TVL FINANCE PLC

YEAR ENDED 31 DECEMBER 2020

REPORT TO NOTEHOLDERS

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

£65,000,000 9.0% SENIOR SECURED 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 31 December 2020 (prior year from 1 January 2019 to 31 December 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 year ended 31 December 2020

Significant Covid-19 Impact

Continue to face material uncertainty

Headlines

- Total revenue down 60.9% to £284.4m (2019: £727.9m)
- RevPAR[(1)] down 59.6% to £16.89 (2019: £41.85)
- RevPAR performance 3.2pts ahead of the competitive segment[2]
- Occupancy[(1)] down 39.1pts to 41.3%
- Average room rate[(1)] down 21.5% at £40.86 (2019: £52.08)
- EBITDA[(3)] down £280.2m to £61.1m (under IFRS 16)
- EBITDA (adjusted)[(4)] down £203.1m to a loss of £74.0m
- Cash of £136.2m at 31 December 2020
- Nine new hotels opened with practical completion of a further seven which are not yet open due to the current restrictions on customer stays
- Total network now 586 hotels and 44,549 rooms as at 31 December 2020

Summary

Covid-19 has had an unprecedented impact on the UK hospitality sector with Travelodge being significantly impacted. The majority of our hotels were closed for a number of months from the end of the first quarter and we faced varying degrees of restrictions for much of the rest of the year. This resulted in revenues being down 61% on the prior year. We took decisive action to mitigate the impact including reducing operational costs, utilising government support, securing temporary rent reductions and raising additional funding and equity injections. We would like to thank our stakeholders - customers, team members, shareholders and investors, landlords and other creditors including key operational suppliers, for their support during this period.

Looking ahead we continue to face material uncertainty with a wide range of possible outcomes. However, we welcome the government guidance on the roadmap out of lockdown and are encouraged by the progress on vaccination. Historically, the budget segment has proven resilience and with our large diversified network of hotels, value proposition and domestic travel focus, Travelodge is well positioned to benefit from any recovery as restrictions are lifted and demand builds.

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[1] Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 8 Jan 2020 to 30 Dec 2020.

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

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

[4] 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.

We are also delighted to welcome Martin Robinson to the Board as our new Chairman. Martin brings a wealth of experience and will provide strong direction and support for the business.

Performance Overview

Following the record set of results achieved in 2019, and the previous five successive years of revenue and EBITDA growth and like-for-like UK RevPAR performance ahead of the competitive segment, Travelodge has been significantly impacted by the Covid-19 situation in 2020.

Sales were down 61% on the prior year with an adjusted EBITDA loss of £(74.0)m (2019: profit of £129.1m).

Travelodge started the year strongly with further improvements in quality, growth ahead of the competitive segment and the opening of three new hotels. However, virtually all the Group's hotels were closed from 24 March 2020 until 15 July 2020, with approximately 50 remaining open as part of our commitment to support NHS workers, key workers and vulnerable groups. The full available estate was re-opened by mid-August and we saw a good recovery in the market over the summer, although performance was significantly below 2019 levels. The budget market was relatively resilient and our occupancy climbed quickly to an average of approximately 60%, but average rate was well below 2019, impacted by the absence of midweek business demand and major events. 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. From 5 November, across the UK, hotel stays were only permitted for essential business travel which resulted in a significant decline in sales, with quarter four RevPAR down 67.0% on 2019 levels[(5)].

Overall UK like-for-like RevPAR for the year was down (59.6)% on prior year, but Travelodge continued to outperform the competitive segment and this was approximately 3.2pts ahead of the STR MSE benchmark.

During 2020 we tightly controlled costs, reducing variable costs in line with hotel closures and the reduced levels of occupancy. We also benefited from the UK government's job retention scheme and business rates holiday.

We opened nine new hotels in 2020, additionally, a further seven hotels reached practical completion in 2020 but we chose to delay opening these hotels until demand levels improved. So far in 2021 we have opened seven new hotels, including 6 of those delayed from 2020. Together, these hotels have helped expand our network further with a mix of both leisure and business focused locations.

Financial Performance

For the year ended 31 December 2020:

At the start of 2020 Travelodge delivered good levels of revenue growth and continued outperformance against the competitive segment before the significant impact of Covid-19. From the end of March, the vast majority of hotels were closed for up to four months before re-opening over the summer, when we saw signs of recovery, before further restrictions were

[5] 24 Sep 2020 to 30 Dec 2020

applied from September and we ultimately reclosed a significant number of hotels in the November lockdown. For the full year UK like-for-like RevPAR was down 59.6% to £16.89 (2019: £41.85) with UK like-for-like occupancy down 39.1pts to 41.3%, and UK like-for-like average room rate down 21.5% to £40.86.

Despite the significant impact on trading Travelodge continued to outperform with UK like-for-like RevPAR performance 3.2pts ahead of the competitive segment, and outperformance in both London and the Regions. We have also benefited from the contribution of the nine new hotels opened in the year and the 14 maturing hotels opened in 2019.

Total revenue for the period of £284.4m, was down £443.5m (down 60.9%).

As a result of the trading conditions we took action to significantly reduce costs.

Rent benefited from the temporary reductions in rents (approximately £85m for 2020) under the terms of the CVA that was overwhelmingly approved by creditors in June 2020. We also benefited from the business rates holiday from April 2020 (approximately £30m) and through the utilisation of the job retention scheme (furlough claims of approximately £45m), with more than 8,000 colleagues placed on furlough during the first lockdown. Variable costs were also reduced as result of hotel closures and lower levels of occupancy.

EBITDA (adjusted) was a loss of £74.0m, down £203.1m on the prior year.

Liquidity Update

Travelodge ended 2020 with cash of £136.2m.

The Group fully drew down its pre-existing £40m RCF in March 2020 and subsequently agreed revised covenant terms until the September 2021 test date.

On 20 April the Group entered into a new £60m super senior RCF agreement and on 18 November this was refinanced with a new £60m super senior term loan facility with maturity on 5 July 2024, the same maturity date as the existing £40m revolving credit facility.

The Group's shareholders (or affiliates thereof) also injected a total of £40m new equity funding into the business during 2020, with the first £10m injected in August 2020 and the remaining £30m in December 2020, in the form of shareholder loans due 2033.

In addition, on 14 December 2020, the Group successfully priced and issued, through a private placement, £65m senior secured fixed rate notes due January 2025, at an issue price of 96%.

As at 24 March the group held cash reserves of £120.9m.

Recent Trading

Significant Covid-19 restrictions remain in place in the UK, with hotel stays currently permitted for essential business travel only and some other legal exceptions. The group has therefore focused on where demand is greatest in order to optimise our net trading position and we currently have approximately 400 hotels open generating sales of approximately £3.5m per week, driven mainly by mid-week sales, most of which are being booked on short-lead. Total revenue for the period from 1 January to 24 March 2021 was down approximately 72% on 2019.

We have continued to outperform the STR MSE benchmark segment with UK like-for-like RevPAR performance vs 2019 in the first weeks of 2021 approximately 4pts[(6)] ahead of the competitive segment, with London and the Regions both outperforming.

As noted in the February interim trading update, in the third quarter trading update last year we suggested that while the total level of operating costs would 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 expected that the broad range of operating costs across 2021 would be approximately £8-12m per week. We have operated below the bottom end of this range through the first quarter.

Outlook

Forecasting remains a challenge and the recovery will depend on the exact dates for the lifting of restrictions, the vaccination roll-out, consumer and business behaviour and more broadly the general economic environment. As a reminder each 1 percentage point change up or down in RevPAR compared to 2019 levels would be expected to impact Travelodge revenues by approximately £6m.

In accordance with the latest UK government roadmap we expect the gradual lifting of restrictions with English hotels scheduled to re-open for leisure stays from 17 May, although this date remains subject to change. Scotland is currently scheduled to lift hospitality restrictions at the end of April and leisure hotel stays are also now permitted within Wales.

PwC issued their forecast for the total UK hotel market back in October 2020, before the current lockdown, which implied total market RevPAR for 2021 down approximately 30% on 2019 levels. Travelodge operates in the Midscale and Economy ("MSE") segment which has historically shown greater resilience than other segments during economic downturns. The MSE segment has consistently performed c.10pts better than the total market since the first lockdown was lifted, reflecting its domestic focus, business/leisure mix, low price point and value proposition. Other leading market commentators are currently forecasting 2021 RevPAR approximately 30-40% down on 2019 levels.

Travelodge has leading industry cost metrics but remains a highly operationally geared business. Our single largest cost, rent, will continue to benefit from the temporary reductions under the CVA of approximately £55m for 2021 and monthly rent payments, before returning to pre CVA level and quarterly in advance payments from December 2021. We will also benefit from the business rates holiday to the end of June 2021 in England, and for the full year in Scotland and Wales, worth in total approximately £3m per month since April 2020.

We also expect to continue to make use of the UK government's Job Retention Scheme, in its current form until the end of June 2021 and tapering through to the end of September 2021, with reducing levels of support expected in line with the re-opening of hotels.

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, including rent, to be approximately £8-12m per week once substantially all of our hotels are reopened.

