TVL FINANCE PLC

NINE MONTHS ENDED 30 SEPTEMBER 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 and 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 30 September 2020 (prior year from 1 January 2019 to 30 September 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, and before rent adjustments, 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). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.

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 nine months ended 30 September 2020

Covid-19 Impact Continues

Navigating through material uncertainty

Headlines

- Total revenue down 57.7% to £230.9m (2019: £546.1m)
- RevPAR(1) down 57.1% to £18.00 (2019: £41.98)
- RevPAR growth 3.2pts ahead of the competitive segment (4)
- Occupancy(1) down 38.2pts to 41.9%
- Average room rate(1) down 18.0% at £42.94 (2019: £52.38)
- EBITDA(2) down £202.9m to £58.2m (under IFRS 16)
- EBITDA (adjusted)(3) down £150.5m to a loss of £48.3m
- Cash of £71.5m at 30 September 2020

- Large, diversified network retained, accounting for >98% of 2019 UK hotel EBITDA(4)
- Total network now 578 hotels and 44,010 rooms as at 20 November 2020
- Temporary hotel rent reductions in place and to continue until end 2021
- £60m term loan refinancing signed on 18 November
- £10m equity injection on 24 August with further £30m to complete by 2 December

Summary

The Covid-19 situation has presented the UK hospitality sector with significant challenges. Unprecedented government restrictions led to the majority of our hotels being closed for several months and subject to significant restrictions at other times. We continued to outperform our competitive segment during open periods and took effective cost mitigation actions. However, the adverse trading conditions resulted in total revenue significantly down on the prior year and an EBITDA loss of £48.3m for the year-to-date.

In the context of these market challenges, we have taken decisive action to strengthen the business, including reducing operational costs, using government support, gaining landlord support for temporary rent reductions, raising additional debt facilities and obtaining new equity injections. While the outlook remains materially uncertain and the road to recovery may present further short-term challenges, we approach the new year with a large scale, highly diversified, well-invested hotel network and a value proposition that is well positioned to benefit from any relaxation of restrictions and improvement in hotel demand.

[1] Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 26 Dec 2019 to 23 Sep 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 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). This measure also reflects the cash benefit of rent reductions following the CVA which completed on 17 June 2020. Non-underlying items have been removed as they relate to non-recurring, one-off items.
[4] 2019 UK hotel EBITDA is EBITDA (adjusted), excluding Spain, Ireland, management contracts and central and marketing costs and the EBITDA of the one hotel lease surrendered in July 2020.

Performance Overview

Following successive years of strong growth and performance ahead of the competitive segment, the Covid-19 situation has had a significant impact on the group in the current year and this continued into the third-quarter.

For the year to date, sales are down 57.7% on prior year, with the group posting an adjusted EBITDA loss of £(48.3)m for the year to date. This was consistent with the group's expectations.

Virtually all the Group's hotels remained closed from 24 March 2020 until 15 July 2020, and the full available estate was re-opened by mid-August. In August and September, the market began to recover slowly. Although performance was significantly below prior year levels, the budget market was relatively resilient and our occupancy climbed quickly to an average of approximately 60%. Average rate was well below prior year, impacted by the absence of midweek business demand and major events. As a result, RevPAR was down (59.4)% on prior year for the quarter, but was approximately 3.3pts ahead of the STR MSE benchmark competitive segment.

We controlled costs tightly and benefited from the government job retention and support schemes, as well as the temporary reduced rents under our company voluntary arrangement. We therefore generated marginally positive adjusted EBITDA in each of August and September, and a positive EBITDA of £4.1m for the third quarter.

The Group continues to benefit from a strong development pipeline that will support future trading. We opened eight new hotels in the year to 30 September and one further hotel subsequently, bringing the total to nine. These extend the network further across the UK and continue our strategic diversification. We added a new leisure hotel close to the Scottish whisky trail at Elgin, seaside locations in Portsmouth, Gosport and Maldon, and drive-to blue-collar business oriented hotels at London Beckton, London Mile End, London Stockley Park, Sittingbourne in Kent and Workington in Cumbria.

Financial Performance

<u>For the nine months ended 30 September 2020:</u>

UK like-for-like RevPAR was down 57.1% to £18.00. This decline was driven by the impact of Covid-19, with the vast majority of hotels closed for up to four months since the end of March. UK like-for-like occupancy was down 38.2pts to 41.9%, and UK like-for-like average room rate was down 18.0% to £42.94. During open trading periods, we continued to see RevPAR growth approximately 2-4pts ahead of the competitive segment, with outperformance in both London and the Regions. We have also benefited from the contribution of the eight new hotels opened in the year to date and the 14 maturing hotels opened in 2019.

Total revenue for the period of £230.9m, was down £315.2m (down 57.7%).

In response to the low revenue levels during the first lockdown, we took action to reduce run-rate operating costs.

The rent expense for the nine month period reflects the benefit of reduced rents under our company voluntary arrangement (see below) in the second and third quarters. We have also benefited from the business rates holiday over this period.

Other operating costs were reduced by approximately two-thirds during the first lockdown. These measures included placing more than 8,000 colleagues on furlough and obtaining reductions in variable costs as a result of the hotel closures.

EBITDA (adjusted) was a loss of £48.3m, down £150.5m on the prior year.

We ended the period with closing cash of £71.5m which included drawing of £70m under our two revolving credit facilities and £10m of new equity.

Company Voluntary Arrangement Update

On 19 June 2020 we secured the support of 90.1% of our creditors for a company voluntary arrangement, or "CVA". This arrangement provides for a temporary period of reduced rent, equivalent to a reduction of approximately £140m over the period from April 2020 to December 2021.

Under its terms, temporary lease termination rights were awarded to landlords of hotels that will receive reduced rent. The deadline for the majority of hotels to exercise this right ended on 19 November 2020.

Taken together, the hotels that are now confirmed as retained by the group represent the equivalent of over 98% of continuing 2019 UK hotel EBITDA[(5)]. This includes those for which break rights were not granted and those who have not elected to take up those rights.

Including the nine new hotels opened so far this year, the total continuing group network now stands at 578 hotels.

Within this total are 21 Category C hotels that continue to benefit from temporary break rights until the end of 31 December 2021. Collectively, these generated a small EBITDA loss in 2019 and their retention or departure is not expected to be material to the group.

We have greatly appreciated the commitment and support of our landlords in these challenging times and would like to thank them for their ongoing engagement and support.

Liquidity Update

As the Covid-19 situation has unfolded, the group has taken decisive action to improve its liquidity.

At the onset of Covid-19 the group fully drew its previously undrawn £40m revolving credit facility.

The Group then entered into a £60m super senior revolving credit facility in April 2020, provided by certain of its shareholders (or affiliates thereof).

It further obtained commitment to an additional £40m in equity funding, of which the first £10m was injected in August 2020.

On 18 November 2020 the group signed a refinancing of the £60m super senior revolving credit facility and replaced it with a new £60m super senior term loan facility.

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[5] 2019 UK hotel EBITDA is EBITDA (adjusted), excluding Spain, Ireland, management contracts and central and marketing costs and the EBITDA of the one hotel lease surrendered in July 2020.

The new term facility extends the maturity of the facilities, from 1 May 2022 under the previous revolving facility, to 5 July 2024 under the new term facility, the same maturity date as the existing £40m revolving credit facility.

There will be no scheduled repayment of the principal under the new term facility before 5 July 2024. The initial fees payable in connection with the new term facility are deferred until after 31 December 2021, the end of the rent concession period contained in the CVA. A proportion of the interest will also be payable in kind at the group's election.

The term facility agreement includes representations and warranties, undertakings, financial covenants and events of default and other terms and conditions which are customary for a facility of this type. It also includes a cross event of default to the existing £40m revolving credit facility (including the financial covenant) and the Senior Secured Notes, and call protection in the event the loan is repaid during the first three years it is outstanding.

The refinancing was undertaken through a competitive process conducted by the group's financial advisor that involved a range of third party lenders. Following conclusion of extensive negotiation with the third party lenders and review of the proposed terms, the group concluded that a lending group consisting of certain shareholder affiliates was able to provide terms that were more favourable than those that were available from a comparable transaction with third party lenders.

With the completion of the refinancing now achieved, the group's shareholders will also now inject an additional £30m of equity funding into the business by 2 December 2020, in accordance with their previous commitments.

These changes substantially improve the group's liquidity position. As at 18 November the group held cash reserves of £64m. It also has the benefit of undrawn facilities of £30m under the term facility (which is due to fully fund on 1 December 2020) and expects to receive the additional £30m of equity funding as noted above.

Recent Trading

New tiered restrictions were announced for England from 22 September, with partial travel restrictions but no mandated hotel closures. This was similar to the rules already in force in Scotland. Wales also had localised restrictions in place, but entered a full nationwide 17 day total lockdown from 23 October, with all hotels ordered closed except for certain exemptions such as key workers and vulnerable groups.

On 5 November 2020 England entered its second lockdown. Unlike in March, hotels are permitted to open, but only for business travel and other exempted travel needs, with other leisure travel prohibited altogether. This lockdown is scheduled to end on 2 December 2020.

In view of the expected reduction in demand during the second lockdown, the group took the decision in early November to focus on a core network where demand was likely to be greatest. We have therefore temporarily closed approximately 390 hotels, making use of the extended job retention scheme where appropriate to reduce costs. Sales from the open hotels have tracked at approximately £2m-£2.5m per week in the first few weeks of November, with strong occupancy in open hotels, driven mainly by mid-week sales. Total revenue for the period from 1 October to 19 November was down c. 60% on 2019.

