutory amortisation has decreased by £(0.1)m to £1.2m.

Finance costs

Finance costs before investor loan interest (before IFRS 16[1]) decreased by £0.7m, or 7.4%, from £9.4m for the quarter ended 31 March 2019 to £8.7m for the quarter ended 31 March 2020. This decrease was primarily due to the lower bond interest costs following the refinancing in July 2019, and the impact of a decrease in LIBOR.

Statutory finance costs include a notional additional finance cost of £41.3m, up £1.7m from £39.6m for the quarter ended 31 March 2019, relating to the lease liabilities.

Finance income

Finance income of £0.1m for the quarter ended 31 March 2020 and £0.2m for the quarter ended 31 March 2019 was bank interest received.

Non-underlying items

There were no non-underlying items for the quarter ended 31 March 2020.

Non-underlying items (before IFRS 16[1] and taxation) of £0.2m for the quarter ended 31 March 2019 related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities.

Loss Before Tax

Statutory loss before tax was £54.2m for the quarter ended 31 March 2020, £15.1m higher than the quarter ended 31 March 2019. This was mainly driven by the reduction in revenue as a result of covid-19.

Taxation

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

There was an overall income tax credit of £nil for the quarter ended 31 March 2020 (current tax credit: £nil; deferred tax credit: £nil). There was an overall income (deferred) tax credit of £5.0m for the quarter ended 31 March 2019.

No cash tax payments were made during the quarter (2019: £0.8m). A refund of 2018 tax of £0.2m was received in Spain.

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.

Cash flow (before IFRS 16[(1)])

The commentary and variances below are presented on a 'before IFRS 16[(1)]' basis.

As at 31 March 2020, we had cash of £141.3m, an increase of £58.0m compared to £83.3m as at 31 March 2019.

For the quarter ended 31 March 2020, net cash generated from operating activities of £33.8m (which is after rent paid of £17.5m, benefiting from the deferral of quarter 2 rents) and net cash generated by financing activities of £32.6m (including the drawdown of the £40m RCF facility), were partially offset by net cash used in investing activities of £14.3m, which relates to the purchase of intangible and tangible fixed assets of £14.5m less interest received of £0.2m.

Included in net cash generated by financing activities of £32.6m was the drawdown of the rolling credit facility of £40.0m on 17 March 2020, partially offset by bond interest payments and finance fees of £7.3m and finance lease interest payments of £0.1m.

Free Cash Flow (as defined in note 1 to the Cash Flow Statement as being EBITDA (adjusted), less Working capital cash flows (before non-underlying items and before IFRS 16[(1)]) and Capital expenditure) increased from £26.5m for the quarter ended 31 March 2019 to £35.8m for the quarter ended 31 March 2020. The year on year decrease in EBITDA (adjusted) was more than offset by favourable working capital cash flows, primarily as a result of the deferral of quarter 2 rent payments, partially offset by lower inflows from prepaid rooms, due to Covid-19.

Our cash cycle reflects the monthly payment of creditors and staff and fluctuates throughout the quarter with rent due 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 quarter ended 31 March 2020 and the quarter ended 31 March 2019.

	Period ended 31 March 2020			Period ended 31 March 2019			Variance 2020 vs 2019	
	Before IFRS 16[(1)] £m	**IFRS 16 impact £m**	**Statutory £m**	**Before IFRS 16[(1)] £m**	**IFRS 16 impact £m**	**Statutory £m**	**before IFRS 16[(1)] £m**	**Var %**
Net cash generated from operating activities	33.8	17.5	51.3	20.3	51.7	72.0	13.5	66.5%
Net cash used in investing activities	(14.3)	-	(14.3)	(14.7)	-	(14.7)	0.4	2.7%
Net cash generated from / (used in) financing activities	32.6	(17.5)	15.1	(4.1)	(51.7)	(55.8)	36.7	895.1%
Net increase in aggregate cash and cash equivalents	52.1	-	52.1	1.5	-	1.5	50.6	3373.3%
Cash and cash equivalents at beginning of the period	89.2	-	89.2	81.8	-	81.8	7.4	9.0%
Cash and cash equivalents at the end of the period	**141.3**	**-**	**141.3**	**83.3**	**-**	**83.3**	**58.0**	**69.6%**

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.

Net cash generated from operating activities

Net cash generated from operating activities (before IFRS 16(1)) increased by £13.5m, or 66.5%, from £20.3m for the quarter ended 31 March 2019 to £33.8m for the quarter ended 31 March 2019. This was due to a £27.9m increase in working capital (benefiting from the deferral of quarter 2 rent payments) and a decrease in corporation tax payments of £1.0m, partially offset by a £15.1m decrease in operating profit (after non-underlying items) and a decrease in depreciation and amortisation of £0.3m.

Statutory net cash generated from operating activities, which excludes rent, has decreased by £(20.7)m from £72.0m to £51.3m mainly due to a £(14.1)m fall in operating profit.

Working capital requirements

Inventory primarily includes food and beverage products sold through our bar cafes. Trade and other receivables (before IFRS 16(1)) 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 (before IFRS 16(1)) include normal trade creditors, including rent, accrued wages and salaries, other current debts and accrued interest and taxes.