The Travelodge estate is well invested with more than £200m invested over the last 7 years before Covid-19. We therefore have the ability to defer our cyclical hotel refit cycle for a short

[6] 31 Dec 2020 to 17 Mar 2021

period of time and expect 2021 capital expenditure of approximately £35-40m, focused primarily on health and safety and maintenance of the estate, as well as IT and development.

The budget segment has proven resilience and historically has recovered the fastest. We are encouraged by the progress on vaccination and welcomed the government guidance on the roadmap out of lockdown. With our large diversified network of hotels, strong brand, direct distribution model, value proposition, customer mix and domestic travel focus Travelodge is well positioned to benefit from any recovery as restrictions are lifted and demand builds. While material uncertainty does remain in the short-term, the long-term prospects for budget hotels remain attractive.

Accounting Note on Liquidity Scenarios

The group prepares numerous liquidity scenarios and has considered several severe but plausible downside scenarios, including the possibility that the lifting of restrictions is delayed beyond 17 May, the recovery profile is different to that assumed in the base case or there is a second lockdown period in the next 12 months.

Based on these scenarios, taking account of reasonably possible changes in trading performance, the directors believe 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 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. The Board emphasises that this arises solely due to the Covid-19 pandemic which is entirely outside the Group's influence or control. The Consolidated Financial Statements, as drafted, do not include the adjustments that would result if the Group was unable to continue as a going concern.

About Travelodge

Founded in 1985, Travelodge is one of the UK's leading hotel brands. There were 586 Travelodge hotels and 44,549 rooms in the UK, Ireland and Spain as at 31 December 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 year ended 31 December 2020

Results for the Group are for the year ended 31 December 2020, with comparatives for the year ended 31 December 2019.

The table below reconciles the non-IFRS Alternative Performance Measures, including EBITDA (adjusted), and the position in line with previous accounting principles ("Before IFRS 16") to the Statutory Results:

	Year ended 31 December 2020			Year ended 31 December 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	**284.4**	**-**	**284.4**	**727.9**	**-**	**727.9**	**(443.5)**	**(60.9)%**
Revenue UK	280.4	-	280.4	713.1	-	713.1	(432.7)	(60.7)%
Revenue International	4.0	-	4.0	14.8	-	14.8	(10.8)	(73.0)%
Key income statement items								
Revenue	**284.4**	**-**	**284.4**	**727.9**	**-**	**727.9**	**(443.5)**	**(60.9)%**
Operating expenses	(228.0)	-	(228.0)	(390.0)	-	(390.0)	162.0	41.5%
Of which cost of goods sold	*(18.2)*	-	*(18.2)*	*(43.1)*	-	*(43.1)*	*24.9*	*57.8%*
Of which employee costs	*(115.4)*	-	*(115.4)*	*(173.9)*	-	*(173.9)*	*58.5*	*33.6%*
Of which other operating expenses	*(94.4)*	-	*(94.4)*	*(173.0)*	-	*(173.0)*	*78.6*	*45.4%*
Net external rent (payable) / receivable	(130.8)	133.7	2.9	(208.8)	212.2	3.4	78.0	37.4%
Other income	0.4	1.4	1.8	-	-	-	0.4	-
EBITDA (adjusted)[2] / EBITDA[3]	**(74.0)** [2]	**135.1**	**61.1** [3]	**129.1** [2]	**212.2**	**341.3** [3]	**(203.1)**	**(157.3)%**
Rent adjustment[4]	(79.8)	79.8	-	(2.3)	2.3	-	(77.5)	(3369.6)%
Depreciation	(36.5)	(110.4)	(146.9)	(44.6)	(117.7)	(162.3)	8.1	18.2%
Amortisation	(16.0)	11.3	(4.7)	(17.5)	11.8	(5.7)	1.5	8.6%
Operating profit / (loss) (before non-underlying items)	**(206.3)**	**115.8**	**(90.5)**	**64.7**	**108.6**	**173.3**	**(271.0)**	**(418.9)%**
Finance costs before investor loan interest	(35.7)	(172.5)	(208.2)	(38.0)	(163.3)	(201.3)	2.3	6.1%
Investor loan interest	(15.1)	-	(15.1)	(14.3)	-	(14.3)	(0.8)	(5.6)%
Finance income	0.3	-	0.3	0.7	-	0.7	(0.4)	(57.1)%
Profit / (loss) for the year (before non-underlying items)	**(256.8)**	**(56.7)**	**(313.5)**	**13.1**	**(54.7)**	**(41.6)**	**(269.9)**	**(2060.3)%**
Non-underlying items	(13.9)	20.4	6.5	(34.1)	3.2	(30.9)	20.2	59.2%
Loss for the year before tax	**(270.7)**	**(36.3)**	**(307.0)**	**(21.0)**	**(51.5)**	**(72.5)**	**(249.7)**	**(1189.0)%**
Income tax	6.8	(7.1)	(0.3)	10.3	(5.5)	4.8	(3.5)	(34.0)%
Loss for the year	**(263.9)**	**(43.4)**	**(307.3)**	**(10.7)**	**(57.0)**	**(67.7)**	**(253.2)**	**(2366.4)%**

(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 £443.5m, or 60.9%, from £727.9m for the year ended 31 December 2019 to £284.4m for the year ended 31 December 2020, heavily impacted 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. The imposition of new tier restrictions throughout the UK in the final quarter saw further hotel closures, with guests only allowed to stay in hotels for work, education or other legally permitted reasons, but not for leisure purposes.

Like-for-like UK RevPAR declined by 59.6%(1), with a decline of 7.5%(2) in the first quarter, followed by a decline of 93.0%(3) in the second quarter, a decline of 59.4%(4) in the third quarter, improving as hotels re-opened through the quarter and a decline of 67.0%(5) in the final quarter, impacted by the introduction of the new tier restrictions, particularly towards the end of the year, with December / period 12 down 77.7%(6).

Operating expenses

Operating expenses were reduced by £162.0m, or 41.5%, from £390.0m for the year ended 31 December 2019 to £228.0m for the year ended 31 December 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, with further significant savings in the final quarter as a number of hotels were again closed in response to the tier restrictions.

Reductions in cost of goods sold reflect the periods of hotel closure 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 third quarter, increasing again in the final quarter following the introduction of the new tier system and the resulting hotel closures, 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. £45m were made in respect of the government's job retention scheme over the year.

(1) Revenue per available room (RevPAR) on a UK like-for-like basis for the management accounting period 26 December 2019 to 30 December 2020.
(2) RevPAR on a UK like-for-like basis for the management accounting period 26 December 2019 to 25 March 2020.
(3) RevPAR on a UK like-for-like basis for the management accounting period 26 March 2020 to 24 June 2020.
(4) RevPAR on a UK like-for-like basis for the management accounting period 25 June 2020 to 23 September 2020.
(5) RevPAR on a UK like-for-like basis for the management accounting period 24 September 2020 to 30 December 2020.
(6) RevPAR on a UK like-for-like basis for the management accounting period 26 November 2020 to 30 December 2020.

Reductions in other operating expenses are largely driven by the hotel closures, the hospitality business rates holiday and cost efficiency programmes, partially offset by increased costs from our new and maturing hotels.

Net external rent payable

External rent payable reflects the rental amounts accrued adjusted for rent free periods by spreading these over the period to the next rent review date.

Net external rent payable (before rent adjustment and before IFRS 16) decreased by £78.0m, or 37.4%, from £208.8m for the year ended 31 December 2019 to £130.8m for the year ended 31 December 2020. This decrease was primarily due to rent reductions for the second to fourth quarters agreed as part of the CVA of c. £85m, partially offset by upwards only rent reviews predominantly linked to RPI in the like-for-like estate and the impact of new hotels, with 9 openings during the year as well as the additional 7 we took PC of but deferred opening and the annualisation of the 14 hotel openings in 2019.

In many of our leases we receive a rent free period at the beginning of the lease term. Within EBITDA (adjusted) the portion of the rent free credit attributable to each period is recognised as if such credit were applied on a straight line basis until the next rent review, normally five years. The credit attributable to the reductions resulting from the CVA is recognised in line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure which is used for internal management reporting.

Under IAS 17 Leases, the benefit of the rent free period is recognised gradually over the life of the lease reducing the rent expense in each period, on a straight line basis, over the full life of each lease. 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. 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) together with the rent adjustment, 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) decreased by £8.1m, or 18.2%, from £44.6m for the year ended 31 December 2019 to £36.5m for the year ended 31 December 2020. Depreciation is driven mainly by ongoing investment in the maintenance and refurbishment of our estate and energy efficiency investments, principally in LED lighting and heating controls, as well as new hotel openings. Since the first quarter we deferred our normal capital refit programme and non-essential capital expenditure in response to the Covid-19 impact. The impairment charge against a small number of assets at the end of 2019 also contributed to the reduction in depreciation.

Amortisation (before IFRS 16) is driven mainly by historic lease premiums, investment in IT systems and new openings and decreased by £1.5m, or 8.6%, from £17.5m for the year ended 31 December 2019 to £16.0m for the year ended 31 December 2020. This is mainly due to the impairment of historic lease premiums for a small number of assets at the end of 2019.