We have continued to outperform the STR MSE benchmark segment with RevPAR growth since the quarter end approximately 2pts[6] ahead of the competitive segment with London and the Regions both outperforming.

Discretionary capex was paused at the onset of the Covid-19 situation. However, cash capex this year includes payments for work undertaken at the end of 2019 as well as the refit and project works undertaken or committed during the first quarter, prior to Covid-19. It is also impacted by the timing of capital payments and receipts in connection with new hotel openings.

Capex for the year to date is £31m and we expect 2020 total capex to be approximately £40m for the full year, including c. £22m of maintenance, health and safety spend, c. £3m on IT, c. £1m in connection with new openings and c. £14m of refit and project spend committed prior to the onset of Covid-19.

We have opened nine hotels in the year to date and expect to open a further six by the year-end, although there is a possibility that several may be delayed into the start of the new year.

Outlook

Looking ahead to 2021, forecasting does remain challenging with much depending on the continuing Covid-19 situation, the restrictions in force and the resulting impact on consumer behaviour.

The PwC forecast for the total UK hotel market implies total market RevPAR for 2021 down approximately 30% on 2019 levels. However, Travelodge operates in the Midscale and Economy ("MSE") segment which has historically shown greater resilience than other segments during economic downturns. We note that since re-opening was permitted in July, the MSE segment has consistently performed c.10pts better than the market as a whole, reflecting its domestic focus, low reliance on meetings, events and banqueting, and low-price proposition.

Prevailing government restrictions will be a major factor in trading and it should be noted these remain uncertain and subject to change. Each 1 percentage point change up or down in RevPAR compared to 2019 levels would be expected to impact Travelodge revenues by approximately £6-£7m.

Travelodge is an operationally geared business and we expect to continue to manage costs tightly. Rent payments, our largest expense, are made either quarterly or monthly in advance depending on the hotel category, with all rents returning to quarterly in advance from December 2021. We expect to see the benefit of the temporary rent reductions from landlords throughout the year, with a total benefit of approximately £55m for the full year. We also expect to benefit from the business rates holiday until April 2021 at approximately £3m per month.

We expect to continue to make use of the UK government's Job Retention Scheme through to the end of March 2021, although the terms of this scheme are subject to change in January 2021.

[6] 24 Sep 2020 to 11 Nov 2020

While the total level of operating costs will fluctuate significantly depending on the number of open hotels, seasonality, the level of occupancy, the prevailing government schemes and a number of other factors, as an indication, we expect the broad range of operating costs across the year to be approximately £8-12m per week.

From a capex perspective, we are in a position to adjust investment to the prevailing market conditions. Over the last 7 years Travelodge has invested more than £200m, or an average of between 7% and 8% of revenues per annum in property capex (excluding new hotels development capex) and we have a well-invested estate with high quality scores. Given the strong position of the estate, we have the flexibility to defer the re-commencement of our cyclical refit programme for a short-period where market circumstances require such action and expect to do so. We currently expect 2021 capex of approximately £30-40m.

While material uncertainty still remains and there may be further challenges ahead on the road to recovery, the MSE segment has proved resilient in the past. Travelodge, with its strong brand, direct distribution model, low-cost proposition and class-leading operating margins is well positioned to benefit from any improvement in trading conditions.

Accounting Note on Liquidity Scenarios

The group prepares numerous liquidity scenarios and has considered a number of severe but plausible downside scenarios, including the possibility that the recovery of trade takes longer than assumed. Based on these scenarios, taking account of reasonably possible changes in trading performance, Travelodge believes that it remains appropriate to adopt the going concern basis in preparing the consolidated financial statements. However, we are likely to continue to be subject over the next 12 months to the impact of Covid-19 and at this stage, we are unable to predict with any certainty the extent or duration of this impact on the group.

It is therefore possible to conceive a downside scenario in which the group would not have adequate resources to continue as a going concern for the foreseeable future. This would indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. We note that this arises solely due to the Covid-19 pandemic which is entirely outside the group's influence or control.

About Travelodge

Founded in 1985, Travelodge is one of the UK's leading hotel brands. There were 578 Travelodge hotels and 44,010 rooms in the UK, Ireland and Spain as at 20 November 2020. Travelodge welcomed approximately 19 million customers in 2019 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 9 months ended 30 September 2020

Results for the Group are for the 9 months ended 30 September 2020, with comparatives for the 9 months ended 30 September 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 30 September 2020			Period ended 30 September 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	**230.9**	**-**	**230.9**	**546.1**	**-**	**546.1**	**(315.2)**	**(57.7)%**
Revenue UK	227.6	-	227.6	534.9	-	534.9	(307.3)	(57.4)%
Revenue International	3.3	-	3.3	11.2	-	11.2	(7.9)	(70.5)%
Key income statement items								
Revenue	**230.9**	**-**	**230.9**	**546.1**	**-**	**546.1**	**(315.2)**	**(57.7)%**
Operating expenses	(175.3)	-	(175.3)	(288.3)	-	(288.3)	113.0	39.2%
Of which cost of goods sold	*(14.3)*	-	*(14.3)*	*(32.4)*	-	*(32.4)*	*18.1*	*55.9%*
Of which employee costs	*(83.5)*	-	*(83.5)*	*(128.5)*	-	*(128.5)*	*45.0*	*35.0%*
Of which other operating expenses	*(77.5)*	-	*(77.5)*	*(127.4)*	-	*(127.4)*	*49.9*	*39.2%*
Net external rent (payable) / receivable	(104.2)	106.5	2.3	(155.9)	158.9	3.0	51.7	33.2%
Other income	0.3	-	0.3	0.3	-	0.3	-	-
EBITDA (adjusted)[2] / EBITDA[3]	**(48.3)** [2]	**106.5**	**58.2** [2]	**102.2** [2]	**158.9**	**261.1** [2]	**(150.5)**	**(147.3)%**
Rent adjustment[4]	(55.4)	55.4	-	(1.7)	1.7	-	(53.7)	(3158.8)%
Depreciation	(29.7)	(84.7)	(114.4)	(33.0)	(87.9)	(120.9)	3.3	10.0%
Amortisation	(12.0)	8.5	(3.5)	(12.9)	8.9	(4.0)	0.9	7.0%
Operating profit / (loss) (before non-underlying items)	**(145.4)**	**85.7**	**(59.7)**	**54.6**	**81.6**	**136.2**	**(200.0)**	**(366.3)%**
Finance costs before investor loan interest	(27.1)	(127.2)	(154.3)	(28.2)	(121.7)	(149.9)	1.1	3.9%
Investor loan interest	(10.9)	-	(10.9)	(10.5)	-	(10.5)	(0.4)	(3.8)%
Finance income	0.4	-	0.4	0.5	-	0.5	(0.1)	(20.0)%
Profit / (loss) for the period (before non-underlying items)	**(183.0)**	**(41.5)**	**(224.5)**	**16.4**	**(40.1)**	**(23.7)**	**(199.4)**	**(1215.9)%**
Non-underlying items	1.7	0.2	1.9	(15.9)	-	(15.9)	17.6	110.7%
Profit / (loss) for the period before tax	**(181.3)**	**(41.3)**	**(222.6)**	**0.5**	**(40.1)**	**(39.6)**	**(181.8)**	**(36360.0)%**
Income tax	5.1	(5.1)	-	2.3	4.1	6.4	2.8	121.7%
Profit / (loss) for the period	**(176.2)**	**(46.4)**	**(222.6)**	**2.8**	**(36.0)**	**(33.2)**	**(179.0)**	**(6392.9)%**

(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 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). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. 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 previous IFRS (IAS 17), the benefit of this rent free period is recognised gradually over the life of the lease 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 each lease, with the unrecognised balance being held as an accrual on our balance sheet. Similarly, any credit relating to the rent reductions resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease. As a result, our total IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the rent free credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure used for internal management reporting. The Rent adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under IAS 17.

Revenue

Revenue decreased by £315.2m, or 57.7%, from £546.1m for the period ended 30 September 2019 to £230.9m for the period ended 30 September 2020, heavily impacted throughout the second and third quarters by the effects of the Covid-19 pandemic, which has had a material and unprecedented impact on the hospitality industry in general and on our business specifically. The vast majority of our hotels were closed during the second quarter, with only around 51 remaining open to support NHS workers, key workers and vulnerable groups. A phased reopening of our hotels was undertaken during a six to seven week period from early July 2020 to the middle of August 2020.

Like-for-like UK RevPAR declined by 57.1%(2), with a decline of 7.5%(3) in the first quarter, followed by a decline of 93.0%(4) in the second quarter and a decline of 59.4%(5) in the third quarter, improving as hotels re-opened through the quarter with September / period 9 down 45.3%(6).

Operating expenses

Operating expenses were reduced by £113.0m, or 39.2%, from £288.3m for the period ended 30 September 2019 to £175.3m for the period ended 30 September 2020. In response to the low revenue levels due to the impact of Covid-19, we took action to reduce the run-rate level of the operating costs, excluding rent, by approximately two-thirds during the period of hotel closures.

Reductions in cost of goods sold reflect the periods of hotel closure and subsequent lower occupancy as well as the extended bar café closures.

Employee cost reductions mainly reflect the benefit of the government's job retention scheme, with over 8,000 team members furloughed throughout the second quarter and into the beginning of the third quarter, with continued, but reducing use of the scheme through the re-opening programme and the remainder of the quarter, together with reduced working hours for some team members, enforced holidays and voluntary management pay reductions, as well as savings from our cost efficiency programmes in the first quarter, partially offset by the impact of the National Living Wage increase costs in the like-for-like estate and the additional staff in our new and maturing hotels. Claims of c. £34m were made in respect of the government's job retention scheme over the period.