	Period ended 31 March 2020			Period ended 31 March 2019			Variance 2020 vs 2019	
	Before IFRS 16(1) £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16(1) £m	IFRS 16 impact £m	Statutory £m	before IFRS 16(1) £m	Var %
Increase in inventory	0.2	-	0.2	-	-	-	0.2	-
(Increase) / decrease in receivables	34.0	(34.1)	(0.1)	(1.3)	(7.7)	(9.0)	35.3	2715.4%
Increase / (decrease) in payables	16.1	(3.9)	12.2	26.7	6.1	32.8	(10.6)	(39.7)%
Total working capital movement (before non-underlying items)	50.3	(38.0)	12.3	25.4	(1.6)	23.8	24.9	98.0%
Provisions and non-underlying items	(2.2)	0.8	(1.4)	(5.2)	0.9	(4.3)	3.0	57.7%
Total working capital movement	**48.1**	**(37.2)**	**10.9**	**20.2**	**(0.7)**	**19.5**	**27.9**	**138.1%**

Working capital inflow (before IFRS 16(1)) before non-underlying items of £50.3m for the quarter ended 31 March 2020 compared to an inflow of £25.4m for the quarter ended 31 March 2019, benefiting from the deferral of quarter 2 rent payments, partially offset by lower inflows from prepaid rooms, due to Covid-19.

Working capital outflow for non-underlying items (before IFRS 16(1)) of £2.2m for the quarter ended 31 March 2020 compared to an outflow of £4.2m for the year ended 31 March 2019, mainly 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, and cash spend on provisions.

On a Statutory basis, cash flows relating to rent are reported within Net cash used in financing activities. Statutory working capital inflow before non-underlying items of £12.3m for the quarter ended 31 March 2020 compared to an inflow of £23.8m for the quarter ended 31 March 2019, primarily due to lower inflows from prepaid rooms, due to Covid-19.

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.

Statutory working capital outflow for non-underlying items of £1.4m for the quarter ended 31 March 2020 compared to an outflow of £4.3m for the quarter ended 31 March 2019 is mainly 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.

Net cash used in investing activities

Net cash used in investing activities decreased by £0.4m, or 2.7%, from £14.7m for the quarter ended 31 March 2019 to £14.3m for the quarter ended 31 March 2020, primarily due to changes in capital expenditure.

Capital expenditure

Capital expenditure of £14.5m in the quarter ended 31 March 2020 has mainly been in relation to on-going maintenance and refits, as well as investment in IT and energy efficiency projects and development pipeline spending.

Net cash generated from (used in) financing activities

Net cash generated from financing activities (before IFRS 16[(1)]) was £32.6m for the quarter ended 31 March 2020, compared to net cash used of £4.1m for the quarter ended 31 March 2019. This was primarily due to the drawdown of the revolving credit facility of £40.0m on 17 March 2020, partially offset by higher interest costs and finance fees of £3.3m, primarily due to a change in bond interest payment dates following the refinancing in July 2019.

Statutory net cash generated from financing activities has increased by £70.9m from a £55.8m outflow to a £15.1m inflow due mainly to deferral of the quarter 2 rent payments and drawdown of the revolving credit facility.

Corporation tax

Corporation tax repayments of £0.2m (in Spain) were received in the quarter ended 31 March 2020 compared to payments on account of £0.8m in the quarter ended 31 March 2019.

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.

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.

The COVID-19 situation in the UK is still developing and it is too early to assess the possible impacts on Travelodge which will depend on the severity and duration of the current situation and the longevity of its impact on the economy and future consumer behaviour. We expect to see a sustained period of closure of our hotels and continued disruption in the short-term.

Registered number: 08170768

THAME AND LONDON LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE QUARTER ENDED 31 MARCH 2020

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE YEAR ENDED 31 MARCH 2020

		Unaudited Period ended 31 March 2020				Unaudited Period ended 31 March 2019			
		Underlying before IFRS 16(1)	Underlying impact of IFRS 16(1)	Non-underlying	Statutory	Underlying before IFRS 16(1)	Underlying impact of IFRS 16(1)	Non-underlying	Statutory
	Note	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	*4*	129.5	-	-	**129.5**	145.2	-	-	**145.2**
Operating Expenses	*5*	(90.2)	-	-	**(90.2)**	(92.7)	-	(0.2)	**(92.9)**
Rent	*5*	(53.8)	54.7	-	**0.9**	(51.4)	52.4	-	**1.0**
EBITDA after rent free adjustment	*4*	**(14.5)**	**54.7**	**-**	**40.2**	**1.1**	**52.4**	**(0.2)**	**53.3**
Depreciation & Amortisation	*5*	(14.5)	(26.8)	-	**(41.3)**	(14.8)	(25.5)	-	**(40.3)**
Operating Profit / (Loss)	*4*	**(29.0)**	**27.9**	**-**	**(1.1)**	**(13.7)**	**26.9**	**(0.2)**	**13.0**
Finance Costs	*6*	**(12.0)**	**(41.2)**	-	**(53.2)**	(12.8)	(39.5)	-	**(52.3)**
Finance Income		0.1	-	-	**0.1**	0.2	-	-	**0.2**
Loss before Tax	*4*	**(40.9)**	**(13.3)**	**-**	**(54.2)**	**(26.3)**	**(12.6)**	**(0.2)**	**(39.1)**
Income Tax		1.1	(1.1)	-	**-**	2.9	2.1	-	**5.0**
Loss for the Period		**(39.8)**	**(14.4)**	**-**	**(54.2)**	**(23.4)**	**(10.5)**	**(0.2)**	**(34.1)**

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.

Memorandum - EBITDA (adjusted)(2)

	Period ended 31 March 2020	Period ended 31 March 2019
	£m	£m
EBITDA (adjusted)(2)	**(13.9)**	**1.7**
Rent free adjustment(3)	**(0.6)**	**(0.6)**
EBITDA - Underlying before IFRS 16	**(14.5)**	**1.1**

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent free adjustment, non-underlying items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). Non-underlying items have been removed as they relate to non-recurring, one-off items.

(3) In many of our leases we receive a rent free period at the beginning of the lease term. Before IFRS 16, the benefit of this rent free period is held as an accrual on our balance sheet and is recognised in our income statement as a deduction to the actual rent expense in each period, on a straight line basis, over the full life of the lease. As a result, our rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, which is the measure which is used for internal management reporting.