Statutory depreciation, including the impact of right of use assets, decreased by £15.4m to £146.9m. This is mainly due to the restatement of the right of use assets, reflecting the impact of the CVA, together with the impairment charge against a small number of assets at the end of 2019. Statutory amortisation of IT software decreased by £1.0m to £4.7m, with lower spend during the Covid-19 pandemic.

Finance costs

Finance costs (before IFRS 16) before investor loan interest decreased by £2.3m, or 6.1%, from £38.0m for the year ended 31 December 2019 to £35.7m for the year ended 31 December 2020. This decrease was primarily due to 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 of £2.1m 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 (which was repaid on 2 December 2020 and the facility replaced by a new term loan facility of £60m), additional bond interest costs following the new bond issue in December 2020 and interest paid on overdue rents following the temporary suspension of rent payments ahead of the CVA.

Investor loan interest increased by £0.8m, or 5.6%, from £14.3m for the year ended 31 December 2019 to £15.1m for the year ended 31 December 2020. This increase was due to the injection of £40m from our shareholders and their affiliates, £10m on 24 August 2020 and a further £30m on 2 December 2020.

Statutory finance costs additionally include a notional finance cost of £172.5m for the year ended 31 December 2020, up £9.2m from £163.3m for the year ended 31 December 2019, relating to the lease liabilities. The increase was mainly as a result of the CVA related reassessment of leases together with new leases. The liabilities for all CVA Category B and C leases were recalculated at June 2020, following the CVA rent reductions, including a reassessment of notional interest rates, which at that point, largely as a result of the pandemic, were higher than the rates used in the original calculations.

Finance income

Finance income of £0.3m for the year ended 31 December 2020 and £0.7m for the year ended 31 December 2019 was bank interest received.

Non-underlying items

The non-underlying charge (before IFRS 16 and taxation) of £13.9m for the year ended 31 December 2020 includes a £10.2m charge for impairment of intangible assets, property, plant and equipment and a £6.7m charge for onerous lease provision reassessment, as well as 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, the establishment of a £1m compromised creditor fund following the CVA, costs associated with the disposal of leases where break clauses were instigated as a direct result of the CVA, management incentives and costs related to the refinancing activity during the year.

The non-underlying charge (before IFRS 16 and taxation) of £34.1m for the year ended 31 December 2019 includes £15.0m for the impairment of intangible assets and property plant and equipment, together with a net onerous lease provision reassessment of £3.0m and £0.8m 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.

The Statutory non-underlying credit (before taxation) for the year ended 31 December 2020 of £6.5m consists of a profit on the surrender of a property lease (which was a finance lease under IAS17), and a net profit from the disposal of leases where break clauses were instigated as a direct result of the CVA, partially offset by legal and professional fees in connection with the initial landlord consensual proposal, subsequent CVA and other corporate activity, the establishment of a £1m compromised creditor fund following the CVA, management incentives and costs related to the refinancing activity during the year, partially offset by a £8.7m charge for impairment of intangible assets, property, plant and equipment.

Loss Before Tax

Statutory loss before tax was £307.0m for the year ended 31 December 2020, £234.5m higher than the loss of £72.5m for the year ended 31 December 2019. This was mainly driven by the reduction in revenue as a result of Covid-19, mitigated by the significant cost savings.

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 charge of £0.3m for the year ended 31 December 2020 (current tax charge: £nil; deferred tax charge: £0.3m). There was an overall income tax credit of £4.8m for the year ended 31 December 2019 (current tax credit: £1.4m; deferred tax credit: £3.4m).

No cash tax payments were made during the year (2019: £1.4m made up of UK £0.8m, Spain £0.6m). Refunds of £0.8m (UK £0.6m, Spain £0.2m) were received in respect of 2018 tax.

Cash flow (before IFRS 16)

The commentary and variances below are presented on a 'before IFRS 16' basis.

As at 31 December 2020, we had cash of £136.2m, an increase of £47.0m compared to £89.2m as at 31 December 2019.

For the period ended 31 December 2020, net cash used in operating activities of £86.5m (which is after rent paid of £119.6m) and net cash used in investing activities of £35.7m, which relates to the purchase of intangible and tangible fixed assets of £36.0m less interest received of £0.3m, were partially offset by net cash generated by financing activities of £169.2m.

	Year ended 31 December 2020 £m	**Year ended 31 December 2019 £m**
EBITDA (adjusted) (1)	(74.0)	129.1
Working capital (2)	(8.6)	(7.4)
Net cash flows from operating activities	(83.0)	121.7
Capital expenditure	(36.0)	(65.9)
Free Cash Flow	(119.0)	55.8

(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 historic accounting principles (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(3) and before the impact of IFRS 16.
(3) 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.

Free Cash Flow decreased from an inflow of £55.8m for the period ended 31 December 2019 to an outflow of £119.0m for the period ended 31 December 2020. This was mainly due to the significant year on year decrease in EBITDA (adjusted) and adverse working capital movements due to lower inflows from prepaid rooms, the net VAT reclaim position for the final quarter and the December furlough claim, both received in January 2021, partially offset by the use of the government Covid-19 support VAT deferral scheme, partially offset by lower capex.

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.

The table below sets out certain line items from our consolidated cash flow statement for the period ended 31 December 2020 and the period ended 31 December 2019.

	Year ended 31 December 2020			Year ended 31 December 2019			Variance 2020 vs 2019	
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	before IFRS 16[1] £m	Var %
Net cash (used in) / generated from operating activities	(86.5)	119.6	33.1	111.6	223.9	335.5	(198.1)	(177.5)%
Net cash used in investing activities	(35.7)	-	(35.7)	(65.3)	-	(65.3)	29.6	45.3%
Net cash generated from / (used in) financing activities	169.2	(119.6)	49.6	(38.9)	(223.9)	(262.8)	208.1	535.0%
Net increase in aggregate cash and cash equivalents	47.0	-	47.0	7.4	-	7.4	39.6	535.1%
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	**136.2**	**-**	**136.2**	**89.2**	**-**	**89.2**	**47.0**	**52.7%**

Net cash (used in) / generated from operating activities

Net cash used in operating activities (before IFRS 16) was an outflow of £86.5m for the year ended 31 December 2020 compared to an inflow of £111.6m for the period ended 31 December 2019. This was mainly due to a decrease of £265.6m in operating profit (after non-underlying items), partially offset by £9.5m lower adjustments for non-cash items, an increase of £74.8m in working capital inflow (see below) and a decrease of £2.2m in corporation tax payments.

Statutory net cash used in operating activities, which excludes rent, decreased by £302.4m, from an inflow of £335.5m for the period ended 31 December 2019 to an inflow of £33.1m for the year ended 31 December 2020. This was due to a decrease of £241.2m in operating profit (after non-underlying items), a decrease of £16.4m in depreciation and amortisation, a profit on disposal of fixed assets of £31.3m, a decrease of £6.1m in impairment of fixed assets and an increase of £9.6m in working capital outflow, partially offset by a decrease of £2.2m 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) primarily consist of rent prepayments as we usually pay quarterly in advance, although the CVA resulted 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) include normal trade creditors, including rent, accrued wages and salaries, other current debts and accrued interest and taxes.

	Year ended 31 December 2020			Year ended 31 December 2019			Variance 2020 vs 2019	
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	before IFRS 16[1] £m	Var %
Increase / (decrease) in inventory	0.4	-	0.4	(0.1)	-	(0.1)	0.5	500.0%
(Increase) / decrease in receivables	15.1	(20.0)	(4.9)	(6.9)	1.4	(5.5)	22.0	318.8%
Increase / (decrease) in payables	55.3	(56.0)	(0.7)	1.9	5.3	7.2	53.4	2810.5%
Total working capital movement (before non-underlying items)	70.8	(76.0)	(5.2)	(5.1)	6.7	1.6	75.9	1488.2%
Provisions and non-underlying items	(6.0)	(2.0)	(8.0)	(4.9)	(0.3)	(5.2)	(1.1)	(22.4)%
Total working capital movement	**64.8**	**(78.0)**	**(13.2)**	**(10.0)**	**6.4**	**(3.6)**	**74.8**	**748.0%**

Working capital inflow (before IFRS 16) before non-underlying items of £70.8m for the year ended 31 December 2020 compared to an outflow of £5.1m for the year ended 31 December 2019. The current year benefited from lower rent prepayments (due to both the reduced rents and move from quarterly to monthly payments for most hotels) and the 'payable' resulting from spreading the CVA benefit over the life of lease (under IAS 17), 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 final quarter and December furlough claim, which were received in January 2021.

Working capital outflow for non-underlying items (before IFRS 16) of £6.0m for the year ended 31 December 2020 compared to an outflow of £4.9m for the year ended 31 December 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, costs associated with the disposal of leases where break clauses were instigated as a direct result of the CVA, management incentives 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 £5.2m for the year ended 31 December 2020 compared to an inflow of £1.6m for the year ended 31 December 2019, primarily due to lower inflows from prepaid rooms, adversely impacted by Covid-19 and the related travel restrictions.