Reductions in other operating expenses are largely driven by the hotel closures in the second and third quarters and subsequent reduced occupancy, the hospitality business rates holiday and cost efficiency programmes in the first quarter, partially offset by increased costs from our new and maturing hotels.

Net external rent payable

Net external rent payable (before rent adjustment and before IFRS 16(1)) decreased by £51.7m, or 33.2%, from £155.9m for the period ended 30 September 2019 to £104.2m for the period ended 30 September 2020.

(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 (RevPAR) on a UK like-for-like basis for the management accounting period 26 December 2019 to 23 September 2020.

(3) RevPAR on a UK like-for-like basis for the management accounting period 26 December 2019 to 25 March 2020.

(4) RevPAR on a UK like-for-like basis for the management accounting period 26 March 2020 to 24 June 2020.

(5) RevPAR on a UK like-for-like basis for the management accounting period 25 June 2020 to 23 September 2020.

(6) RevPAR on a UK like-for-like basis for the management accounting period 27 August 2020 to 23 September 2020.

This decrease was primarily due to rent reductions for the second and third quarters agreed as part of the CVA, partially offset by 8 new hotel openings during the period, the annualisation of the 14 hotel openings in 2019 and upwards only rent reviews predominantly linked to RPI in the like-for-like estate.

In many of our leases we receive a rent free period at the beginning of the lease term. Prior to IFRS 16 (under IAS 17 Leases), the benefit of this rent free period is recognised gradually over the life of the lease in our income statement reducing the rent expense in each period, on a straight line basis, over the full life of each lease, with the unrecognised balance being held as an accrual on our balance sheet. Similarly, any credit relating to the rent reductions resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease. As a result, our total IFRS rent expense does not reflect our cash payments of rent in any period.

EBITDA (adjusted) recognises the portion of the rent free credit attributable to each period as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the credit attributable to the reductions resulting from the CVA in line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure which is used for internal management reporting. The Rent adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under IAS17.

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. As a result of the rent reductions agreed as part of the CVA, the lease assets and liabilities have been recalculated under IFRS 16.

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)]) decreased by £3.3m, or 10.0%, from £33.0m for the period ended 30 September 2019 to £29.7m for the period ended 30 September 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. In the second and third quarters we deferred our normal capital refit programme and all non-essential capital expenditure in response to the Covid-19 impact. The impairment of assets at the end of 2019 also contributed to the reduction in depreciation.

Amortisation (before IFRS 16[(1)]) decreased by £0.9m, or 7.0%, from £12.9m for the period ended 30 September 2019 to £12.0m for the period ended 30 September 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, decreased by £6.5m to £114.4m. This is mainly due to the restatement of the right of use assets, reflecting the impact of the CVA, together with the impairment of assets at the end of 2019. Statutory amortisation decreased by £0.5m to £3.5m.

(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.

Finance costs

Finance costs before investor loan interest (before IFRS 16[(1)]) decreased by £1.1m, or 3.9%, from £28.2m for the period ended 30 September 2019 to £27.1m for the period ended 30 September 2020. This decrease was primarily due to the lower bond interest costs following the refinancing in July 2019, together with the impact of the decrease in LIBOR, plus lower interest on finance leases following the surrender of a property lease. These were partially offset by higher bank interest costs following the full drawdown of £40m under the pre-existing revolving credit facility on 17 March 2020 and drawdown of £30m of the new £60m super senior revolving credit facility on 22 June 2020, as well as additional interest costs following the injection of £10m from our shareholders and their affiliates in the form of an investor loan and interest paid on overdue rents following the temporary suspension of rent payments ahead of the CVA. Interest costs for the new £60m super senior facility are non-cash until the end of the CVA rent concession period.

Statutory finance costs include a notional additional finance cost of £127.2m for the period ended 30 September 2020, up £5.5m from £121.7m for the period ended 30 September 2019, relating to the lease liabilities.

Finance income

Finance income of £0.4m for the period ended 30 September 2020 and £0.5m for the period ended 30 September 2019 was bank interest received.

Non-underlying items

Non-underlying items (before IFRS 16[(1)] and taxation) for the period ended 30 September 2020 were a net credit of £1.7m. This related to a profit on the surrender of a property lease (which was a finance lease under IAS17), partially offset by legal and professional fees in connection with the initial landlord consensual proposal, subsequent CVA and other corporate activity.

Non-underlying items (before IFRS 16[(1)] and taxation) for the period ended 30 September 2019 were a charge of £15.9m. This related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities of £0.6m, together with break costs of £9.9m and charges of £5.4m relating to the write off of unamortised loan issue costs following the repayment of the fixed rate and floating rate bonds.

Loss Before Tax

Statutory loss before tax was £222.6m for the period ended 30 September 2020, £183.0m higher than the loss of £39.6m for the period ended 30 September 2019. This was mainly driven by the reduction in revenue as a result of Covid-19, mitigated by the significant cost savings.

(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.

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 period ended 30 September 2020 (current tax credit: £nil; deferred tax credit: £nil). There was an overall income (deferred) tax credit of £6.4m for the period ended 30 September 2019.

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

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

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

As at 30 September 2020, we had cash of £71.5m, a decrease of £34.0m compared to £105.5m as at 30 September 2019.

For the period ended 30 September 2020, net cash used in operating activities of £43.0m (which is after rent paid of £84.1m) and net cash used in investing activities of £31.0m, which relates to the purchase of intangible and tangible fixed assets of £31.3m less interest received of £0.3m, were partially offset by net cash generated by financing activities of £56.3m. Included in net cash generated by financing activities of £56.3m was the full drawdown of the original revolving credit facility of £40m in March 2020 and the partial drawdown of £30m of the new £60m super senior revolving credit facility in June 2020, together with an injection from our shareholders and their affiliates in the form of an investor loan of £10m in August 2020, partially offset by bond interest payments and finance fees of £22.4m and finance lease interest payments of £1.3m.

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) decreased from an inflow of £60.1m for the period ended 30 September 2019 to an outflow of £71.7m for the period ended 30 September 2020. This was mainly due to the significant year on year decrease in EBITDA (adjusted) partially offset by favourable working capital movements benefiting from the adjustments to rent payments resulting from the CVA, partially offset by lower inflows from prepaid rooms and the net VAT reclaim position for the third quarter.

Our cash cycle reflects the monthly payment of creditors and staff and fluctuates throughout the quarter with rent typically due quarterly in advance around the end of each quarter, although the second quarter rent was deferred until the end of June in 2020 and the CVA results in a period of monthly rents for the majority of hotels until the end of 2021. 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 rent bill, monthly creditor payments and payroll.

(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.

The table below sets out certain line items from our consolidated cash flow statement for the period ended 30 September 2020 and the period ended 30 September 2019.

	Period ended 30 September 2020			Period ended 30 September 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 %
Net cash (used in) / generated from operating activities	(43.0)	84.1	41.1	104.6	155.3	259.9	(147.6)	(141.1)%
Net cash used in investing activities	(31.0)	-	(31.0)	(51.3)	-	(51.3)	20.3	39.6%
Net cash generated from / (used in) financing activities	56.3	(84.1)	(27.8)	(29.6)	(155.3)	(184.9)	85.9	290.2%
Net (decrease) / increase in aggregate cash and cash equivalents	(17.7)	-	(17.7)	23.7	-	23.7	(41.4)	(174.7)%
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	**71.5**	**-**	**71.5**	**105.5**	**-**	**105.5**	**(34.0)**	**(32.2)%**

Net cash used in operating activities

Net cash used in operating activities (before IFRS 16[1]) increased by £147.6m, or 141.1%, from an inflow of £104.6m for the period ended 30 September 2019 to an outflow of £43.0m for the period ended 30 September 2020. This was due to a decrease of £197.7m in operating profit (after non-underlying items) and a decrease of £4.2m in depreciation and amortisation, partially offset by an increase of £53.3m in working capital inflow and a decrease of £1.0m in corporation tax payments.

Statutory net cash used in operating activities, which excludes rent, decreased by £218.8m, from an inflow of £259.9m for the period ended 30 September 2019 to an inflow of £41.1m for the period ended 30 September 2020. This was due to a decrease of £193.4m in operating profit (after non-underlying items), an increase of £19.4m in working capital outflow and a decrease of £7.0m in depreciation and amortisation, partially offset by a decrease of £1.0m in corporation tax payments.

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 usually pay quarterly in advance, although the CVA will result in a period of monthly rents for the majority of hotels. 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.

(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.

	Period ended 30 September 2020			Period ended 30 September 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 %
Increase / (decrease) in inventory	0.1	-	0.1	(0.1)	-	(0.1)	0.2	200.0%
(Increase) / decrease in receivables	22.8	(24.0)	(1.2)	(8.5)	(4.1)	(12.6)	31.3	368.2%
Increase / (decrease) in payables	40.4	(55.8)	(15.4)	20.0	(3.0)	17.0	20.4	102.0%
Total working capital movement (before non-underlying items)	63.3	(79.8)	(16.5)	11.4	(7.1)	4.3	51.9	455.3%
Provisions and non-underlying items	(4.5)	1.8	(2.7)	(5.9)	1.8	(4.1)	1.4	23.7%
Total working capital movement	**58.8**	**(78.0)**	**(19.2)**	**5.5**	**(5.3)**	**0.2**	**53.3**	**969.1%**

Working capital inflow (before IFRS 16(1)) before non-underlying items of £63.3m for the period ended 30 September 2020 compared to an inflow of £11.4m for the period ended 30 September 2019. The current year benefited from lower rent prepayments and the 'payable' resulting from spreading the CVA benefit over the life of lease as well as the deferral of payments in respect of VAT as a result of UK government Covid-19 support measures, partially offset by lower inflows from prepaid rooms and the net VAT reclaim position for the third quarter.