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 MARCH 2020

	Unaudited Period ended 31 March 2020 £m	Unaudited Period ended 31 March 2019 £m
Loss for the period	**(54.2)**	**(34.1)**
Items that will subsequently be reclassified into profit and loss:		
Movement on fair value of cash flow hedges	**-**	**(0.1)**
Currency translation differences	**0.5**	**-**
Winding up of foreign investment	**-**	**(0.2)**
Other comprehensive income /(expense) for the period, net of tax	**0.5**	**(0.3)**
Total comprehensive expense for the period	**(53.7)**	**(34.4)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 31 MARCH 2020

	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2019	**(0.3)**	**0.4**	**(93.7)**	**(93.6)**
Adjustment on adoption of IFRS 16 (net of tax) (Note 3)	**-**	**-**	(179.6)	**(179.6)**
Restated total equity at 1 January 2019	**(0.3)**	**0.4**	**(273.3)**	**(273.2)**
Loss for the period	-	-	(34.1)	**(34.1)**
Other comprehensive expense				
Movement in fair value of hedging derivatives	-	(0.1)	-	**(0.1)**
Winding up of foreign investment	-	-	(0.2)	**(0.2)**
Total comprehensive expense	**-**	**(0.1)**	**(34.3)**	**(34.4)**
31 March 2019	**(0.3)**	**0.3**	**(307.6)**	**(307.6)**
Loss for the period	**-**	**-**	(33.6)	**(33.6)**
Other comprehensive income / (expense)				
Movement in fair value of hedging derivatives	-	(0.3)	-	**(0.3)**
Winding up of foreign investment			0.2	**0.2**
Currency translation differences	(0.1)	-	-	**(0.1)**
Total comprehensive expense	**(0.1)**	**(0.3)**	**(33.4)**	**(33.8)**
1 January 2020	**(0.4)**	**-**	**(341.0)**	**(341.4)**
Loss for the period	-	-	(54.2)	**(54.2)**
Other comprehensive income				
Currency translation differences	0.5	-	-	**0.5**
Total comprehensive income / (expense)	**0.5**	**-**	**(54.2)**	**(53.7)**
31 March 2020	**0.1**	**-**	**(395.2)**	**(395.1)**

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2020

	Note	Unaudited 31 March 2020 £m	Unaudited 31 March 2019 £m	Unaudited 31 December 2019 £m
NON CURRENT ASSETS				
Intangible assets	*8*	**160.2**	**159.0**	**159.6**
Property, plant and equipment	*9*	**136.3**	**123.3**	**132.9**
Right of Use assets	*10*	**2,518.2**	**2,533.2**	**2,521.3**
Deferred tax asset		**60.0**	**66.3**	**58.9**
		2,874.7	**2,881.8**	**2,872.7**
CURRENT ASSETS				
Financial derivative asset		**0.1**	**0.3**	**0.3**
Inventory		**1.0**	**1.1**	**1.2**
Trade and other receivables	*12*	**18.4**	**22.2**	**18.6**
Cash and cash equivalents		**141.3**	**83.3**	**89.2**
		160.8	**106.9**	**109.3**
TOTAL ASSETS		**3,035.5**	**2,988.7**	**2,982.0**
CURRENT LIABILITIES				
Trade and other payables	*13*	**(131.4)**	**(151.8)**	**(119.7)**
Lease liabilities	*11*	**(88.0)**	**(50.8)**	**(47.6)**
Provisions	*16*	**-**	**-**	**(0.1)**
		(219.4)	**(202.6)**	**(167.4)**
NON-CURRENT LIABILITIES				
Bond related debt	*15*	**(432.4)**	**(421.2)**	**(432.1)**
Revolving credit facility	*15*	**(40.0)**	**-**	**-**
Investor loan	*15*	**(114.6)**	**(100.3)**	**(111.3)**
Lease liabilities	*11*	**(2,560.5)**	**(2,503.9)**	**(2,549.8)**
Deferred tax liability		**(56.1)**	**(60.2)**	**(55.2)**
Provisions	*16*	**(7.6)**	**(8.1)**	**(7.6)**
		(3,211.2)	**(3,093.7)**	**(3,156.0)**
TOTAL LIABILITIES		**(3,430.6)**	**(3,296.3)**	**(3,323.4)**
NET LIABILITIES		**(395.1)**	**(307.6)**	**(341.4)**
EQUITY				
Share capital		**-**	**-**	**-**
Foreign exchange reserve		**0.1**	**(0.3)**	**(0.4)**
Cash flow hedge reserve		**-**	**0.3**	**-**
Accumulated losses		**(395.2)**	**(307.6)**	**(341.0)**
TOTAL EQUITY		**(395.1)**	**(307.6)**	**(341.4)**

Memorandum - Analysis of net funding

	Note	Unaudited 31 March 2020 £m	Unaudited 31 March 2019 £m	Unaudited 31 December 2019 £m
Cash at bank		***141.3***	***83.3***	***89.2***
External debt redeemable (excluding lease liabilities):				
Fixed Rate Bond	*15*	***-***	***(232.0)***	***-***
Floating Rate Bond	*15*	***(440.0)***	***(195.0)***	***(440.0)***
Revolving credit facility	*15*	***(40.0)***	***-***	***-***
Issue costs	*15*	***7.6***	***5.8***	***7.9***
Gross debt	*15*	***(472.4)***	***(421.2)***	***(432.1)***
External net debt		***(331.1)***	***(337.9)***	***(342.9)***
Investor loan	*15*	***(114.6)***	***(100.3)***	***(111.3)***
Net debt		***(445.7)***	***(438.2)***	***(468.8)***
Lease liabilities	*11*	***(2,648.5)***	***(2,554.7)***	***(2,597.4)***
		(3,094.2)	***(2,992.9)***	***(468.8)***