Statutory working capital outflow for provisions and non-underlying items of £8.0m for the year ended 31 December 2020 compared to an outflow of £5.2m for the year ended 31 December 2019 mainly reflects legal and professional fees paid 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, costs associated with the disposal of leases where break clauses were instigated as a direct result of the CVA and management incentives, 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 £29.6m, or 45.3%, from £65.3m for the year ended 31 December 2019 to £35.7m for the year ended 31 December 2020, primarily due to the reduction in capital expenditure.

Capital expenditure

Capital expenditure of £36.0m in the year ended 31 December 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. Since the first quarter, we deferred our normal capital refit programme and non-essential capital expenditure in response to the Covid-19 impact.

Net cash generated from / (used in) financing activities

Net cash generated from financing activities (before IFRS 16) of £169.2m was the drawdown of the original revolving credit facility of £40m in March 2020, the drawdown of the new super senior term loan of £60m in December 2020, injections from our shareholders and their affiliates in the form of investor loans of £10m in August 2020 and £30m in December 2020 and the issue of new senior secured 9% fixed rate sterling denominated notes of £65m in

December 2020, partially offset by interest payments and finance fees of £30.0m, finance lease interest payments of £1.5m and costs associated with the refinancing in December 2020 of £4.3m.

Net cash generated from financing activities (before IFRS 16) was £169.2m for the year ended 31 December 2020, compared to net cash used of £38.9m for the year ended 31 December 2019. This was primarily due to the drawdown of existing facilities and new facilities and injections totalling £205m (compared to net proceeds of £13m from the issue and repayment of fixed and floating rate sterling denominated notes in 2019), £14.2m lower costs associated with refinancing and £3.0m lower finance lease interest payments due to the surrender of a property lease and reduced rent payments following the CVA, partially offset by £1.1m higher interest costs and finance fees.

Statutory net cash generated from financing activities was an inflow of £49.6m for the year ended 31 December 2020, £312.4m higher than the £262.8m outflow for the year ended 31 December 2019. The increase is due mainly to the drawdown of existing facilities and new facilities and injections totalling £205m (compared to net proceeds of £13m from the issue and repayment of bonds in 2019), together with reduced rent payments down £107.1m following the CVA from £228.4m for the year ended 31 December 2019 to £121.3m for the year ended 31 December 2020.

Corporation tax

Corporation tax repayments of £0.8m (£0.6m UK, £0.2m Spain) were received in the year ended 31 December 2020 compared to payments on account of £1.4m (£0.8m UK, £0.6m Spain) in the year ended 31 December 2019.

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the quarter ended 31 December 2020 (Q4)

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

The table below reconciles the non-IFRS Alternative Performance Measures, including EBITDA (adjusted), and the position in line with previous accounting principles ("Before IFRS 16") to the Statutory Results:

	Quarter ended 31 December 2020			Quarter ended 31 December 2019			Variance 2020 vs 2019 before IFRS 16[1]	
	Before IFRS 16[1]	**IFRS 16 impact**	**Statutory**	**Before IFRS 16[1]**	**IFRS 16 impact**	**Statutory**		Var
	£m	£m	£m	£m	£m	£m	£m	%
Revenue by geographical region								
Revenue	**53.5**	**-**	**53.5**	**181.8**	**-**	**181.8**	**(128.3)**	**(70.6)%**
Revenue UK	52.8	-	52.8	178.2	-	178.2	(125.4)	(70.4)%
Revenue International	0.7	-	0.7	3.6	-	3.6	(2.9)	(80.6)%
Key income statement items								
Revenue	**53.5**	**-**	**53.5**	**181.8**	**-**	**181.8**	**(128.3)**	**(70.6)%**
Operating expenses	(52.7)	-	(52.7)	(101.7)	-	(101.7)	49.0	48.2%
Of which cost of goods sold	*(3.9)*	-	*(3.9)*	*(10.7)*	-	*(10.7)*	*6.8*	*63.6%*
Of which employee costs	*(31.9)*	-	*(31.9)*	*(45.4)*	-	*(45.4)*	*13.5*	*29.7%*
Of which other operating expenses	*(16.9)*	-	*(16.9)*	*(45.6)*	-	*(45.6)*	*28.7*	*62.9%*
Net external rent (payable) / receivable	(26.6)	27.2	0.6	(52.9)	53.3	0.4	26.3	49.7%
Other income	0.1	1.4	1.5	(0.3)	-	(0.3)	0.4	(133.3)%
EBITDA (adjusted)[2] / EBITDA[3]	**(25.7)** [2]	**28.6**	**2.9** [3]	**26.9** [2]	**53.3**	**80.2** [3]	**(52.6)**	**(195.5)%**
Rent adjustment[4]	(24.4)	24.4	-	(0.6)	0.6	-	(23.8)	(3966.7)%
Depreciation	(6.8)	(25.7)	(32.5)	(11.6)	(29.8)	(41.4)	4.8	41.4%
Amortisation	(4.0)	2.8	(1.2)	(4.6)	2.9	(1.7)	0.6	13.0%
Operating profit / (loss) (before non-underlying items)	**(60.9)**	**30.1**	**(30.8)**	**10.1**	**27.0**	**37.1**	**(71.0)**	**(703.0)%**
Finance costs before investor loan interest	(8.6)	(45.3)	(53.9)	(9.8)	(41.6)	(51.4)	1.2	12.2%
Investor loan interest	(4.2)	-	(4.2)	(3.8)	-	(3.8)	(0.4)	(10.5)%
Finance income	(0.1)	-	(0.1)	0.2	-	0.2	(0.3)	(150.0)%
Loss for the quarter (before non-underlying items)	**(73.8)**	**(15.2)**	**(89.0)**	**(3.3)**	**(14.6)**	**(17.9)**	**(70.5)**	**(2136.4)%**
Non-underlying items	(15.6)	20.2	4.6	(18.2)	3.2	(15.0)	2.6	14.3%
Profit / (Loss) for the quarter before tax	**(89.4)**	**5.0**	**(84.4)**	**(21.5)**	**(11.4)**	**(32.9)**	**(67.9)**	**(315.8)%**
Income tax	1.7	(2.0)	(0.3)	8.0	(9.6)	(1.6)	(6.3)	(78.8)%
Profit / (Loss) for the quarter	**(87.7)**	**3.0**	**(84.7)**	**(13.5)**	**(21.0)**	**(34.5)**	**(74.2)**	**(549.6)%**

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

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent 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 £128.3m, or 70.6%, from £181.8m for the quarter ended 31 December 2019 to £53.5m for the quarter ended 31 December 2020. The imposition of new tier restrictions throughout the UK in the final quarter saw further hotel closures and guests only allowed to stay in open hotels for work, education or other legally permitted reasons, but not for leisure purposes.

Like-for-like UK RevPAR declined by 67.0%(2) in the final quarter, impacted by the introduction of the new tier restrictions, particularly towards the end of the year, with December / period 12 down 77.7%(3).

Operating expenses

Operating expenses decreased by £49.0m, or 48.2%, from £101.7m for the quarter ended 31 December 2019 to £52.7m for the quarter ended 31 December 2020. Action to reduce the run-rate level of operating costs, excluding rent, continued during the period of hotel closures resulting from the implementation of the new tier restrictions, 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. Claims of c. £11m 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

External rent payable reflects the rental amounts accrued adjusted for rent free periods by spreading these over the period to the next rent review date.

Net external rent payable (before rent adjustment and before IFRS 16) decreased by £26.3m, or 49.7%, from £52.9m for the quarter ended 31 December 2019 to £26.6m for the quarter ended 31 December 2020. This decrease was primarily due to rent reductions for the final quarter agreed as part of the CVA, partially offset by and the impact of new hotels, with 9 openings during the year as well as the additional 7 we took PC of but deferred opening, the annualisation of the 14 hotel openings in 2019 and upwards only rent reviews predominantly linked to RPI in the like-for-like estate.

(1) Revenue per available room (RevPAR) on a UK like-for-like basis for the management accounting period 24 September 2020 to 30 December 2020.

(2) RevPAR on a UK like-for-like basis for the management accounting period 26 November 2020 to 30 December 2020.

In many of our leases we receive a rent free period at the beginning of the lease term. Within EBITDA (adjusted) the portion of the rent free credit attributable to each period is recognised as if such credit were applied on a straight line basis until the next rent review, normally five years. The credit attributable to the reductions resulting from the CVA is recognised in line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure which is used for internal management reporting.

Under IAS 17 Leases, the benefit of the rent free period is recognised gradually over the life of the lease reducing the rent expense in each period, on a straight line basis, over the full life of each lease. 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. 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) together with the rent adjustment, 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) decreased by £4.8m, or 41.4%, from £11.6m for the quarter ended 31 December 2019 to £6.8m for the quarter ended 31 December 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. Since the first quarter we deferred our normal capital refit programme and 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) decreased by £0.6m, or 13.0%, from £4.6m for the quarter ended 31 December 2019 to £4.0m for the quarter ended 31 December 2020. This is mainly due to the impairment of historic lease premiums for a small number of assets at the end of 2019.