Working capital outflow for non-underlying items (before IFRS 16(1)) of £4.5m for the period ended 30 September 2020 compared to an outflow of £5.9m for the period ended 30 September 2019, mainly reflecting legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA, 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, partially offset by the inflow on the surrender of a property lease.

On a Statutory basis, cash flows relating to rent are reported within Net cash used in financing activities. Statutory working capital outflow before non-underlying items of £16.5m for the period ended 30 September 2020 compared to an inflow of £4.3m for the period ended 30 September 2019, primarily due to lower inflows from prepaid rooms, adversely impacted by Covid-19 and the related travel restrictions.

Statutory working capital outflow for non-underlying items of £2.7m for the period ended 30 September 2020 compared to an outflow of £4.1m for the period ended 30 September 2019 is mainly reflecting legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA, payment of legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities, partially offset by the inflow on the surrender of a property lease.

Net cash used in investing activities

Net cash used in investing activities decreased by £20.3m, or 39.6%, from £51.3m for the period ended 30 September 2019 to £31.0m for the period ended 30 September 2020, primarily due to the reduction in capital expenditure.

(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.

Capital expenditure

Capital expenditure of £31.3m in the period ended 30 September 2020 has mainly been in relation to on-going maintenance and IT, as well as spend on refits and investment in energy efficiency projects committed prior to Covid-19, and development pipeline spending. In the second and third quarters, we deferred our normal capital refit programme and all non-essential capex in response to the Covid-19 impact.

Net cash generated from / (used in) financing activities

Net cash generated from financing activities (before IFRS 16[(1)]) was £56.3m for the period ended 30 September 2020, compared to net cash used of £29.6m for the period ended 30 September 2019. This was primarily due to the drawdown of the original revolving credit facility of £40m in March 2020 and the partial drawdown of £30m of the new £60m super senior revolving credit facility in June 2020, together with an injection from our shareholders and their affiliates in the form of an investor loan of £10m in August 2020, lower interest costs and finance fees of £1.4m, primarily due to a change in bond interest rates following the refinancing in July 2019, and lower finance lease rental interest payments of £1.9m, due to the surrender of a property lease and reduced rent payments following the CVA.

Statutory net cash used in financing activities has decreased by £157.1m from a £184.9m outflow to a £27.8m outflow, due mainly to reduced rent payments following the CVA of £84.1m for the period ended 30 September 2020, down £71.2m compared to £155.3m for the period ended 30 September 2019, the drawdown of £70m of the revolving credit facilities as described above, together with the injection from our shareholders and their affiliates of £10m as described above.

Corporation tax

Corporation tax repayments of £0.2m (in Spain) were received in the period ended 30 September 2020 compared to payments on account of £0.8m in the period ended 30 September 2019.

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the quarter ended 30 September 2020 (Q3)

Results for the Group are for the quarter ended 30 September 2020, with comparatives for the quarter ended 30 September 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"):

	Quarter ended 30 September 2020			Quarter ended 30 September 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	**88.2**	**-**	**88.2**	**208.8**	**-**	**208.8**	**(120.6)**	**(57.8)%**
Revenue UK	87.3	-	87.3	204.7	-	204.7	(117.4)	(57.4)%
Revenue International	0.9	-	0.9	4.1	-	4.1	(3.2)	(78.0)%
Key income statement items								
Revenue	**88.2**	**-**	**88.2**	**208.8**	**-**	**208.8**	**(120.6)**	**(57.8)%**
Operating expenses	(57.8)	-	(57.8)	(98.3)	-	(98.3)	40.5	41.2%
Of which cost of goods sold	*(4.1)*	-	*(4.1)*	*(11.6)*	-	*(11.6)*	*7.5*	*64.7%*
Of which employee costs	*(30.6)*	-	*(30.6)*	*(45.0)*	-	*(45.0)*	*14.4*	*32.0%*
Of which other operating expenses	*(23.1)*	-	*(23.1)*	*(41.7)*	-	*(41.7)*	*18.6*	*44.6%*
Net external rent (payable) / receivable	(26.6)	26.9	0.3	(53.1)	54.0	0.9	26.5	49.9%
Other income	0.3	-	0.3	0.1	-	0.1	0.2	200.0%
EBITDA (adjusted)(2) / EBITDA(3)	**4.1** (2)	**26.9**	**31.0** (3)	**57.5** (2)	**54.0**	**111.5** (3)	**(53.4)**	**(92.9)%**
Rent adjustment(4)	(27.4)	27.4	-	(0.5)	0.5	-	(26.9)	(5380.0)%
Depreciation	(10.2)	(25.4)	(35.6)	(11.2)	(30.1)	(41.3)	1.0	8.9%
Amortisation	(4.0)	2.8	(1.2)	(4.2)	3.0	(1.2)	0.2	4.8%
Operating profit / (loss) (before non-underlying items)	**(37.5)**	**31.7**	**(5.8)**	**41.6**	**27.4**	**69.0**	**(79.1)**	**(190.1)%**
Finance costs before investor loan interest	(8.6)	(43.8)	(52.4)	(9.0)	(41.4)	(50.4)	0.4	4.4%
Investor loan interest	(3.8)	-	(3.8)	(3.6)	-	(3.6)	(0.2)	(5.6)%
Finance income	0.1	-	0.1	0.2	-	0.2	(0.1)	(50.0)%
Profit / (Loss) for the quarter (before non-underlying items)	**(49.8)**	**(12.1)**	**(61.9)**	**29.2**	**(14.0)**	**15.2**	**(79.0)**	**(270.5)%**
Non-underlying items	(5.1)	-	(5.1)	(15.5)	-	(15.5)	10.4	67.1%
Profit / (Loss) for the quarter before tax	**(54.9)**	**(12.1)**	**(67.0)**	**13.7**	**(14.0)**	**(0.3)**	**(68.6)**	**(500.7)%**
Income tax	1.6	(1.6)	-	1.7	(0.3)	1.4	(0.1)	(5.9)%
Profit / (Loss) for the quarter	**(53.3)**	**(13.7)**	**(67.0)**	**15.4**	**(14.3)**	**1.1**	**(68.7)**	**(446.1)%**

(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.

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent 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). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. 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 previous IFRS (IAS 17), the benefit of this rent free period is recognised gradually over the life of the lease 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 each lease, with the unrecognised balance being held as an accrual on our balance sheet. Similarly, any credit relating to the rent reductions resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease. As a result, our total IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the rent free credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure used for internal management reporting. The Rent adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under IAS 17.

Revenue

Revenue decreased by £120.6m, or 57.8%, from £208.8m for the quarter ended 30 September 2019 to £88.2m for the quarter ended 30 September 2020. A phased reopening of our hotels was undertaken during a six to seven week period from early July 2020 to the middle of August 2020.

Like-for-like UK RevPAR declined by 59.4%(2) in the third quarter overall, improving as hotels re-opened through the quarter with September/period 9 down 45.3%(3).

Operating expenses

Operating expenses decreased by £40.5m, or 41.2%, from £98.3m for the quarter ended 30 September 2019 to £57.8m for the quarter ended 30 September 2020. Action to reduce the run-rate level of operating costs, excluding rent, continued during the period of re-opening and subsequently, with the lower year on year revenues.

Reductions in cost of goods sold reflect the period of hotel closures and lower like-for-like occupancy levels throughout the remainder of the quarter, as well as the extended bar café closures.

Employee cost reductions mainly reflect the period of hotel closures, together with the benefit of the government's job retention scheme, with up to 8,000 team members furloughed during the closure period, with a smaller number of team members being flexibly furloughed thereafter, together with reduced working hours for some team members and enforced holidays. Claims of c. £10m were made in respect of the government's job retention scheme over the period.

Reductions in other operating expenses are largely driven by the period of hotel closures and reduced occupancy during the remainder of the quarter, together with the hospitality business rates holiday.

Net external rent payable

Net external rent payable (before rent adjustment and before IFRS 16(1)) decreased by £26.5m, or 49.9%, from £53.1m for the quarter ended 30 September 2019 to £26.6m for the quarter ended 30 September 2020. This decrease was primarily due to rent reductions for the third quarter agreed as part of the CVA, partially offset by 5 new hotel openings during the period, the annualisation of the 14 hotel openings in 2019 and upwards only rent reviews predominantly linked to RPI in the like-for-like estate.

In many of our leases we receive a rent free period at the beginning of the lease term. Prior to IFRS 16 (under IAS 17 Leases), the benefit of this rent free period is recognised gradually over the life of the lease in our income statement reducing the rent expense in each period, on a straight line basis, over the full life of each lease, with the unrecognised balance being held as an accrual on our balance sheet. Similarly, any credit relating to the rent reductions resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease.

(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 (RevPAR) on a UK like-for-like basis for the management accounting period 25 June 2020 to 23 September 2020.

(6) RevPAR on a UK like-for-like basis for the management accounting period 27 August 2020 to 23 September 2020.

As a result, our total IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the rent free credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the credit attributable to the reductions resulting from the CVA in line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure which is used for internal management reporting.

The Rent adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under IAS17.