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
AS AT 31 MARCH 2020

	Unaudited			Unaudited		
	Period ended 31 March 2020			Period ended 31 March 2019		
	Before IFRS 16(1)	IFRS 16 impact	Statutory	Before IFRS 16(1)	IFRS 16 impact	Statutory
	£m	£m	£m	£m	£m	£m
CASH GENERATED FROM OPERATING ACTIVITIES	33.6	17.5	51.1	21.1	51.7	72.8
Corporate tax	0.2	-	0.2	(0.8)	-	(0.8)
NET CASH GENERATED FROM OPERATING ACTIVITIES	33.8	17.5	51.3	20.3	51.7	72.0
INVESTING ACTIVITIES						
Interest received	0.2	-	0.2	0.2	-	0.2
Purchases of property, plant and equipment and intangible assets	(14.5)	-	(14.5)	(14.9)	-	(14.9)
Net cash used in investing activities	(14.3)	-	(14.3)	(14.7)	-	(14.7)
FINANCING ACTIVITIES						
Finance fees paid	(0.1)	-	(0.1)	-	-	-
Interest paid	(7.2)	-	(7.2)	(3.1)	-	(3.1)
Finance lease rental interest payments	(0.1)	0.1	-	(1.0)	1.0	-
IFRS 16 lease rental capital payments	-	-	-	-	(11.9)	(11.9)
IFRS 16 lease rental interest payments	-	(17.6)	(17.6)	-	(40.9)	(40.9)
Drawdown of rolling credit facility	40.0	-	40.0	-	-	-
Net cash generated from / (used in) financing activities	32.6	(17.5)	15.1	(4.1)	(51.7)	(55.8)
Net increase in aggregate cash and cash equivalents	52.1	-	52.1	1.5	-	1.5
Cash and cash equivalents at beginning of the period	89.2	-	89.2	81.8	-	81.8
Cash and cash equivalents at end of the period	141.3	-	141.3	83.3	-	83.3

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.

Memorandum - Analysis of free cash flow [1]	*Unaudited*	*Unaudited*
	Period ended 31 March 2020	*Period ended 31 March 2019*
	Before IFRS 16 (1)	*Before IFRS 16 (1)*
EBITDA (adjusted) [2]	*(13.9)*	*1.7*
Working capital	*49.7*	*24.8*
Net cash flows from operating activities before non-underlyings	*35.8*	*26.5*
Capital expenditure	*(14.5)*	*(14.9)*
Free cash flow generated for the year	*21.3*	*11.6*
Non-trading cash flow		
Finance fees paid	*(0.1)*	*-*
Interest paid	*(7.2)*	*(3.1)*
Interest income	*0.2*	*0.2*
Finance lease rental interest payments	*(0.1)*	*(1.0)*
Cash spend on provisions and non-underlying items [3]	*(2.2)*	*(5.4)*
Corporate tax	*0.2*	*(0.8)*
Non-trading cash flow	*(9.2)*	*(10.1)*
Cash generated	*12.1*	*1.5*
Opening Cash	*89.2*	*81.8*
Movement in cash	*12.1*	*1.5*
Drawdown of rolling credit facility	*40.0*	*-*
Closing Cash	*141.3*	*83.3*
Opening external net debt	*(342.9)*	*(339.1)*
Net increase in aggregate cash	*52.1*	*1.5*
Net amortised bond transaction costs	*(0.3)*	*(0.3)*
Closing net debt	*(291.1)*	*(337.9)*

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

2. EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, non-underlying items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). non-underlying items have been removed as they relate to non-recurring, one-off items.

3. In 2020, cash spend on provisions and non-underlying items of £2.2m included legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other corporate activities of £1.3m and onerous lease provisions of £0.9m. In 2019, cash spend on provisions and non-underlying items of £5.4m included legal and advisor's fees and management incentives relating to the restructuring of the Group's debt and other corporate activities of £4.5m and onerous lease provisions of £0.9m.

Reconciliation of net cash flows from operating activities before non-underlyings to net cash generated from operating activities (note 17)	*Unaudited*	*Unaudited*
	Period ended 31 March 2020	*Period ended 31 March 2019*
	Before IFRS 16 (1)	*Before IFRS 16 (1)*
Net cash flows from operating activities before non-underlyings	*35.8*	*26.5*
Cash spend on non-underlying items through profit and loss	*-*	*-*
Cash spend on non-underlying items through working capital [4]	*(2.2)*	*(5.4)*
Cash flows from operating activities	*33.6*	*21.1*
Corporate tax	*0.2*	*(0.8)*
Net cash generated from operating activities	*33.8*	*20.3*

4. 2020 cash spend on non-underlying items through working capital of £2.2m included £1.3m cash spend relating to accruals and £0.9m cash spend on provisions. 2019 cash spend on non-underlying items through working capital of £5.4m included £4.5m cash spend relating to accruals and £0.9m cash spend on provisions.

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.

In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles ("Before IFRS 16").

Basis of consolidation

The unaudited financial statements consolidate the financial information of the Group and entities controlled by the Group and its subsidiaries up to 31 March 2020. 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, with the third quarter normally being our busiest and largest.

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.

Non-underlying items

In order to understand the underlying performance of the business, material, non-recurring items are separately disclosed as non-underlying 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.

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

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.

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.