Statutory depreciation, including the impact of right of use assets, decreased by £8.9m to £32.5m, mainly due to the restatement of the right of use assets, reflecting the impact of the CVA, together with the impairment charge against a small number of assets at the end of 2019. Statutory amortisation of IT software decreased by £0.5m to £1.2m, with lower spend during the Covid-19 pandemic.

Finance costs

Finance costs (before IFRS 16) before investor loan interest decreased by £1.2m, or 12.2%, from £9.8m for the quarter ended 31 December 2019 to £8.6m for the quarter ended 31 December 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 (which was repaid on 2 December 2020 and the facility replaced by a new term loan facility of £60m), additional bond interest costs following the refinancing in December 2020 and interest paid on overdue rents following the temporary suspension of rent payments ahead of the CVA.

Investor loan interest increased by £0.4m, or 10.5%, from £3.8m for the year ended 31 December 2019 to £4.2m for the year ended 31 December 2020. This increase was due to the injection of £40m from our shareholders and their affiliates, £10m on 24 August 2020 and a further £30m on 2 December 2020.

Statutory finance costs additionally include a notional finance cost of £45.3m, up £3.7m from £41.6m for the quarter ended 31 December 2019, relating to the lease liabilities. The increase was mainly as a result of the CVA related reassessment of leases together with new leases. The liabilities for all CVA Category B and C leases were recalculated at June 2020, following the CVA rent reductions, including a reassessment of notional interest rates, which at that point, largely as a result of the pandemic, were higher than the rates used in the original calculations.

Finance income

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

Non-underlying items

The non-underlying charge (before IFRS 16 and taxation) for the quarter ended 31 December 2020 was £15.6m. This related to a charge for impairment of intangible assets, property, plant and equipment and a charge for onerous lease provision reassessment, as well as legal and professional fees in connection with the initial landlord consensual proposal, subsequent CVA and other corporate activity, the establishment of a compromised creditor fund following the CVA, costs associated with the disposal of leases where break clauses were instigated as a direct result of the CVA, management incentives and costs related to the refinancing activity during the year.

Non-underlying items (before IFRS 16 and taxation) for the quarter ended 31 December 2019 were £18.2m. This related to £15.0m for the impairment of intangible assets and property plant & equipment, together with a net onerous lease provision reassessment of £3.0m, and £0.2m related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities.

The Statutory non-underlying credit (before taxation) for the quarter ended 31 December 2020 of £4.6m consists of net profits from the disposal of leases where break clauses were instigated as a direct result of the CVA, partially offset by legal and professional fees in connection with the CVA and other corporate activity, the establishment of a £1m compromised creditor fund following the CVA, management incentives and costs related to the refinancing activity during the year, partially offset by a £8.7m charge for impairment of intangible assets, property, plant and equipment.

Loss Before Tax

Statutory loss before tax was £84.4m for the quarter ended 31 December 2020, £51.5m higher than the loss of £32.9m for the quarter ended 31 December 2019. This was mainly driven by the reduction in revenue as a result of Covid-19.

Taxation

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

There was an overall income tax charge of £0.3m for the quarter ended 31 December 2020 (current tax charge: £nil; deferred tax charge: £0.3m). There was an overall income tax charge of £1.6m for the quarter ended 31 December 2019.

No cash tax payments were made during the quarter (2019: £nil). A corporation tax repayment of £0.6m was received in the UK in the quarter in respect of the prior years.

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. We are not currently able to assess the full financial impact of Covid-19.

The terms and conditions of our Company Voluntary Arrangement ("CVA") may also impact the future position of the Group.

Registered number: 08170768

THAME AND LONDON LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

		Unaudited Year ended 31 December 2020				Audited Year ended 31 December 2019			
	Note	**Underlying before IFRS 16[(1)] £m**	**Underlying impact of IFRS 16[(1)] £m**	**Non-underlying £m**	**Statutory £m**	**Underlying before IFRS 16[(1)] £m**	**Underlying impact of IFRS 16[(1)] £m**	**Non-underlying £m**	**Statutory £m**
Revenue	*3*	284.4	-	-	**284.4**	727.9	-	-	**727.9**
Operating Expenses	*4*	(228.0)	-	(15.6)	**(243.6)**	(390.0)	-	(0.8)	**(390.8)**
Rent	*4*	(210.6)	213.5	-	**2.9**	(211.1)	214.5	-	**3.4**
Other Income		0.4	1.4	-	**1.8**	-	-	-	**-**
EBITDA after rent adjustment	*3*	**(153.8)**	**214.9**	**(15.6)**	**45.5**	**126.8**	**214.5**	**(0.8)**	**340.5**
Depreciation, Amortisation & Impairment	*4*	(52.5)	(99.1)	(8.7)	**(160.3)**	(62.1)	(105.9)	(14.8)	**(182.8)**
Profit on disposal of fixed assets		-	-	31.3	**31.3**	-	-	-	**-**
Operating Profit / (Loss)	*3*	**(206.3)**	**115.8**	**7.0**	**(83.5)**	**64.7**	**108.6**	**(15.6)**	**157.7**
Finance Costs	*5*	(50.8)	(172.5)	(0.5)	**(223.8)**	(52.3)	(163.3)	(15.3)	**(230.9)**
Finance Income		0.3	-	-	**0.3**	0.7	-	-	**0.7**
Profit / (Loss) before Tax	*3*	**(256.8)**	**(56.7)**	**6.5**	**(307.0)**	**13.1**	**(54.7)**	**(30.9)**	**(72.5)**
Income Tax		4.7	(6.0)	1.0	**(0.3)**	3.5	(5.0)	6.3	**4.8**
Profit / (Loss) for the Year		**(252.1)**	**(62.7)**	**7.5**	**(307.3)**	**16.6**	**(59.7)**	**(24.6)**	**(67.7)**

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

Memorandum - EBITDA (adjusted)[(2)]

	Period ended 31 December 2020 £m	**Period ended 31 December 2019 £m**
EBITDA (adjusted)[(2)]	**(74.0)**	**129.1**
Rent adjustment[(3)]	**(79.8)**	**(2.3)**
EBITDA - Underlying before IFRS 16	**(153.8)**	**126.8**

(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 YEAR ENDED 31 DECEMBER 2020

	Unaudited Year ended 31 December 2020 £m	Audited Year ended 31 December 2019 £m
Loss for the year	**(307.3)**	**(67.7)**
Items that will subsequently be reclassified into profit and loss:		
Movement on fair value of cash flow hedges	**-**	**(0.4)**
Currency translation differences	**0.4**	**(0.1)**
Winding up of foreign investment	**-**	**-**
Other comprehensive income /(expense) for the year, net of tax	**0.4**	**(0.5)**
Total comprehensive expense for the year	**(306.9)**	**(68.2)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 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 year	-	-	(67.7)	**(67.7)**
Other comprehensive expense				
Movement in fair value of hedging derivatives	-	(0.4)	-	**(0.4)**
Winding up of foreign investment	(0.1)	-	-	**(0.1)**
Total comprehensive expense	**(0.1)**	**(0.4)**	**(67.7)**	**(68.2)**
1 January 2020	**(0.4)**	**-**	**(341.0)**	**(341.4)**
Loss for the year	-	-	(307.3)	**(307.3)**
Other comprehensive income				
Currency translation differences	0.4	-	-	**0.4**
Total comprehensive income / (expense)	**0.4**	**-**	**(307.3)**	**(306.9)**
31 December 2020	**-**	**-**	**(648.3)**	**(648.3)**

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

	Note	Unaudited 31 December 2020 £m	Audited 31 December 2019 £m
NON CURRENT ASSETS			
Intangible assets	7	157.4	159.6
Property, plant and equipment	8	120.7	132.9
Right of Use assets	9	2,122.9	2,521.3
Deferred tax asset		62.3	58.9
		2,463.3	2,872.7
CURRENT ASSETS			
Financial derivative asset		-	0.3
Inventory		0.8	1.2
Trade and other receivables	11	22.2	17.3
Corporation tax debtor		0.5	1.3
Cash and cash equivalents		136.2	89.2
		159.7	109.3
TOTAL ASSETS		2,623.0	2,982.0
CURRENT LIABILITIES			
Trade and other payables	12	(98.5)	(119.7)
Lease liabilities	10	(15.7)	(47.6)
Provisions	14	-	(0.1)
		(114.2)	(167.4)
NON-CURRENT LIABILITIES			
Bond related debt	13	(494.8)	(432.1)
Revolving credit facility	13	(40.0)	-
Super senior term loan	13	(58.1)	-
Investor loan	13	(166.4)	(111.3)
Lease liabilities	10	(2,332.1)	(2,549.8)
Deferred tax liability		(58.6)	(55.2)
Provisions	14	(7.1)	(7.6)
		(3,157.1)	(3,156.0)
TOTAL LIABILITIES		(3,271.3)	(3,323.4)
NET LIABILITIES		(648.3)	(341.4)
EQUITY			
Share capital		-	-
Foreign exchange reserve		-	(0.4)
Accumulated losses		(648.3)	(341.0)
TOTAL DEFICIT		(648.3)	(341.4)