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. As a result of the rent reductions agreed as part of the CVA, the lease assets and liabilities have been recalculated under IFRS 16.

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)]) decreased by £1.0m, or 8.9%, from £11.2m for the quarter ended 30 September 2019 to £10.2m for the quarter ended 30 September 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. In the second and third quarters we deferred our normal capital refit programme and all non-essential capital expenditure in response to the Covid-19 impact. The impairment of assets at the end of 2019 also contributed to the reduction in depreciation.

Amortisation (before IFRS 16[(1)]) decreased by £0.2m, or 4.8%, from £4.2m for the quarter ended 30 September 2019 to £4.0m for the quarter ended 30 September 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, decreased by £5.7m to £35.6m, mainly due to the restatement of the right of use assets, reflecting the impact of the CVA, together with the impairment of assets at the end of 2019. Statutory amortisation remained unchanged, at £1.2m.

(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.

Finance costs

Finance costs before investor loan interest (before IFRS 16[1]) decreased by £0.4m, or 4.4%, from £9.0m for the quarter ended 30 September 2019 to £8.6m for the quarter ended 30 September 2020. This decrease was primarily due to the lower bond interest costs following the refinancing in July 2019, together with the impact of the decrease in LIBOR, plus lower interest on finance leases following the surrender of a property lease. These were partially offset by higher bank interest costs following the full drawdown of £40m under the pre-existing revolving credit facility on 17 March 2020 and drawdown of £30m of the new £60m super senior revolving credit facility on 22 June 2020, and additional interest costs following the injection of £10m from our shareholders and their affiliates in the form of an investor loan. Interest costs for the new £60m super senior facility are non-cash until the end of the CVA rent concession period.

Statutory finance costs include a notional additional finance cost of £43.8m, up £2.4m from £41.4m for the quarter ended 30 September 2019, relating to the lease liabilities.

Finance income

Finance income of £0.1m for the quarter ended 30 September 2020 and £0.2m for the quarter ended 30 September 2019 was bank interest received.

Non-underlying items

Non-underlying items (before IFRS 16[1] and taxation) for the quarter ended 30 September 2020 were a charge of £5.1m. This related to legal and professional fees in connection with the initial landlord consensual proposal, subsequent CVA and other corporate activity.

Non-underlying items (before IFRS 16[1] and taxation) for the quarter ended 30 September 2019 were a charge of £15.5m, This related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities of £0.2m, together with break costs of £9.9m and charges of £5.4m relating to the write off of unamortised loan issue costs following the repayment of the fixed rate and floating rate bonds.

Loss Before Tax

Statutory loss before tax was £67.0m for the quarter ended 30 September 2020, £66.7m higher than the loss of £0.3m for the quarter ended 30 September 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.

(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.

There was an overall income tax credit of £nil for the quarter ended 30 September 2020 (current tax credit: £nil; deferred tax credit: £nil). There was an overall income tax credit of £1.4m for the quarter ended 30 September 2019.

No cash tax payments were made during the quarter (2019: £nil).

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 2019 Annual Report for the year ended 31 December 2019 for a description of the risks that they should consider when making investment decisions about the Notes.

Significant uncertainty remains about the on-going impact and duration of the current Covid-19 pandemic and what continued Government support will be available. There is a risk of recession in the UK possibly reducing demand from our customers. There is a risk of further periods of national or regional lockdown resulting in temporary hotel closures or periods of low demand. Customers may also remain reticent about socialising in public settings and the future impact of the trend to work from home is uncertain. Whilst we are not currently able to assess the full financial impact of Covid-19 we anticipate a significant decline in EBITDA and cashflow.

The terms and conditions of our Company Voluntary Arrangement ("CVA") may also impact the future position of the Group, including the temporary options to terminate leases available to certain landlords.

Registered number: 08170768

THAME AND LONDON LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2020

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

		Unaudited Period ended 30 September 2020				Unaudited Period ended 30 September 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	*3*	230.9	-	-	**230.9**	546.1	-	-	**546.1**
Operating Expenses	*4*	(175.3)	-	(14.7)	**(190.0)**	(288.3)	-	(0.6)	**(288.9)**
Rent	*4*	(159.6)	161.9	16.6	**18.9**	(157.6)	160.6	-	**3.0**
Other Income		0.3	-	-	**0.3**	0.3	-	-	**0.3**
EBITDA after rent adjustment	*3*	**(103.7)**	**161.9**	**1.9**	**60.1**	**100.5**	**160.6**	**(0.6)**	**260.5**
Depreciation & Amortisation	*4*	(41.7)	(76.2)	-	**(117.9)**	(45.9)	(79.0)	-	**(124.9)**
Operating Profit / (Loss)	*3*	**(145.4)**	**85.7**	**1.9**	**(57.8)**	**54.6**	**81.6**	**(0.6)**	**135.6**
Finance Costs	*5*	(38.0)	(127.2)	-	**(165.2)**	(38.7)	(121.7)	(15.3)	**(175.7)**
Finance Income		0.4	-	-	**0.4**	0.5	-	-	**0.5**
Profit / (Loss) before Tax	*3*	**(183.0)**	**(41.5)**	**1.9**	**(222.6)**	**16.4**	**(40.1)**	**(15.9)**	**(39.6)**
Income Tax		5.1	(5.1)	-	**-**	(0.7)	4.1	3.0	**6.4**
Profit / (Loss) for the Period		**(177.9)**	**(46.6)**	**1.9**	**(222.6)**	**15.7**	**(36.0)**	**(12.9)**	**(33.2)**

(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 30 September £m	Period ended 30 September £m
EBITDA (adjusted)(2)	**(48.3)**	**102.2**
Rent adjustment(3)	**(55.4)**	**(1.7)**
EBITDA - Underlying before IFRS 16	**(103.7)**	**100.5**

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent 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). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. 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. Under previous IFRS (IAS 17), the benefit of this rent free period is recognised gradually over the life of the lease 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 each lease, with the unrecognised balance being held as an accrual on our balance sheet. Similarly, any credit relating to the rent reductions resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease. As a result, our total IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the rent free credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure used for internal management reporting. The Rent adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under IAS 17.

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Unaudited Period ended 30 September 2020 £m	Unaudited Period ended 30 September 2019 £m
Loss for the period	**(222.6)**	**(33.2)**
Items that will subsequently be reclassified into profit and loss:		
Movement on fair value of cash flow hedges	**-**	**(0.4)**
Currency translation differences	**0.7**	**-**
Winding up of foreign investment	**-**	**(0.2)**
Other comprehensive income /(expense) for the period, net of tax	**0.7**	**(0.6)**
Total comprehensive expense for the period	**(221.9)**	**(33.8)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	(33.2)	**(33.2)**
Other comprehensive expense				
Movement in fair value of hedging derivatives	-	(0.4)	-	**(0.4)**
Winding up of foreign investment	-	-	(0.2)	**(0.2)**
Total comprehensive expense	**-**	**(0.4)**	**(33.4)**	**(33.8)**
30 September 2019	**(0.3)**	**-**	**(306.7)**	**(307.0)**
Loss for the period	**-**	**-**	(34.5)	**(34.5)**
Other comprehensive income / (expense)				
Movement in fair value of hedging derivatives	-	-	-	**-**
Winding up of foreign investment			0.2	**0.2**
Currency translation differences	(0.1)	-	-	**(0.1)**
Total comprehensive expense	**(0.1)**	**-**	**(34.3)**	**(34.4)**
1 January 2020	**(0.4)**	**-**	**(341.0)**	**(341.4)**
Loss for the period	-	-	(222.6)	**(222.6)**
Other comprehensive income				
Currency translation differences	0.7	-	-	**0.7**
Total comprehensive income / (expense)	**0.7**	**-**	**(222.6)**	**(221.9)**
30 September 2020	**0.3**	**-**	**(563.8)**	**(563.5)**

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2020

	Note	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m	Audited 31 December 2019 £m
NON CURRENT ASSETS				
Intangible assets	*7*	**160.8**	**160.9**	**159.6**
Property, plant and equipment	*8*	**125.7**	**130.7**	**132.9**
Right of Use assets	*9*	**2,130.1**	**2,534.8**	**2,521.3**
Deferred tax asset		**61.7**	**63.4**	**58.9**
		2,478.3	**2,889.8**	**2,872.7**
CURRENT ASSETS				
Financial derivative asset		**-**	**0.4**	**0.3**
Inventory		**1.1**	**1.2**	**1.2**
Trade and other receivables	*11*	**19.9**	**25.8**	**18.6**
Cash and cash equivalents		**71.5**	**105.5**	**89.2**
		92.5	**132.9**	**109.3**
TOTAL ASSETS		**2,570.8**	**3,022.7**	**2,982.0**
CURRENT LIABILITIES				
Trade and other payables	*12*	**(103.0)**	**(127.1)**	**(119.7)**
Lease liabilities	*10*	**(22.4)**	**(54.7)**	**(47.6)**
Provisions	*14*	**(0.1)**	**(0.6)**	**(0.1)**
		(125.5)	**(182.4)**	**(167.4)**
NON-CURRENT LIABILITIES				
Bond related debt	*13*	**(433.2)**	**(431.7)**	**(432.1)**
Revolving credit facility	*13*	**(70.1)**	**-**	**-**
Investor loan	*13*	**(132.1)**	**(107.5)**	**(111.3)**
Lease liabilities	*10*	**(2,308.2)**	**(2,540.6)**	**(2,549.8)**
Deferred tax liability		**(57.8)**	**(60.2)**	**(55.2)**
Provisions	*14*	**(7.4)**	**(7.3)**	**(7.6)**
		(3,008.8)	**(3,147.3)**	**(3,156.0)**
TOTAL LIABILITIES		**(3,134.3)**	**(3,329.7)**	**(3,323.4)**
NET LIABILITIES		**(563.5)**	**(307.0)**	**(341.4)**
EQUITY				
Share capital		**-**	**-**	**-**
Foreign exchange reserve		**0.3**	**(0.3)**	**(0.4)**
Accumulated losses		**(563.8)**	**(306.7)**	**(341.0)**
TOTAL EQUITY		**(563.5)**	**(307.0)**	**(341.4)**