3 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	Unaudited Period ended 31 March 2020 £m	Unaudited Period ended 31 March 2019 £m
Revenue		
UK	127.2	142.3
International	2.3	2.9
Revenue	**129.5**	**145.2**
EBITDA - Underlying		
UK EBITDA (adjusted)(1)	(13.7)	1.5
Rent free adjustment	(0.6)	(0.6)
UK EBITDA after rent free adjustment	(14.3)	0.9
International EBITDA after rent free adjustment	(0.2)	0.2
EBITDA after rent free adjustment before IFRS 16	(14.5)	1.1
UK IFRS 16 EBITDA adjustment	53.7	51.4
International IFRS 16 EBITDA adjustment	1.0	1.0
EBITDA after rent free adjustment - Underlying	**40.2**	**53.5**
Non-underlying items (Total)	-	(0.2)
EBITDA after rent free adjustment	**40.2**	**53.3**
Operating profit - Underlying		
UK	(28.8)	(13.9)
International	(0.2)	0.2
Operating loss before IFRS 16 - Underlying	**(29.0)**	**(13.7)**
UK IFRS 16 Operating profit adjustment	27.6	26.6
International IFRS 16 Operating profit adjustment	0.3	0.3
Operating (loss) / profit - Underlying	**(1.1)**	**13.2**
Non-underlying items (Total)	-	(0.2)
Operating (loss) /profit	**(1.1)**	**13.0**
(Loss) / profit before tax - Underlying		
UK	(40.6)	(26.4)
International	(0.3)	0.1
Loss before tax - Underlying	**(40.9)**	**(26.3)**
Non-underlying items before IFRS 16 (note 7)	-	(0.2)
Loss before tax and IFRS 16	**(40.9)**	**(26.5)**
UK IFRS 16 Loss before tax adjustment	(13.0)	(12.3)
International IFRS 16 Loss before tax adjustment	(0.3)	(0.3)
Loss before tax	**(54.2)**	**(39.1)**

(1) EBITDA (adjusted) = Earnings before interest, taxes, depreciation and amortisation, and before rent free adjustment, non-underlying items & reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). Non-underlying items have been removed as they relate to non-recurring, one-off items.

4 NET OPERATING EXPENSES (BEFORE NON-UNDERLYING ITEMS)

	Unaudited			Unaudited		
	Period ended 31 March 2020			Period ended 31 March 2019		
	Underlying before IFRS 16[1]	Underlying IFRS 16 impact	Underlying Statutory	Underlying before IFRS 16[1]	Underlying IFRS 16 impact	Underlying Statutory
	£m	£m	£m	£m	£m	£m
Cost of goods sold	9.6	-	9.6	9.7	-	9.7
Employee costs	41.2	-	41.2	39.8	-	39.8
Operating expenses	39.4	-	39.4	43.2	-	43.2
Net operating expenses before rent, depreciation and amortisation	90.2	-	90.2	92.7	-	92.7
Rent payable (third party landlords)[3]	54.2	(54.1)	0.1	51.8	(51.8)	-
Rent receivable	(1.0)	-	(1.0)	(1.0)	-	(1.0)
Net external rent payable	53.2	(54.1)	(0.9)	50.8	(51.8)	(1.0)
Rent free adjustment[2]	0.6	(0.6)	-	0.6	(0.6)	-
Net rent	53.8	(54.7)	(0.9)	51.4	(52.4)	(1.0)
Net operating expenses before depreciation and amortisation	144.0	(54.7)	89.3	144.1	(52.4)	91.7
Depreciation	10.5	29.6	40.1	10.5	28.5	39.0
Amortisation	4.0	(2.8)	1.2	4.3	(3.0)	1.3
Net depreciation and amortisation	14.5	26.8	41.3	14.8	25.5	40.3
Total net operating expenses	158.5	(27.9)	130.6	158.9	(26.9)	132.0

[1] Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.

[2] In many of our leases we receive a rent free period at the beginning of the lease term. Before IFRS 16, the benefit of this rent free period is held as an accrual 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] Statutory rent payable (after the impact of IFRS 16) of £0.1m (2019: £nil) relates to variable lease payments that are not included within right of use assets.

5 FINANCE COSTS

	Unaudited Period ended 31 March 2020	Unaudited Period ended 31 March 2019
	Statutory	Statutory
	£m	£m
Finance fees	0.6	0.4
Interest on bank loans	0.3	0.3
Interest on fixed and floating rate bonds	6.3	7.3
Interest on obligations under finance leases	1.4	1.3
Unwinding of discount on provisions	0.1	0.1
Finance costs before interest on investor loan, non-underlying items and IFRS 16	8.7	9.4
Interest on investor loan	3.3	3.4
Finance costs before IFRS 16	12.0	12.8
IFRS 16 adjustment[1]	41.2	39.5
Finance costs after IFRS 16	53.2	52.3

[1] The total IFRS 16 notional interest charge on lease liabilities is £42.7m, including interest on the finance leases. In addition, the IFRS 16 adjustment includes a £0.1m credit in respect of unwinding of discount on provisions.

6 NON-UNDERLYING ITEMS

There were no non-underlying items for the quarter ended 31 March 2020.

Non-underlying items of £0.2m for the quarter ended 31 March 2019 related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities.

7 INTANGIBLE ASSETS

	Unaudited 31 March 2020 £m	Unaudited 31 March 2019 £m
Opening net book value	**159.6**	**365.5**
Impact of adoption of IFRS 16	**-**	**(206.8)**
Revised opening net book value	**159.6**	**158.7**
Additions	**1.7**	**2.4**
Movement on capital creditors	**0.1**	**(0.8)**
Amortisation	**(1.2)**	**(1.3)**
Closing net book value	**160.2**	**159.0**

The closing net book value at 31 March 2020 comprises brand value of £145.0m, assets under construction of £7.3m and IT software of £7.9m.

The closing net book value at 31 December 2019 comprises brand value of £145.0m, assets under construction of £5.6m and IT software of £9.0m.