Memorandum - Analysis of net funding

	Note	Unaudited 31 December 2020 £m	Audited 31 December 2019 £m
Cash at bank		*136.2*	*89.2*
External debt redeemable (excluding lease liabilities):			
Floating Rate Bond	13	*(440.0)*	*(440.0)*
Fixed Rate Bond	13	*(65.0)*	-
Super Senior Term Loan	13	*(61.9)*	-
Revolving credit facility	13	*(40.0)*	-
Issue costs	13	*14.0*	*7.9*
Gross debt	13	*(592.9)*	*(432.1)*
External net debt		*(456.7)*	*(342.9)*
Investor loan	13	*(166.4)*	*(111.3)*
Net debt		*(623.1)*	*(454.2)*
Lease liabilities	10	*(2,347.8)*	*(2,597.4)*
		(2,970.9)	*(3,051.6)*

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Unaudited			Audited		
	Year ended 31 December 2020			Year ended 31 December 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	**(87.3)**	**119.6**	**32.3**	**113.0**	**223.9**	**336.9**
Corporate tax	**0.8**	**-**	**0.8**	**(1.4)**	**-**	**(1.4)**
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	**(86.5)**	**119.6**	**33.1**	**111.6**	**223.9**	**335.5**
INVESTING ACTIVITIES						
Interest received	**0.3**	**-**	**0.3**	**0.6**	**-**	**0.6**
Purchases of property, plant and equipment and intangible assets	**(36.0)**	**-**	**(36.0)**	**(65.9)**	**-**	**(65.9)**
Net cash used in investing activities	**(35.7)**	**-**	**(35.7)**	**(65.3)**	**-**	**(65.3)**
FINANCING ACTIVITIES						
Finance fees paid	**(0.5)**	**0.2**	**(0.3)**	**(0.2)**	**-**	**(0.2)**
Interest paid	**(29.5)**	**-**	**(29.5)**	**(28.7)**	**-**	**(28.7)**
Finance lease rental interest payments	**(1.5)**	**1.5**	**-**	**(4.5)**	**4.5**	**-**
IFRS 16 lease rental capital payments	**-**	**(15.5)**	**(15.5)**	**-**	**(59.3)**	**(59.3)**
IFRS 16 lease rental interest payments	**-**	**(105.8)**	**(105.8)**	**-**	**(169.1)**	**(169.1)**
Issue of fixed rate bonds	**65.0**	**-**	**65.0**	**440.0**		**440.0**
Repayment of fixed and floating rate bonds	**-**	**-**	**-**	**(427.0)**		**(427.0)**
Proceeds of term loan	**60.0**	**-**	**60.0**			
Drawdown of revolving credit facility	**40.0**	**-**	**40.0**	**-**	**-**	**-**
Proceeds of investor loan	**40.0**	**-**	**40.0**	**-**		**-**
Finance issue transaction costs	**(4.3)**	**-**	**(4.3)**	**(18.5)**		**(18.5)**
Net cash generated from / (used in) financing activities	**169.2**	**(119.6)**	**49.6**	**(38.9)**	**(223.9)**	**(262.8)**
Net (decrease) / increase in aggregate cash and cash equivalents	**47.0**	**-**	**47.0**	**7.4**	**-**	**7.4**
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	**136.2**	**-**	**136.2**	**89.2**	**-**	**89.2**

(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 - Analysis of free cash flow [1]	***Unaudited***	***Audited***
	Year ended 31 December 2020	***Year ended 31 December 2019***
	Before IFRS 16 (1)	***Before IFRS 16 (1)***
	£m	***£m***
EBITDA (adjusted)[2]	***(74.0)***	***129.1***
Working capital	***(9.0)***	***(7.4)***
Net cash flows from operating activities before non-underlying items	***(83.0)***	***121.7***
Capital expenditure	***(36.0)***	***(65.9)***
Free cash flow (used) / generated for the year	***(119.0)***	***55.8***
Non-trading cash flow		
Finance fees paid	***(0.5)***	***(0.2)***
Interest paid	***(29.5)***	***(28.7)***
Interest income	***0.3***	***0.6***
Finance lease rental interest payments	***(1.5)***	***(4.5)***
Cash spend on provisions and non-underlying items[3]	***(4.3)***	***(27.2)***
Corporate tax	***0.8***	***(1.4)***
Non-trading cash flow	***(34.7)***	***(61.4)***
Cash used	***(153.7)***	***(5.6)***
Opening Cash	***89.2***	***81.8***
Movement in cash	***(153.7)***	***(5.6)***
Net refinancing proceeds	***65.0***	***13.0***
Proceeds of term loan	***60.0***	***-***
Drawdown of revolving credit facility	***40.0***	***-***
Proceeds of investor loan note	***40.0***	***-***
Finance issue costs	***(4.3)***	***-***
Closing Cash	***136.2***	***89.2***
Opening external net debt	***(342.9)***	***(339.0)***
Net increase in aggregate cash	***47.0***	***7.4***
Net refinancing	***(61.2)***	***(4.4)***
Drawdown of term loan	***(61.9)***	***-***
Drawdown of revolving credit facility	***(40.0)***	***-***
Net finance issue transaction costs	***3.9***	***-***
Net amortised bond transaction costs	***(1.5)***	***(6.9)***
Net amortised term loan costs	***(0.1)***	***-***
Closing external net debt	***(456.7)***	***(342.9)***

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

2. EBITDA (adjusted) = Earnings before interest, 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 £4.3m 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 £2.2m, partially offset by a cash inflow relating to the surrender of a property lease. In 2019, cash spend on provisions and exceptional items of £27.2m included costs of refinancing the Travelodge Group of £18.5m, exceptional legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities of £5.6m and onerous lease provisions of £3.1m.

Reconciliation of net cash flows from operating activities before non-underlying items to net cash generated from operating activities (note 17)	***Unaudited***	***Audited***
	Year ended 31 December 2020	***Year ended 31 December 2019***
	Before IFRS 16 (1)	***Before IFRS 16 (1)***
Net cash flows from operating activities before non-underlyings	***(83.0)***	***121.7***
Cash spend on non-underlying items through working capital[4]	***(4.3)***	***(8.7)***
Cash flows from operating activities	***(87.3)***	***113.0***
Corporate tax	***0.8***	***(1.4)***
Net cash (used in) / generated from operating activities	***(86.5)***	***111.6***

4. In 2020, net cash spend from non-underlying items through working capital of £4.3m included a net £2.1m outflow relating to accrued costs and £2.2m cash spend on provisions. In 2019 cash spend on non-underlying items through working capital of £8.7m included £5.6m cash spend relating to accruals and £3.1m 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 31 December 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.

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 Year ended 31 December 2020 £m	Audited Year ended 31 December 2019 £m
Revenue		
UK	**280.4**	**713.1**
International	**4.0**	**14.8**
Revenue	**284.4**	**727.9**
EBITDA - Underlying		
UK EBITDA (adjusted)[1]	**(70.3)**	**126.4**
Rent adjustment	**(79.8)**	**(2.3)**
UK EBITDA after rent adjustment	**(150.1)**	**124.1**
International EBITDA after rent adjustment	**(3.7)**	**2.7**
EBITDA after rent adjustment before IFRS 16	**(153.8)**	**126.8**
UK IFRS 16 EBITDA adjustment	**211.2**	**210.2**
International IFRS 16 EBITDA adjustment	**3.7**	**4.3**
EBITDA after rent adjustment - Underlying	**61.1**	**341.3**
Non-underlying items (Total)	**(15.6)**	**(0.8)**
EBITDA after rent adjustment	**45.5**	**340.5**
Operating (loss) / profit - Underlying		
UK	**(202.5)**	**62.2**
International	**(3.8)**	**2.5**
Operating (loss) / profit before IFRS 16 - Underlying	**(206.3)**	**64.7**
UK IFRS 16 Operating profit adjustment	**114.7**	**106.9**
International IFRS 16 Operating profit adjustment	**1.1**	**1.7**
Operating (loss) / profit - Underlying	**(90.5)**	**173.3**
Non-underlying items (Total)	**7.0**	**(15.6)**
Operating (loss) / profit	**(83.5)**	**157.7**
(Loss) / profit before tax - Underlying		
UK	**(252.9)**	**10.7**
International	**(3.9)**	**2.4**
(Loss) / profit before tax - Underlying	**(256.8)**	**13.1**
Non-underlying items before IFRS 16 (note 7)	**(13.9)**	**(34.1)**
Loss before tax and IFRS 16	**(270.7)**	**(21.0)**
UK IFRS 16 Loss before tax adjustment	**(55.6)**	**(53.8)**
International IFRS 16 Loss before tax adjustment	**(1.1)**	**(0.9)**
IFRS 16 Loss before tax -Underlying	**(56.7)**	**(54.7)**
UK IFRS 16 non-underlying items	**19.9**	**3.7**
International IFRS 16 non-underlying items	**0.5**	**(0.5)**
IFRS 16 non-underlying items	**20.4**	**3.2**
Loss before tax	**(307.0)**	**(72.5)**