Memorandum - Analysis of net funding

	Note	Unaudited 30 September 2020 *£m*	Unaudited 30 September 2019 *£m*	Audited 31 December 2019 *£m*
Cash at bank		***71.5***	***105.5***	***89.2***
External debt redeemable (excluding lease liabilities):				
Floating Rate Bond	*13*	***(440.0)***	***(440.0)***	***(440.0)***
Revolving credit facility	*13*	***(70.6)***	***-***	***-***
Issue costs	*13*	***7.3***	***8.3***	***7.9***
Gross debt	*13*	***(503.3)***	***(431.7)***	***(432.1)***
External net debt		***(431.8)***	***(326.2)***	***(342.9)***
Investor loan	*13*	***(132.1)***	***(107.5)***	***(111.3)***
Net debt		***(563.9)***	***(433.7)***	***(454.2)***
Lease liabilities	*10*	***(2,330.6)***	***(2,595.3)***	***(2,597.4)***
		(2,894.5)	***(3,029.0)***	***(3,051.6)***

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Unaudited			Unaudited		
	Period ended 30 September 2020			Period ended 30 September 2019		
	Before IFRS 16 (1)	IFRS 16 impact	Statutory	Before IFRS 16 (1)	IFRS 16 impact	Statutory
	£m	£m	£m	£m	£m	£m
CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	**(43.2)**	**84.1**	**40.9**	**105.4**	**155.3**	**260.7**
Corporate tax	**0.2**	**-**	**0.2**	**(0.8)**	**-**	**(0.8)**
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	**(43.0)**	**84.1**	**41.1**	**104.6**	**155.3**	**259.9**
INVESTING ACTIVITIES						
Interest received	**0.3**	**-**	**0.3**	**0.5**	**-**	**0.5**
Purchases of property, plant and equipment and intangible assets	**(31.3)**	**-**	**(31.3)**	**(51.8)**	**-**	**(51.8)**
Net cash used in investing activities	**(31.0)**	**-**	**(31.0)**	**(51.3)**	**-**	**(51.3)**
FINANCING ACTIVITIES						
Finance fees paid	**(0.5)**	**0.2**	**(0.3)**	**(0.2)**	**-**	**(0.2)**
Interest paid	**(21.9)**	**-**	**(21.9)**	**(20.8)**	**-**	**(20.8)**
Finance lease rental interest payments	**(1.3)**	**1.3**	**-**	**(3.2)**	**3.2**	**-**
IFRS 16 lease rental capital payments	**-**	**(35.4)**	**(35.4)**	**-**	**(32.5)**	**(32.5)**
IFRS 16 lease rental interest payments	**-**	**(50.2)**	**(50.2)**	**-**	**(126.0)**	**(126.0)**
Issue of floating rate bonds	**-**	**-**	**-**	**440.0**		**440.0**
Repayment of fixed and floating rate bonds	**-**	**-**	**-**	**(427.0)**		**(427.0)**
Finance issue transaction costs	**-**	**-**	**-**	**(18.4)**		**(18.4)**
Proceeds of investor loan	**10.0**	**-**	**10.0**	**-**		**-**
Drawdown of revolving credit facility	**70.0**	**-**	**70.0**	**-**	**-**	**-**
Net cash generated from / (used in) financing activities	**56.3**	**(84.1)**	**(27.8)**	**(29.6)**	**(155.3)**	**(184.9)**
Net (decrease) / increase in aggregate cash and cash equivalents	**(17.7)**	**-**	**(17.7)**	**23.7**	**-**	**23.7**
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	**71.5**	**-**	**71.5**	**105.5**	**-**	**105.5**

(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 30 September 2020	***Period ended 30 September 2019***
	Before IFRS 16 (1)	***Before IFRS 16 (1)***
	£m	***£m***
EBITDA (adjusted)[2]	***(48.3)***	***102.2***
Working capital	***7.9***	***9.7***
Net cash flows from operating activities before non-underlying items	***(40.4)***	***111.9***
Capital expenditure	***(31.3)***	***(51.8)***
Free cash flow (used) / generated for the year	***(71.7)***	***60.1***
Non-trading cash flow		
Finance fees paid	***(0.5)***	***(0.2)***
Interest paid	***(21.9)***	***(20.8)***
Interest income	***0.3***	***0.5***
Finance lease rental interest payments	***(1.3)***	***(3.2)***
Cash spend on provisions and non-underlying items [3]	***(2.8)***	***(24.9)***
Corporate tax	***0.2***	***(0.8)***
Non-trading cash flow	***(26.0)***	***(49.4)***
Cash (used) / generated	***(97.7)***	***10.7***
Opening Cash	***89.2***	***81.8***
Movement in cash	***(97.7)***	***10.7***
Net refinancing proceeds	***-***	***13.0***
Proceeds of investor loan note	***10.0***	***-***
Drawdown of revolving credit facility	***70.0***	***-***
Closing Cash	***71.5***	***105.5***
Opening external net debt	***(342.9)***	***(339.0)***
Net (decrease) / increase in aggregate cash	***(17.7)***	***23.7***
Drawdown of revolving credit facility	***(70.0)***	***-***
Net refinancing	***-***	***(4.4)***
Net amortised bond and revolving credit facility transaction costs	***(1.2)***	***(6.5)***
Closing external net debt	***(431.8)***	***(326.2)***

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, tax, depreciation and amortisation, and before rent 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). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.

3. In 2020, net cash spend on provisions and non-underlying items of £2.8m included legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA, legal and advisors' fees and management incentives relating to the previous restructuring of the Group's debt and other corporate activities, as well as onerous lease provisions of £2.0m, partially offset by a cash inflow relating to the surrender of a property lease. In 2019, cash spend on provisions and exceptional items of £24.9m includes costs of refinancing the Travelodge Group of £18.4m, 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 £2.0m.

Reconciliation of net cash flows from operating activities before non-underlying items to net cash generated from operating activities (note 17)	*Unaudited*	*Unaudited*
	Period ended 30 September 2020	***Period ended 30 September 2019***
	Before IFRS 16 (1)	***Before IFRS 16 (1)***
Net cash flows from operating activities before non-underlyings	***(40.4)***	***111.9***
Cash spend on non-underlying items through working capital [4]	***(2.8)***	***(6.5)***
Cash flows from operating activities	***(43.2)***	***105.4***
Corporate tax	***0.2***	***(0.8)***
Net cash (used in) / generated from operating activities	***(43.0)***	***104.6***

4. In 2020, net cash spend from non-underlying items through working capital of £2.8m included a net £0.8m outflow relating to accrued costs and £2.0m cash spend on provisions. In 2019 cash spend on non-underlying items through working capital of £6.5m included £4.5m cash spend relating to accruals and £2.0m 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 7 August 2012. The Company changed its name from Anchor UK Bidco Limited on 23 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 2019. The policies shown are an extract from the full disclosure in the annual financial statements for the year ended 31 December 2019, as not all policies are given.

Statutory accounts for the year ended 31 December 2019 were approved by the board of directors on 30 July 2020 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 30 September 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 30 September 2020 £m	Unaudited Period ended 30 September 2019 £m
Revenue		
UK	**227.6**	**534.9**
International	**3.3**	**11.2**
Revenue	**230.9**	**546.1**
EBITDA - Underlying		
UK EBITDA (adjusted)[(1)]	**(45.7)**	**100.0**
Rent adjustment	**(55.4)**	**(1.7)**
UK EBITDA after rent adjustment	**(101.1)**	**98.3**
International EBITDA after rent adjustment	**(2.6)**	**2.2**
EBITDA after rent adjustment before IFRS 16	**(103.7)**	**100.5**
UK IFRS 16 EBITDA adjustment	**159.2**	**157.3**
International IFRS 16 EBITDA adjustment	**2.7**	**3.3**
EBITDA after rent adjustment - Underlying	**58.2**	**261.1**
Non-underlying items (Total)	**1.9**	**(0.6)**
EBITDA after rent adjustment	**60.1**	**260.5**
Operating (loss) / profit - Underlying		
UK	**(142.7)**	**52.6**
International	**(2.7)**	**2.0**
Operating (loss) / profit before IFRS 16 - Underlying	**(145.4)**	**54.6**
UK IFRS 16 Operating profit adjustment	**85.0**	**80.4**
International IFRS 16 Operating profit adjustment	**0.7**	**1.2**
Operating (loss) / profit - Underlying	**(59.7)**	**136.2**
Non-underlying items (Total)	**1.9**	**(0.6)**
Operating (loss) / profit	**(57.8)**	**135.6**
(Loss) / profit before tax - Underlying		
UK	**(180.3)**	**14.4**
International	**(2.7)**	**2.0**
(Loss) / profit before tax - Underlying	**(183.0)**	**16.4**
Non-underlying items before IFRS 16 (note 7)	**1.9**	**(15.9)**
(Loss) / profit before tax and IFRS 16	**(181.1)**	**0.5**
UK IFRS 16 Loss before tax adjustment	**(40.2)**	**(39.3)**
International IFRS 16 Loss before tax adjustment	**(1.3)**	**(0.8)**
Loss before tax	**(222.6)**	**(39.6)**