The closing net book value at 31 March 2019 comprises brand value of £145.0m, assets under construction of £5.0m and IT software of £9.0m.

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

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

8 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31 March 2020 £m	Unaudited 31 March 2019 £m
Opening net book value	**132.9**	**140.3**
Impact of adoption of IFRS 16[1]	**-**	**(16.9)**
Revised opening net book value	**132.9**	**123.4**
Additions	**12.5**	**12.4**
Movement on capital creditors	**1.7**	**(2.1)**
Depreciation	**(10.8)**	**(10.4)**
Closing net book value	**136.3**	**123.3**

[1] The impact of the adoption of IFRS 16 consists of the transfer of £15.5m from Property, Plant & Equipment to Right of Use assets, representing the net book value of assets previously classified as finance lease assets, together with an additional £1.4m impairment to fixtures and fittings on transition.

The closing net book value at 31 March 2020 comprises assets under construction of £10.1m, freehold and long leaseholds of £1.6m and fixtures and fittings of £124.6m.

The closing net book value at 31 December 2019 comprises assets under construction of £2.9m, freehold and long leaseholds of £1.6m and fixtures and fittings of £128.4m.

The closing net book value at 31 March 2019 comprises assets under construction of £5.0m, freehold and long leaseholds of £1.6m and fixtures and fittings of £116.7m.

Freehold and long leasehold properties are stated at cost. Depreciation is provided on cost in equal annual instalments over the estimated remaining useful lives of the assets.

9 RIGHT OF USE ASSETS

	Unaudited 31 March 2020 £m	Unaudited 31 March 2019 £m
Opening net book value	**2,521.3**	**-**
Impact of adoption of IFRS 16[1]	**-**	**2,536.8**
New leases	**21.0**	**27.1**
Rent Review Adjustments	**2.7**	**(0.3)**
Additions[2]	**0.3**	**0.1**
Foreign Exchange Translation Adjustment	**2.2**	**(1.9)**
Depreciation	**(29.3)**	**(28.6)**
Closing net book value	**2,518.2**	**2,533.2**

(1) The impact of adoption of IFRS 16 is made up of:

(i) The transfer of £15.5m from Property, Plant & Equipment which represents the net book value of assets previously classified as finance lease assets.
(ii) The transfer of £206.8m from Intangible Assets which represents the net book value of assets previously classified as lease premiums.
(iii) The transfer of £10.5m from provisions which is in respect of leases for which onerous lease provisions were held at the transition date.
(iv) Additional new assets recognised of £2,360.60 in respect of operating leases.
(v) An impairment of £35.7m to the Right of Use asset at the transition date.

(2) Additions relate to leasehold premiums.

10 IFRS 16 LEASE LIABILITIES

	Unaudited 31 March 2020	Unaudited 31 March 2019
	£m	£m
Opening Balance	(2,597.4)	-
Transfer from Finance Lease Creditor[1]	-	(32.8)
New Lease Liabilities on Adoption	-	(2,509.1)
Adoption of IFRS 16	-	(2,541.9)
New leases	(21.0)	(27.1)
Rent Review Adjustments	(2.7)	0.3
Foreign Exchange Translation Adjustment	(2.3)	2.1
Finance Costs	(42.7)	(40.9)
Payments - Finance Leases	0.1	1.0
Payments - Operating Leases	17.5	51.8
Closing Balance	**(2,648.5)**	**(2,554.7)**
Amounts falling due within one year	(88.0)	(50.8)
Amounts falling due after one year	(2,560.5)	(2,503.9)
	(2,648.5)	(2,554.7)

[1] Following the adoption of IFRS 16 on 1 January 2019, leases previously classified as finance leases have been included in the IFRS 16 lease liability.

Lease liabilities have been discounted at a weighted average discount rate of 7.09% and represent leases with a weighted average remaining length from the balance sheet date of 22.9 years. This compares to the pre-tax weighted average discount rate used to create the lease liabilities of 7.1% with a range of 5.5% to 9.1%.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 31 March 2020	Unaudited 31 March 2019	Unaudited 31 December 2019
	£m	£m	£m
Amounts due within one year:			
Trade amounts receivable			
- Gross amounts receivable	6.7	9.8	6.5
- Bad debt provision	(0.2)	(0.4)	(0.2)
- Net amounts receivable	6.5	9.4	6.3
Other amounts receivable	2.4	2.7	4.1
Corporation tax debtor	1.1	-	1.3
Accrued income	2.1	1.7	2.4
Prepayments	4.4	6.7	4.5
Loans to related parties	1.9	1.7	1.9
	18.4	22.2	18.6

12 TRADE AND OTHER PAYABLES

	31 March 2020 £m	31 March 2019 £m	31 December 2019 £m
Trade payables	**(3.6)**	**(7.8)**	**(13.5)**
Other payables	**(11.7)**	**(10.8)**	**(8.7)**
Social security and other taxation	**(19.5)**	**(16.4)**	**(7.5)**
Accruals	**(49.2)**	**(50.6)**	**(54.4)**
Deferred income	**(2.4)**	**(2.6)**	**(2.3)**
Corporation tax creditor	**-**	**(1.7)**	**-**
Prepaid room purchases	**(37.4)**	**(55.7)**	**(27.5)**
Capital payables	**(7.6)**	**(6.2)**	**(5.8)**
Amounts falling due within one year	**(131.4)**	**(151.8)**	**(119.7)**

13 POST BALANCE SHEET EVENTS

On 20 April 2020, the Group entered into a new £60m revolving credit facility agreement. The new credit facility has a maturity of May 2022 and remains undrawn.