(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			Audited		
	Year ended 31 December 2020			Year ended 31 December 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	18.2	-	18.2	43.1	-	43.1
Employee costs	115.4	-	115.4	173.9	-	173.9
Operating expenses	94.4	-	94.4	173.0	-	173.0
Net operating expenses before rent, depreciation and amortisation	**228.0**	**-**	**228.0**	**390.0**	**-**	**390.0**
Rent payable (third party landlords)[3]	134.1	(133.7)	0.4	212.8	(212.2)	0.6
Rent receivable	(3.3)	-	(3.3)	(4.0)	-	(4.0)
Net external rent payable	130.8	(133.7)	(2.9)	208.8	(212.2)	(3.4)
Rent adjustment[2]	79.8	(79.8)	-	2.3	(2.3)	-
Net rent	**210.6**	**(213.5)**	**(2.9)**	**211.1**	**(214.5)**	**(3.4)**
Net operating expenses before depreciation and amortisation	**438.6**	**(213.5)**	**225.1**	**601.1**	**(214.5)**	**386.6**
Depreciation	36.5	110.4	146.9	44.6	117.7	162.3
Amortisation	16.0	(11.3)	4.7	17.5	(11.8)	5.7
Net depreciation and amortisation	**52.5**	**99.1**	**151.6**	**62.1**	**105.9**	**168.0**
Total net operating expenses	**491.1**	**(114.4)**	**376.7**	**663.2**	**(108.6)**	**554.6**

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

(2) 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 £0.4m (2019: £0.6m) relates to £0.6m of variable lease payments that are not included within right of use assets, partially offset by a £(0.2)m credit relating to temporary rent reductions in Spain.

5 FINANCE COSTS

	Unaudited Year ended 31 December 2020	Audited Year ended 31 December 2019
	£m	£m
Finance fees	2.5	2.1
Interest on bank loans	4.0	1.0
Interest on fixed and floating rate bonds	25.7	29.1
Interest on obligations under finance leases	3.1	5.3
Unwinding of discount on provisions	0.4	0.5
Finance costs before interest on investor loan, non-underlying items and IFRS 16	**35.7**	**38.0**
Interest on investor loan	15.1	14.3
Finance costs before non-underlying items and IFRS 16	**50.8**	**52.3**
Non-underlying items:		
Fees in relation to restructuring of debt	0.5	15.3
Finance costs before IFRS 16	**51.3**	**67.6**
IFRS 16 adjustment[1]	172.5	163.3
Finance costs after IFRS 16	**223.8**	**230.9**

(1) The total IFRS 16 notional interest charge on lease liabilities is £176.2m. The IFRS 16 adjustment includes a £3.1m 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 £0.4m credit in respect of unwinding of discount on provisions.

6 NON-UNDERLYING ITEMS

The non-underlying charge (before IFRS 16 and taxation) of £13.9m for the year ended 31 December 2020 includes a £10.2m charge for impairment of intangible assets, property, plant and equipment and a 6.7m charge for onerous lease provision reassessment, together with 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, the establishment of a £1m compromised creditor fund following the CVA, costs associated with the disposal of leases where break clauses were instigated as a direct result of the CVA, management incentives and costs related to the refinancing activity during the year.

The application of IFRS 16 credits non-underlying charges by £20.4m mainly due to the profit on disposal of leases where break clauses were instigated as a direct result of the CVA, the reversal of the net onerous lease provision reassessment of £6.7m as rent is no longer charged under IFRS 16, together with a £1.5m reduction to the impairment charge given the different basis of impairment testing. This results in an overall statutory non-underlying credit (before taxation) of £(6.5)m for the year ended 31 December 2020.

Non-underlying charges (before taxation and the impact of IFRS 16) of £34.1m for the year ended 31 December 2019 includes £15.0m for the impairment of intangible assets and property plant & equipment, together with a net onerous lease provision reassessment of £3.0m, and £0.8m 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.

The application of IFRS 16 results in non-underlying charges reducing by £3.2m for the year ended 31 December 2019, due mainly to the reversal of the net onerous lease provision reassessment of £3.0m as rent is no longer charged under IFRS 16, together with a £0.2m reduction to the impairment charge given the different basis of impairment testing. The total statutory non-underlying charge (before taxation) for the year ended 31 December 2019 was £30.9m.

7 INTANGIBLE ASSETS

	Unaudited 31 December 2020 £m	Audited 31 December 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	**2.5**	**7.2**
Movement on capital creditors	**-**	**(0.6)**
Amortisation	**(4.7)**	**(5.7)**
Closing net book value	**157.4**	**159.6**

The closing net book value at 31 December 2020 comprises brand value of £145.0m, assets under construction of £3.0m and IT software of £9.4m.

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.

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

8 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31 December 2020 £m	Audited 31 December 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	**31.9**	**56.9**
Movement on capital creditors	**(1.5)**	**(2.3)**
Disposals	**(4.4)**	**(0.2)**
Depreciation	**(37.7)**	**(44.2)**
Impairment	**(0.5)**	**(0.7)**
Closing net book value	**120.7**	**132.9**

(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 31 December 2020 comprises assets under construction of £1.5m, freehold and long leaseholds of £1.6m and fixtures and fittings of £117.6m.

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

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

9 RIGHT OF USE ASSETS

	Unaudited 31 December 2020 £m	Audited 31 December 2019 £m
Opening net book value	**2,521.3**	**-**
Impact of adoption of IFRS 16[1]	**-**	**2,536.7**
New leases	**79.1**	**64.1**
Lease Adjustments[2]	**(305.3)**	**52.6**
Additions[3]	**1.6**	**1.8**
Foreign Exchange Translation Adjustment	**1.8**	**(1.7)**
Depreciation	**(109.2)**	**(118.1)**
Disposals[4]	**(58.2)**	**-**
Impairment	**(8.2)**	**(14.1)**
Closing net book value	**2,122.9**	**2,521.3**

(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 and the disposal of leases where break clauses were instigated as a direct result of the CVA.

10 IFRS 16 LEASE LIABILITIES

	Unaudited 31 December 2020 £m	Audited 31 December 2019 £m
Opening Balance	**(2,597.4)**	**-**
Transfer from Finance Lease Creditor[1]	**-**	**(32.8)**
New Lease Liabilities on Adoption	**-**	**(2,509.1)**
Adoption of IFRS 16	**-**	**(2,541.9)**
New leases	**(79.1)**	**(64.1)**
Lease Adjustments[2]	**305.3**	**(52.6)**
Foreign Exchange Translation Adjustment	**(2.0)**	**1.9**
Finance Costs	**(176.2)**	**(169.1)**
Payments - Finance Leases	**1.5**	**4.5**
Payments - Operating Leases	**119.8**	**223.9**
Disposals[3]	**80.3**	**-**
Closing Balance	**(2,347.8)**	**(2,597.4)**
Amounts falling due within one year	**(15.7)**	**(47.6)**
Amounts falling due after one year	**(2,332.1)**	**(2,549.8)**
	(2,347.8)	**(2,597.4)**

(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 and the disposal of leases where break clauses were instigated as a direct result of the CVA.

Lease adjustments of £305.3m include CVA modifications at 20 June 2020 of £394.4m, since offset by subsequent revisions as a result of landlords exercising their options under the CVA, together with 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 resulted in a total reduction in both the lease liability and right of use asset totalling £394.4m, which comprises the effect of the temporary period of rent reductions of approximately £142.4m, together with the reduction due to the increase in the weighted average discount rate for the affected leases from 7.1% to 9.4%.

Lease liabilities have been discounted at a weighted average discount rate of 8.89% with a range between 5.0% and 11.0%. The weighted average remaining length of lease from the balance sheet date is 23.2 years.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 31 December 2020 £m	Audited 31 December 2019 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	**8.0**	**6.5**
- Bad debt provision	**(0.2)**	**(0.2)**
- Net amounts receivable	**7.8**	**6.3**
Other amounts receivable	**7.0**	**2.2**
Accrued income	**0.6**	**2.4**
Prepayments	**4.7**	**4.5**
Loans to related parties	**2.1**	**1.9**
	22.2	**17.3**

12 TRADE AND OTHER PAYABLES

	Unaudited 31 December 2020 £m	Audited 31 December 2019 £m
Trade payables	**(6.2)**	**(13.5)**
Other payables(1)	**(13.7)**	**(8.7)**
Social security and other taxation	**(7.4)**	**(7.5)**
Accruals	**(41.8)**	**(54.4)**
Deferred income	**(1.7)**	**(2.3)**
Prepaid room purchases	**(23.4)**	**(27.5)**
Capital payables	**(4.3)**	**(5.8)**
Amounts falling due within one year	**(98.5)**	**(119.7)**

[1] Other payables includes additional premiums on vouchers issued in relation to cancelled stays during periods of lockdown

13 FINANCIAL ASSETS AND LIABILITIES

		Unaudited 31 December 2020 £m	Audited 31 December 2019 £m
Cash at bank and in hand		**136.2**	**89.2**
External debt redeemable:			
Floating Rate Bond	July 2025	**(440.0)**	**(440.0)**
Fixed Rate Bond	January 2025	**(65.0)**	**-**
Super Senior Term Loan	July 2024	**(61.9)**	**-**
Revolving credit facility	May 2022 / July 2024	**(40.0)**	**-**
Issue Costs		**14.0**	**7.9**
External debt		**(592.9)**	**(432.1)**
Net external debt		**(456.7)**	**(342.9)**
Investor Loan Note	January 2026 / 2033	**(166.4)**	**(111.3)**
Net debt before finance leases		**(623.1)**	**(454.2)**
Lease liabilities under IFRS 16		**(2,347.8)**	**(2,597.4)**
Net debt including finance leases		**(2,970.9)**	**(3,051.6)**

Lease liabilities under IFRS 16 represent the present value of future lease payments in respect of the right of use assets.