(1) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent adjustments, 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). This measure also reflects the cash benefit of rent reductions following the CVA which completed on 19 June 2020. 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 30 September 2020			Period ended 30 September 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	14.3	-	14.3	32.4	-	32.4
Employee costs	83.5	-	83.5	128.5	-	128.5
Operating expenses	77.5	-	77.5	127.4	-	127.4
Net operating expenses before rent, depreciation and amortisation	175.3	-	175.3	288.3	-	288.3
Rent payable (third party landlords)[3]	106.3	(106.5)	(0.2)	158.9	(158.9)	-
Rent receivable	(2.1)	-	(2.1)	(3.0)	-	(3.0)
Net external rent payable	104.2	(106.5)	(2.3)	155.9	(158.9)	(3.0)
Rent adjustment[2]	55.4	(55.4)	-	1.7	(1.7)	-
Net rent	159.6	(161.9)	(2.3)	157.6	(160.6)	(3.0)
Net operating expenses before depreciation and amortisation	334.9	(161.9)	173.0	445.9	(160.6)	285.3
Depreciation	29.7	84.7	114.4	33.0	87.9	120.9
Amortisation	12.0	(8.5)	3.5	12.9	(8.9)	4.0
Net depreciation and amortisation	41.7	76.2	117.9	45.9	79.0	124.9
Total net operating expenses	376.6	(85.7)	290.9	491.8	(81.6)	410.2

(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. Under previous IFRS (IAS 17), the benefit of this rent free period is recognised gradually over the life of the lease 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 each lease, with the unrecognised balance being held as an accrual on our balance sheet. Similarly, any credit relating to the rent reductions resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease. As a result, our total IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the rent free credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure used for internal management reporting. The Rent adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under IAS 17.

(3) Statutory rent payable (after the impact of IFRS 16) of £(0.2)m credit (2019: £nil) relates to a £(0.4)m credit in respect of rent insurance receipts and a £(0.1)m credit relating to temporary rent reductions in Spain, offset by £0.3m variable lease payments that are not included within right of use assets.

5 FINANCE COSTS

	Unaudited Period ended 30 September 2020 Statutory	Unaudited Period ended 30 September 2019 Statutory
	£m	£m
Finance fees	1.8	1.3
Interest on bank loans	2.6	0.7
Interest on fixed and floating rate bonds	19.6	21.9
Interest on obligations under finance leases	2.8	4.0
Unwinding of discount on provisions	0.3	0.3
Finance costs before interest on investor loan, non-underlying items and IFRS 16	27.1	28.2
Interest on investor loan	10.9	10.5
Finance costs before non-underlying items and IFRS 16	38.0	38.7
Non-underlying items:		
Fees in relation to restructuring of debt	-	15.3
Finance costs before IFRS 16	38.0	54.0
IFRS 16 adjustment[1]	127.2	121.7
Finance costs after IFRS 16	165.2	175.7

(1) The total IFRS 16 notional interest charge on lease liabilities is £130.5m. The IFRS 16 adjustment includes a £2.8m credit in respect of interest on finance leases, a £0.2m credit in respect of interest on overdue rent (included within finance fees before IFRS 16) and a £0.3m credit in respect of unwinding of discount on provisions.

6 NON-UNDERLYING ITEMS

Non-underlying items (before taxation) for the period ended 30 September 2020 were a net credit of £1.7m. This related to a profit on the surrender of a property lease (which was a finance lease under IAS 17), partially offset by legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA.

Non-underlying items of £15.9m charge for the period ended 30 September 2019 include £0.6m related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities, together with break costs of £9.9m and charges of £5.4m relating to the write off of unamortised loan issue costs following the repayment of the fixed rate and floating rate bonds.

7 INTANGIBLE ASSETS

	Unaudited 30 September 2020 £m	**Unaudited 30 September 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	**4.6**	**7.0**
Movement on capital creditors	**0.1**	**(0.8)**
Amortisation	**(3.5)**	**(4.0)**
Closing net book value	**160.8**	**160.9**

The closing net book value at 30 September 2020 comprises brand value of £145.0m, assets under construction of £9.8m and IT software of £6.0m.

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 30 September 2019 comprises brand value of £145.0m, assets under construction of £9.8m and IT software of £6.1m.

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 30 September 2020 £m	Unaudited 30 September 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	**26.4**	**44.3**
Movement on capital creditors	**(2.4)**	**(4.3)**
Disposals	**(0.6)**	**-**
Depreciation	**(30.6)**	**(32.7)**
Closing net book value	**125.7**	**130.7**

[1] The impact of the adoption of IFRS 16 consists of the transfer of £15.5m from Property, Plant and 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 30 September 2020 comprises assets under construction of £9.0m, freehold and long leaseholds of £1.6m and fixtures and fittings of £115.1m.

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 30 September 2019 comprises assets under construction of £7.5m, freehold and long leaseholds of £1.6m and fixtures and fittings of £121.6m.

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

9 RIGHT OF USE ASSETS

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m
Opening net book value	**2,521.3**	**-**
Impact of adoption of IFRS 16[1]	**-**	**2,536.8**
New leases	**44.4**	**54.3**
Lease Adjustments[2]	**(337.7)**	**32.0**
Additions[3]	**0.3**	**0.5**
Foreign Exchange Translation Adjustment	**2.3**	**(0.6)**
Depreciation	**(83.8)**	**(88.2)**
Disposals[4]	**(16.7)**	**-**
Closing net book value	**2,130.1**	**2,534.8**

(1) The impact of adoption of IFRS 16 is made up of:
   (i) The transfer of £15.5m from Property, Plant and 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 £2,360.7m in respect of operating leases.
   (v) An impairment of £35.7m to the Right of Use asset at the transition date.

(2) These include the effect of lease modifications following the CVA (see note 10).

(3) Additions relate to leasehold premiums.

(4) Disposals relate to the surrender of a property lease.

10 IFRS 16 LEASE LIABILITIES

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m
Opening Balance	(2,597.4)	-
Transfer from Finance Lease Creditor[1]	-	(32.9)
New Lease Liabilities on Adoption	-	(2,509.0)
Adoption of IFRS 16	-	(2,541.9)
New leases	(44.4)	(54.3)
Lease Adjustments[2]	337.7	(32.2)
Foreign Exchange Translation Adjustment	(2.5)	0.6
Finance Costs	(130.5)	(126.0)
Payments - Finance Leases	1.3	3.2
Payments - Operating Leases	84.3	155.3
Disposals[3]	20.9	-
Closing Balance	**(2,330.6)**	**(2,595.3)**
Amounts falling due within one year	(22.4)	(54.7)
Amounts falling due after one year	(2,308.2)	(2,540.6)
	(2,330.6)	(2,595.3)

(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.
(2) These include the effect of lease modifications following the CVA.
(3) Disposals relate to the surrender of a property lease.

Lease adjustments of £337.7m include lease modifications resulting in a reduction of £365.6m, partially offset by other lease adjustments in the normal course of business, mainly rent reviews.

Under the terms of the company voluntary arrangement, which was approved on 19 June 2020, the Group benefits from a temporary period of rent reductions for certain assets in the portfolio to the end of 2021 and the landlords of these assets were entitled to enter into extension options in relation to those leases. As the reductions extend beyond 30 June 2021, they do not qualify for the practical expedient as set out by the International Accounting Standards Board and have, therefore, been assessed as modifications.

As a result of this treatment as a modification, leases were reassessed based on future projected rent cash flows, together with the impact of any lease extension options entered into, and the discount rates used were also reassessed as at June 2020, when the CVA took effect. This has resulted in a total reduction in both the lease liability and right of use asset totalling £363.1m, which comprises the effect of the temporary period of rent reductions of approximately £140.0m, together with the reduction due to the increase in the weighted average discount rate for the affected leases from 7.1% to 9.4%, partially offset by the effect of landlord extension options entered into since the CVA.

Lease liabilities have been discounted at a weighted average discount rate of 8.87% with a range between 5.0% and 11.0%. The weighted average remaining length of lease from the balance sheet date is 23.3 years.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m	Audited 31 December 2019 £m
Amounts due within one year:			
Trade amounts receivable			
- Gross amounts receivable	**7.6**	**10.5**	**6.5**
- Bad debt provision	**(0.2)**	**(0.3)**	**(0.2)**
- Net amounts receivable	**7.4**	**10.2**	**6.3**
Other amounts receivable	**3.6**	**2.6**	**2.2**
Corporation tax debtor	**1.1**	**2.6**	**1.3**
Accrued income	**1.1**	**1.9**	**2.4**
Prepayments	**4.7**	**6.8**	**4.5**
Loans to related parties	**2.0**	**1.7**	**1.9**
	19.9	**25.8**	**18.6**

12 TRADE AND OTHER PAYABLES

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m	Audited 31 December 2019 £m
Trade payables	**(3.3)**	**(8.6)**	**(13.5)**
Other payables	**(10.7)**	**(9.4)**	**(8.7)**
Social security and other taxation	**(13.5)**	**(18.7)**	**(7.5)**
Accruals	**(44.2)**	**(45.0)**	**(54.4)**
Deferred income	**(2.1)**	**(2.0)**	**(2.3)**
Prepaid room purchases(1)	**(25.7)**	**(39.4)**	**(27.5)**
Capital payables	**(3.5)**	**(4.0)**	**(5.8)**
Amounts falling due within one year	**(103.0)**	**(127.1)**	**(119.7)**

(1) Prepaid room purchases includes additional premiums on vouchers issued in relation to cancelled stays during periods of lockdown

13 FINANCIAL ASSETS AND LIABILITIES

		Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m	Audited 31 December 2019 £m
Cash at bank and in hand		**71.5**	**105.5**	**89.2**
External debt redeemable:				
Floating Rate Bond	July 2025	**(440.0)**	**(440.0)**	**(440.0)**
Revolving credit facility	May 2022 / July 2024	**(70.6)**	**-**	**-**
Issue Costs		**7.3**	**8.3**	**7.9**
External debt		**(503.3)**	**(431.7)**	**(432.1)**
Net external debt		**(431.8)**	**(326.2)**	**(342.9)**
Investor Loan Note	January 2026	**(132.1)**	**(107.5)**	**(111.3)**
Net debt before finance leases		**(563.9)**	**(433.7)**	**(454.2)**
Lease liabilities under IFRS 16		**(2,330.6)**	**(2,595.3)**	**(2,597.4)**
Net debt including finance leases		**(2,894.5)**	**(3,029.0)**	**(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: 30 September 2020: £14.4m, 31 December 2019: £33.6m, 30 September 2019: £33.6m.