14 FINANCIAL ASSETS AND LIABILITIES

		Unaudited 31 March 2020 £m	Unaudited 31 March 2019 £m	Unaudited 31 December 2019 £m
Cash at bank and in hand		**141.3**	**83.3**	**89.2**
External debt redeemable:				
Fixed Rate Bond	May 2023	**-**	**(232.0)**	**-**
Floating Rate Bond	May 2023	**(440.0)**	**(195.0)**	**(440.0)**
Revolving credit facility	May 2022	**(40.0)**	**-**	**-**
Issue Costs		**7.6**	**5.8**	**7.9**
External debt		**(472.4)**	**(421.2)**	**(432.1)**
Net external debt		**(331.1)**	**(337.9)**	**(342.9)**
Investor Loan Note	January 2026	**(114.6)**	**(100.3)**	**(111.3)**
Net debt before finance leases		**(445.7)**	**(438.2)**	**(454.2)**
Lease liabilities under IFRS 16		**(2,648.5)**	**(2,554.7)**	**(2,597.4)**
Net debt including finance leases		**(3,094.2)**	**(2,992.9)**	**(3,051.6)**

The IFRS 16 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.

Finance lease liabilities (before IFRS 16) were as follows: 31 March 2020: £34.9m, 31 December 2019: £33.6m, 31 March 2019: £33.1m.

On 5 July 2019, Travelodge completed a refinancing of its existing debt facilities.

Senior secured notes

Senior secured fixed rate sterling denominated notes of £290m were issued on 10 May 2016 with a termination date of 11 May 2023. Of these, £29m were repaid on 28 April 2017, a further £29m were repaid on 3 January 2018 and the remaining £232m were repaid on 5 July 2019. Interest was fixed at 8.5% and payable on a semi-annual basis.

Senior secured floating rate sterling denominated notes of £165m and £30m were issued on 28 April 2017 and 3 January 2018 respectively, with a termination date of 15 May 2023. Interest was floating at three month LIBOR plus a margin of 4.875% and payable on a quarterly basis. These notes were repaid on 5 July 2019.

On 5 July 2019 new senior secured floating rate sterling denominated notes of £440m 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.

Non-underlying 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 of £5.4m. Further loan issue costs of approximately £8.6m will be amortised over the life of the facility in line with generally accepted accounting practice.

Revolving credit facility
At the balance sheet date, a sterling denominated revolving credit facility of £40m was available to the Group until July 2024. At the date of these financial statements the facility was fully drawn.

The revolving credit facility was reduced from £50m to £40m on 5 July 2019 during the refinancing and was extended from April 2022 until July 2024.

On 20 April 2020, the Group entered into a new super senior £60m revolving credit facility agreement with certain financial institutions that are indirect shareholders (or affiliates thereof).

The proceeds of the new facility will be used to fund our general corporate and working capital requirements. Fees and interest are payable in kind and are contingent on an initial drawdown. There are various conditions precedent to funding, including a requirement to obtain a rent payment agreement with landlords of the Group.

The new credit facility has a maturity of May 2022 and remains undrawn.

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 31 March 2020, letters of credit were in issue 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%. Accrued interest for quarter ended 31 March 2020 totalled £3.3m (2019: £3.3m). 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:

	31 March 2020		31 March 2019		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m	£m	£m
Financial instrument categories						
Cash and Cash Equivalents	**141.3**	**141.3**	**83.3**	**83.3**	**89.2**	**89.2**
Loans and receivables[(1)]	**12.9**	**12.9**	**15.5**	**15.5**	**14.7**	**14.7**
Financial derivative asset	**0.1**	**0.1**	**0.3**	**0.3**	**0.3**	**0.3**
Bond related debt	**(440.0)**	**(322.7)**	**(427.0)**	**(438.8)**	**(440.0)**	**(442.6)**
Revolving credit facility	**(40.0)**	**(40.0)**	**-**	**-**	**-**	**-**
Investor Loan Note	**(114.6)**	**(114.6)**	**(100.3)**	**(100.3)**	**(111.3)**	**(111.3)**
Financial liabilities[(2)]	**(2,728.2)**	**(2,728.2)**	**(2,638.2)**	**(2,638.2)**	**(2,687.5)**	**(2,687.5)**
	(3,168.5)	**(3,051.2)**	**(3,066.4)**	**(3,078.2)**	**(3,134.6)**	**(3,137.2)**

[(1)] Loans and receivables of £12.9m (December 2019: £14.7m) are made up of trade receivables of £6.5m (December 2019: £6.3m), other receivables of £2.4m (December 2019: £4.1m), accrued income of £2.1m (December 2019: £2.4m) and loans to related parties of £1.9m (December 2019: £1.9m).

[(2)] Financial liabilities of £2,728.2m (December 2019: £2,687.5m) are made up of lease liabilities of £2,648.5m (December 2019: £2,597.4m), provisions of £7.6m December 2019: £7.7m), trade payables of £3.6m (December 2019: £13.5m), capital payables of £7.6m (December 2019: £5.8m), accruals of £49.2m (December 2019: £54.4m) and other payables of £11.7m (December 2019: £8.7m).

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

Interest rate cap
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.

Interest rate hedge
On 15 August 2019 the interest rate hedge expired. The interest rate hedge was 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 was fixed at 0.376% and the receive rate of the hedge floated to LIBOR.
At 31 March 2020, the fair value of the hedge was £nil (31 March 2019: £0.3m, 31 December 2019 £nil).

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 31 March 2020, the fair value of the swaption was £nil (31 March 2019: £nil, 31 December 2019 £nil).