Finance lease liabilities (before IFRS 16) were as follows: 31 December 2020: £14.5m, 31 December 2019: £33.6m.

Senior secured notes

Senior secured fixed rate sterling denominated notes of £232m and senior secured floating rate sterling denominated notes of £195m were repaid on 5 July 2019, when 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. The notes may be redeemed at any time on or after 15 July 2020, at par.

On 18 December 2020, new senior secured fixed rate sterling denominated notes of £65m were issued with a termination date of 15 January 2025. Interest was fixed at 9% and payable on a semi-annual basis.

Issue costs of approximately £3.8m will be amortised over the life of the facility in line with generally accepted accounting practice.

Revolving credit facility and super senior term loan

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

In May 2020, the RCF facility was amended with the net leverage financial covenant for the relevant quarter end testing periods from 30 June 2020 until and including 30 June 2021 being replaced by a minimum liquidity covenant. The minimum liquidity covenant requires that available liquidity is not lower than £10m for any period of five (5) consecutive business days.

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), available to the Group until May 2022.

The proceeds of the new facility were for general corporate and working capital requirements. Fees and interest were payable in kind and were contingent on an initial drawdown.

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

On 16 November, the Group entered into an amended and restated agreement in the form of a super senior term loan of £60m, available to the Group until July 2024.

On 1 December 2020, the Group repaid both the initial drawdown on the super senior revolving credit facility of £30m and the related 'take and hold' fee of £0.6m, as well as accrued interest of £1.3m. On the same date, the new super senior term loan of £60m was drawn in full.

An OID fee of £1.9m was incurred in respect to the term loan of £60m, payable after 31 December 2021. This fee has been capitalised and deemed to form a new loan under the facility and is being amortised over the life of the facility in line with generally accepted accounting practice.

Issue costs of approximately £2.0m 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. At 31 December 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 and the super senior term loan have been deducted from the fair value of the notes and facility, which are carried at amortised cost.

Investor loan note
On 24 August 2020 and 2 December 2020, the Group entered into additional investor loan note agreements of £10m and £30m respectively, with a termination date of 2033. The original investor loan note of £95m has a termination date of January 2026.

The interest rate charged on the investor loan note is 15%. Accrued interest for the year ended 31 December 2020 totalled £15.1m (2019: £14.3m).

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

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m
Financial instrument categories				
Cash and Cash Equivalents	**136.2**	**136.2**	**89.2**	**89.2**
Loans and receivables(1)	**17.5**	**17.5**	**12.8**	**12.8**
Financial derivative asset	**-**	**-**	**0.3**	**0.3**
Bond related debt	**(505.0)**	**(455.2)**	**(440.0)**	**(442.6)**
Super Senior Term Loan	**(61.9)**	**(61.9)**	**-**	**-**
Revolving credit facility	**(40.0)**	**(40.0)**	**-**	**-**
Investor Loan Note	**(166.4)**	**(166.4)**	**(111.3)**	**(111.3)**
Financial liabilities(2)	**(2,420.9)**	**(2,420.9)**	**(2,687.5)**	**(2,687.5)**
	(3,040.5)	**(2,990.7)**	**(3,136.5)**	**(3,139.1)**

(1) Loans and receivables of £17.5m (December 2019: £12.8m) are made up of trade receivables of £7.8m (December 2019: £6.3m), other receivables of £7.0m (December 2019: £2.2m), accrued income of £0.6m (December 2019: £2.4m) and loans to related parties of £2.1m (December 2019: £1.9m).

(2) Financial liabilities of £2,420.9m (December 2019: £2,687.5m) are made up of lease liabilities of £2,347.8m (December 2019: £2,597.4m), provisions of £7.1m December 2019: £7.7m), trade payables of £6.2m (December 2019: £13.5m), capital payables of £4.3m (December 2019: £5.8m), accruals of £41.8m (December 2019: £54.4m) and other payables of £13.7m (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	Audited
	31 December 2020	31 December 2019
	£m	£m
At 1 January 2020	**(7.7)**	**(8.1)**
Cash spend	**0.2**	**0.4**
Reassessment of provisions	**(0.6)**	**-**
Disposals	**0.8**	**-**
Transfer to accruals	**0.2**	**-**
At 31 December 2020	**(7.1)**	**(7.7)**
The balance can be analysed as:		
Due in less than one year	**-**	**(0.1)**
Due in greater than one year	**(7.1)**	**(7.6)**
	(7.1)	**(7.7)**

Provisions of £7.1m can be analysed as: onerous lease provisions of £0.4m relating to future rates liabilities on four empty and sub leased historic restaurant units and £6.7m of other provisions.

15 NOTE TO THE CASH FLOW STATEMENT

	Unaudited			Audited		
	Year ended 31 December 2020			Year ended 31 December 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	(206.3)	115.8	(90.5)	64.7	108.6	173.3
Operating profit / (loss) - Non-underlying	(13.4)	20.4	7.0	(18.8)	3.2	(15.6)
Operating profit / (loss)	**(219.7)**	**136.2**	**(83.5)**	**45.9**	**111.8**	**157.7**
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	36.5	110.4	146.9	44.6	117.7	162.3
Amortisation of other intangible assets	16.0	(11.3)	4.7	17.5	(11.8)	5.7
(Profit) / Loss on disposal of fixed assets	4.9	(36.2)	(31.3)	-	-	-
Impairment of fixed assets	10.2	(1.5)	8.7	15.0	(0.2)	14.8
	67.6	61.4	129.0	77.1	105.7	182.8
Operating cash flows before movements in working capital	**(152.1)**	**197.6**	**45.5**	**123.0**	**217.5**	**340.5**
Movement in inventory	0.4	-	0.4	(0.1)	-	(0.1)
Movement in receivables	15.1	(20.0)	(4.9)	(6.9)	1.4	(5.5)
Movement in payables	47.7	(56.0)	(8.3)	(2.9)	5.3	2.4
Movement in provisions	1.6	(2.0)	(0.4)	(0.1)	(0.3)	(0.4)
Total working capital movement[(2)]	**64.8**	**(78.0)**	**(13.2)**	**(10.0)**	**6.4**	**(3.6)**
Cash flows from operating activities	**(87.3)**	**119.6**	**32.3**	**113.0**	**223.9**	**336.9**
Corporate tax	0.8	-	0.8	(1.4)	-	(1.4)
Net Cash (Used in) / Generated from operating activities	**(86.5)**	**119.6**	**33.1**	**111.6**	**223.9**	**335.5**

(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 £64.8m (2019: £(10.0)m) is after non-underlying inflows of £6.0m (2019: outflows of £4.9m) and before rent adjustment of £79.8m (2019: £2.3m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 26 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. In addition, the Group's debt facilities contain 'frozen GAAP' clauses, so additional measures have also been provided on a 'Before IFRS 16' basis.

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. Management have used the same key performance measure for many years which deducts an annual rental charge from profit and accounting for rent free periods by spreading these over the period to the next rent review. Management believe this is a useful performance measure as it more accurately reflects the cash impact of the hotel operating leases.

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

	Year ended 31 December 2020 £m	**Year ended 31 December 2019 £m**
Statutory Loss before Tax	**(307.0)**	**(72.5)**
Net Finance Costs	223.5	230.2
Operating (loss) / Profit	**(83.5)**	**157.7**
Non-underlying Items (See note 6)	(7.0)	15.6
Underlying Operating (Loss) / Profit	**(90.5)**	**173.3**
Reverse IFRS 16 Rent Adj(1)	(213.5)	(214.5)
Reverse IFRS 16 Other Income adj(4)	(1.4)	-
Depreciation, Amortisation - Underlying	151.6	168.0
EBITDA - before Rent Adjustment	(153.8)	126.8
Rent Adjustment(2)	79.8	2.3
EBITDA (adjusted)(3)	**(74.0)**	**129.1**

(1) The rent payable for operating leases of £133.7m (2019: £212.2m) and the rent adjustment of £79.8m (2019: £2.3m) 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.

[4] Insurance receipts that were offset from the related rent payable are reclassified to other income under IFRS 16.

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
EBITDA (adjusted)[1]	(74.0)	129.1
Working capital[2]	(9.0)	(7.4)
Net cash flows from operating activities before non-underlying items	(83.0)	121.7
Capital expenditure	(36.0)	(65.9)
Free Cash Flow	**(119.0)**	**55.8**

[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.