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, two sterling denominated revolving credit facilities of £40m and £60m were available to the Group until July 2024 and May 2022 respectively. At the date of these financial statements the £40m facility was fully drawn and £30m was drawn in relation to the £60m facility.

The original 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 are being 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.

A 'take and hold' fee of £0.6m was incurred in respect to the initial drawdown of £30m. This fee has been capitalised and deemed to form a new loan under the facility and will be amortised over the life of the facility in line with generally accepted accounting practice.

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 2020, letters of credit were in issue to the value of £24.3m, 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 the period ended 30 September 2020 totalled £10.9m (2019: £10.5m). 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 September 2020		30 September 2019		31 December 2019	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial instrument categories						
Cash and Cash Equivalents	**71.5**	**71.5**	**105.5**	**105.5**	**89.2**	**89.2**
Loans and receivables[1]	**14.1**	**14.1**	**16.4**	**16.4**	**14.7**	**14.7**
Financial derivative asset	**-**	**-**	**0.4**	**0.4**	**0.3**	**0.3**
Bond related debt	**(440.0)**	**(331.3)**	**(440.0)**	**(438.6)**	**(440.0)**	**(442.6)**
Revolving credit facility	**(70.6)**	**(70.6)**	**-**	**-**	**-**	**-**
Investor Loan Note	**(132.1)**	**(132.1)**	**(107.5)**	**(107.5)**	**(111.3)**	**(111.3)**
Financial liabilities[2]	**(2,399.8)**	**(2,399.8)**	**(2,670.2)**	**(2,670.2)**	**(2,687.5)**	**(2,687.5)**
	(2,956.9)	**(2,848.2)**	**(3,095.4)**	**(3,094.0)**	**(3,134.6)**	**(3,137.2)**

(1) Loans and receivables of £14.1m (December 2019: £14.7m) are made up of trade receivables of £7.4m (December 2019: £6.3m), other receivables of £3.6m (December 2019: £4.1m), accrued income of £1.1m (December 2019: £2.4m) and loans to related parties of £2.0m (December 2019: £1.9m).

(2) Financial liabilities of £2,399.8m (December 2019: £2,687.5m) are made up of lease liabilities of £2,330.6m (December 2019: £2,597.4m), provisions of £7.5m December 2019: £7.7m), trade payables of £3.3m (December 2019: £13.5m), capital payables of £3.5m (December 2019: £5.8m), accruals of £44.2m (December 2019: £54.4m) and other payables of £10.7m (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.

14 PROVISIONS

	Unaudited 30 September 2020 £m	Unaudited 30 September 2019 £m	Audited 31 December 2019 £m
At 1 January 2020	**(7.7)**	**(8.1)**	**(8.1)**
Cash spend	**0.2**	**0.2**	**0.4**
At 30 September 2020	**(7.5)**	**(7.9)**	**(7.7)**
The balance can be analysed as:			
Due in less than one year	**(0.1)**	**(0.6)**	**(0.1)**
Due in greater than one year	**(7.4)**	**(7.3)**	**(7.6)**
	(7.5)	**(7.9)**	**(7.7)**

Provisions of £7.5m 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 £6.2m 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%).

15 NOTE TO THE CASH FLOW STATEMENT

	Unaudited			Unaudited		
	Period ended 30 September 2020			Period ended 30 September 2019		
	Before IFRS 16[1]	IFRS 16 impact	Statutory	Before IFRS 16[1]	IFRS 16 impact	Statutory
	£m	£m	£m	£m	£m	£m
Operating profit / (loss) - Underlying	(145.4)	85.7	(59.7)	54.6	81.6	136.2
Operating profit / (loss) - Non-underlying	1.7	0.2	1.9	(0.6)	-	(0.6)
Operating profit / (loss)	**(143.7)**	**85.9**	**(57.8)**	**54.0**	**81.6**	**135.6**
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	29.7	84.7	114.4	33.0	87.9	120.9
Amortisation of other intangible assets	12.0	(8.5)	3.5	12.9	(8.9)	4.0
	41.7	76.2	117.9	45.9	79.0	124.9
Operating cash flows before movements in working capital	**(102.0)**	**162.1**	**60.1**	**99.9**	**160.6**	**260.5**
Movement in inventory	0.1	-	0.1	(0.1)	-	(0.1)
Movement in receivables	22.8	(24.0)	(1.2)	(8.5)	(4.1)	(12.6)
Movement in payables	37.9	(55.8)	(17.9)	16.1	(3.0)	13.1
Movement in provisions	(2.0)	1.8	(0.2)	(2.0)	1.8	(0.2)
Total working capital movement[2]	**58.8**	**(78.0)**	**(19.2)**	**5.5**	**(5.3)**	**0.2**
Cash flows from operating activities	**(43.2)**	**84.1**	**40.9**	**105.4**	**155.3**	**260.7**
Corporate tax	0.2	-	0.2	(0.8)	-	(0.8)
Net Cash (Used in) / Generated from operating activities	**(43.0)**	**84.1**	**41.1**	**104.6**	**155.3**	**259.9**

[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 £58.8m (2019: £5.5m) is after non-underlying outflows of £4.5m (2019: outflows of £5.9m) and before rent adjustment of £55.4m (2019: £1.7m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 24 is stated before non-underlying movements and before rent adjustment.

16 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 September 2020 £m	**Period ended September 2019 £m**
Statutory Loss before Tax	**(222.6)**	**(39.6)**
Net Finance Costs	164.8	175.2
Operating (loss) / Profit	**(57.8)**	**135.6**
Non-underlying Items (See note 6)	(1.9)	0.6
Underlying Operating (Loss) / Profit	**(59.7)**	**136.2**
Reverse IFRS 16 Rent Adj(1)	(161.9)	(160.6)
Depreciation, Amortisation - Underlying	117.9	124.9
EBITDA - before Rent Adjustment	(103.7)	100.5
Rent Adjustment(2)	55.4	1.7
EBITDA (adjusted)(3)	**(48.3)**	**102.2**

(1) The rent payable for operating leases of £106.5m (2019: £104.9m) and the rent adjustment of £55.4m (2019: £1.7m) 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. Under previous IFRS (IAS 17), the benefit of this rent free period is recognised gradually over the life of the lease 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 each lease, with the unrecognised balance being held as an accrual on our balance sheet. Similarly, any credit relating to the rent reductions resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease. As a result, our total IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the rent free 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 used for internal management reporting and recognises the credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each period. The Rent adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under IAS 17.

(3) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent 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). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.

	Period ended September 2020 £m	**Period ended September 2019 £m**
EBITDA (adjusted)(1)	(48.3)	102.2
Working capital(2)	7.9	9.7
Net cash flows from operating activities before non-underlying items	(40.4)	111.9
Capital expenditure	(31.3)	(51.8)
Free Cash Flow	**(71.7)**	**60.1**

(1) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent adjustments, 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). This measure also reflects the cash benefit of rent reductions following the CVA which completed on 19 June 2020.
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 adjustment and before the impact of IFRS 16.

17 POST BALANCE SHEET EVENTS

On 18 November 2020 the Group confirmed it had signed the refinancing of its £60m Super Senior Revolving Credit Facility, which is due to fully fund on 1 December 2020. The Group also confirmed that its shareholders will inject an additional £30 million of equity funding into the business simultaneously with the funding of the refinancing and in any event by 2 December 2020. The new £60m Super Senior Term Facility has a maturity of 5 July 2024 with no scheduled repayment of principle before that date. Payment of initial fees in connection with the new facility will be deferred until after 31 December 2021, being the end of the rent concession period contained in Travelodge Hotels Limited's company voluntary arrangement. A proportion of the interest will also be payable in kind at the Borrower's election. Proceeds from the new facility will be used to fund our general corporate and working capital requirements. The Super Senior Term Facility agreement is between, among others, Travelodge Hotels Limited (the "Borrower"), Thame and London Limited (the "Parent" and together with its subsidiaries, the "Group"), the Issuer, certain funds managed or advised by GoldenTree Asset Management and certain funds managed or advised by Avenue Europe International Management, L.P. (or affiliates thereof) (the "Lenders") and Global Loan Agency Services Limited (the "Agent") in respect of a £60 million single currency, super senior term facility (the "Super Senior Facility") to be provided in accordance with the terms thereof.