15 PROVISIONS

	Unaudited 31 March 2020 £m	Unaudited 31 March 2019 £m	Unaudited 31 December 2019 £m
At 1 January 2020	**(7.7)**	**(8.1)**	**(8.1)**
Cash spend	**0.1**	**-**	**0.4**
At 31 March 2020	**(7.6)**	**(8.1)**	**(7.7)**
The balance can be analysed as:			
Due in less than one year	**-**	**-**	**(0.1)**
Due in greater than one year	**(7.6)**	**(8.1)**	**(7.6)**
	(7.6)	**(8.1)**	**(7.7)**

Provisions of £7.6m can be analysed as: onerous lease provisions of £1.3m relating to future rates liabilities on five empty and sub leased historic restaurant units and £6.3m of other provisions.

Onerous lease provisions relate to the future discounted cash outflow in relation to certain rates liabilities where no economic benefit is expected to accrue to the Group. These provisions have an average remaining lease term of 17 years and have been discounted at a pre-tax risk free rate of 4.0% (2019: 4.0%).

16 NOTE TO THE CASH FLOW STATEMENT

	Unaudited			Unaudited		
	Period ended 31 March 2020			Period ended 31 March 2019		
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m
Operating profit / (loss) - Underlying	(29.0)	27.9	(1.1)	(13.7)	26.9	13.2
Operating profit / (loss) - Non-underlying	-	-	-	(0.2)	-	(0.2)
Operating profit / (loss)	(29.0)	27.9	(1.1)	(13.9)	26.9	13.0
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	10.5	29.6	40.1	10.5	28.5	39.0
Amortisation of other intangible assets	4.0	(2.8)	1.2	4.3	(3.0)	1.3
	14.5	26.8	41.3	14.8	25.5	40.3
Operating cash flows before movements in working capital	(14.5)	54.7	40.2	0.9	52.4	53.3
Movement in inventory	0.2	-	0.2	-	-	-
Movement in receivables	34.0	(34.1)	(0.1)	(1.3)	(7.7)	(9.0)
Movement in payables	14.8	(3.9)	10.9	22.4	6.1	28.5
Movement in provisions	(0.9)	0.8	(0.1)	(0.9)	0.9	-
Total working capital movement[2]	48.1	(37.2)	10.9	20.2	(0.7)	19.5
Cash flows from operating activities	33.6	17.5	51.1	21.1	51.7	72.8
Corporate tax	0.2	-	0.2	(0.8)	-	(0.8)
Net Cash Generated from operating activities	33.8	17.5	51.3	20.3	51.7	72.0

[1] Before IFRS 16 - In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS 16 on 1 January 2019, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year.

[2] Before IFRS 16 working capital movement of £48.1m (2019: £20.2m) is after non-underlying outflows of £2.2m (2019: outflows of £5.2m) and before rent free adjustment of £0.6m (2019: £0.6m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 17 is stated before non-underlying movements and before rent free adjustment.

17 ALTERNATIVE PERFORMANCE MEASURES (APMS)

The Group uses the non-statutory alternative performance measures 'EBITDA (adjusted)' and 'Free Cash Flow' to monitor the financial performance of the Group internally. This measure is not a statutory measure in accordance with IFRS.

We report these measures because we believe it provides both management and other stakeholders with useful additional information about the financial performance of the Group's businesses.

APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

We believe the non-IFRS measures are useful metrics for investors to understand our results of operations, profitability and ability to service debt and because they permit investors to evaluate our recurring profitability from underlying operating activities.

We also use these measures internally to track our business performance, establish operational and strategic targets and make business decisions. We believe EBITDA (adjusted) facilitates operating performance comparisons between periods and among other companies in industries similar to ours because it removes the effect of variation in capital structures, taxation, and non-cash depreciation, amortisation and impairment charges, which may be unrelated to operating performance. We believe EBITDA (adjusted) is a useful measure of our underlying operating performance because it excludes the impact of items which are not related to our core results of operations, including certain one-off or non-recurring items and more closely aligns the recognition of rent free periods in profitability with the corresponding cash impact.

The table below provides a reconciliation of the statutory IFRS measures to the APMs used to measure the business:

	Period ended 31 March 2020 £m	**Period ended 31 March 2019 £m**
Statutory Loss before Tax	**(54.2)**	**(39.1)**
Net Finance Costs	53.1	52.1
Operating (loss) / Profit	**(1.1)**	**13.0**
Non-underlying Items (See note 6)	-	0.2
Underlying Operating (Loss) / Profit	**(1.1)**	**13.2**
Reverse IFRS 16 Rent Adj(1)	(54.7)	(52.4)
Depreciation, Amortisation - Underlying	41.3	40.3
EBITDA - before Rent Free Adjustment	(14.5)	1.1
Rent Free Adjustment(2)	0.6	0.6
Adjusted EBITDA(3)	**(13.9)**	**1.7**

(1) The rent payable for operating leases of £54.7m (2019: £52.4m) and the rent free adjustment of £0.6m (2019: £0.6m) are replaced by depreciation of the right of use asset and notional financing costs on the lease liability under IFRS 16. This adjustment has been reversed to calculate EBITDA (adjusted)(3).

(2) In many of our leases we receive a rent free period at the beginning of the lease term. Prior to IFRS 16, the benefit of this rent free period is held as accrued 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) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent free adjustment, non-underlying items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). Non-underlying items have been removed as they relate to non-recurring, one-off items.

	Period ended 31 March 2020 £m	Period ended 31 March 2019 £m
EBITDA (adjusted)[1]	(13.9)	1.7
Working capital[2]	49.7	24.8
Net cash flows from operating activities before non-underlyings	35.8	26.5
Capital expenditure	(14.5)	(14.9)
Free Cash Flow	**21.3**	**11.6**

(1) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent free adjustment, non-underlying items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). Non-underlying items have been removed as they relate to non-recurring, one-off items.

(2) Working capital movement is stated before non-underlying movements, before rent free adjustment and before the impact of IFRS 16.