TVL FINANCE PLC

QUARTER ENDED 31 MARCH 2021

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 2021 to 31 March 2021 (prior year from 1 January 2020 to 31 March 2020), 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 phasing 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 quarter 31 March 2021

Covid-19 Materially Impacting Trading

Headlines

- Total revenue down 71.3% to £41.7m (2019: £145.2m, 2020: £129.5m)
- RevPAR(1) down 70.5% to £10.25 (2019: £34.73, 2020: £29.34)
- RevPAR performance vs 2019 5.1pts ahead of the competitive segment[2]
- Occupancy(1) down 43.6pts to 32.5% (2019: 76.1%, 2020: 67.2%)
- Average room rate(1) down 30.9% at £31.53 (2019: £45.64, 2020: £43.65)
- EBITDA(3) down £42.8m to a loss of £2.6m (under IFRS 16)
- EBITDA (adjusted)(4) loss of £46.1m (2019: profit of £1.7m, 2020 loss of £13.9m)
- Cash of £96.2m at 31 March 2021
- 12 new hotels opened to date
- Total network now 588 hotels and 44,716 rooms as at 31 March 2021

Summary

The impact of Covid-19 continued in the first quarter of the year with significantly reduced levels of demand as a result of the restrictions in place, with revenues down 71% on 2019 levels. We continued to take action to mitigate the impact including reducing operational costs in line with demand, making use of government support and continued to benefit from the temporary rent reductions under the CVA.

With the lifting of all UK restrictions for leisure stays from 17 May and the continued progress on the vaccination programme we expect demand to increase. It's still too early to draw any meaningful conclusions and we therefore continue to face a range wide of possible outcomes. However, the budget segment remains the most resilient and has recovered the fastest historically. With our large network of hotels, value proposition and focus on domestic travel we should be well positioned to benefit in any recovery.

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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 31 Dec 2020 to 31 Mar 2021.

[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.

Performance Overview

Travelodge continues to be significantly impacted by the Covid-19 situation. During the first quarter, lockdown restrictions limited overnight stays to essential business travel only alongside some other legal exceptions. We had approximately 300 hotels open at the beginning of the 2021 with gradual re-opening of a further c. 100 hotels over the quarter in line with demand. Trading remained broadly flat at approximately £3-3.5m per week, reflective of the lockdown restrictions in place. Revenues were down 71% on 2019 levels with an adjusted EBITDA loss of £(46.1)m (2019: profit of £1.7m, 2020: loss of £13.9m).

The budget market remained relatively resilient and continued to see revenue as a percentage of 2019 levels around 10% points higher than the total hotel market.

Overall UK like-for-like RevPAR for the quarter was down (70.5)% on 2019 levels, but Travelodge continued to outperform the competitive segment, and this was approximately 5.1pts ahead of the STR MSE benchmark competitive segment (vs 2019).

Costs remain tightly controlled, with variable costs reduced in line with hotel closures and the lower levels of occupancy. We also benefited from the UK government's job retention scheme, business rates holiday and the temporary reductions in rent under the terms of the CVA.

In the quarter we opened eight new hotels and so far in 2021 we have opened 12 new hotels. These include hotels in high leisure demand areas such as Kendal Town Centre in the Lake District and Witney in the Cotswolds. We also continued to expand our network of hotels in more business focused locations.

Financial Performance

<u>For the quarter ended 31 March 2021:</u>

During the quarter demand was significantly impacted by the third UK lockdown which permitted essential business travel only and some other legal exceptions. As a result, a significant number of hotels were closed at the start of the quarter with gradual re-opening in line with demand.

For the quarter, compared to 2019, UK like-for-like RevPAR was down 70.5% to £10.25 (2019: £34.73), with UK like-for-like occupancy down 43.6pts to 32.5%, and UK like-for-like average room rate down 30.9% to £31.53. UK like-for-like RevPAR was down 65.1% vs 2020 with 2020 impacted by the first lockdown which was announced on 23 March 2020.

Despite the significant impact on trading Travelodge continued to outperform with UK like-for-like RevPAR performance 5.1pts ahead of the competitive segment vs 2019 and 4.4pts ahead versus 2020, with outperformance in both London and the Regions.

We have also benefited from the contribution of the eight new hotels opened in the quarter and the nine maturing hotels opened in 2020. Spain continues to be impacted by the pandemic.

Total revenue for the quarter of £41.7m, was down £87.8m (67.8%) vs 2020 and down £103.5m (71.3%) vs 2019.

As a result of the trading conditions we continued to take action to reduce costs.

Rent benefited from the temporary reductions in rents (approximately £85m in 2020 and £55m in 2021) 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 £10m) and through the utilisation of the job retention scheme (furlough claims of approximately £45m in 2020 and £12m in the first quarter of 2021). Variable costs were also reduced as result of hotel closures and lower levels of occupancy.

EBITDA (adjusted) was a loss of £46.1m, down £32.2m on the prior year and down £47.8m on 2019.

Liquidity Update

Travelodge ended Q1 with cash of £96.2m.

The Group's pre-existing £40m RCF remains fully drawn. The net leverage covenant has been waived until the September 2021 test date, replaced by a minimum liquidity requirement.

As at 12 May the group held cash reserves of approximately £91m.

Recent Trading

Trading in the weeks following the quarter end improved slightly as restrictions began to ease in April, but still were mainly mid-week sales, booked on short-lead, for essential business travel. Total revenue for the period from 1 April to 12 May 2021 was down approximately 66% on 2019 levels.

We have continued to outperform the STR MSE benchmark segment with UK like-for-like RevPAR performance vs 2019 in the first weeks of the second quarter over 5pts[(5)] ahead of the competitive segment with London and the Regions both outperforming.

Outlook

With the further lifting of Covid-19 restrictions in England from 17 May, allowing customers to stay for leisure purposes and us to to open our bar cafes, we expect demand to increase. Hotel leisure stays have been permitted in Scotland and Wales since the end of April.

However, forecasting remains a challenge and we expect the recovery will depend on a number of factors including 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.

Travelodge operates in the Midscale and Economy ("MSE") segment which has historically shown greater resilience than other segments during economic downturns and recovered faster. 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. Leading market commentators are currently forecasting 2021 RevPAR approximately 30-40% down on 2019 levels.

Our outlook on costs remains unchanged.

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

[5] 1 Apr 2021 to 5 May 2021

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

While the total level of operating costs will fluctuate depending on the level of occupancy, the available 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. We have operated at the bottom end of this range in the first weeks of the second quarter.

The Travelodge estate is well invested and we therefore have the ability to defer our cyclical hotel refit cycle for a short 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.

We are encouraged by the continued progress on the vaccination programme, the lifting of restrictions and summer booking patterns. It's still far too early to draw any meaningful conclusions though and much will depend on summer trading and the recovery in business demand.

However, 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. So, whilst we do continue to face material uncertainty in the short-term, we remain confident in the long-term prospects for budget hotels.

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 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.

Further details are provided in our 2020 Annual Report.

About Travelodge

Founded in 1985, Travelodge is one of the UK's leading hotel brands. There were 588 Travelodge hotels and 44,716 rooms in the UK, Ireland and Spain as at 31 March 2021. 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.

For further information, please contact:

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

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

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the quarter ended 31 March 2021

Results for the Group are for the quarter ended 31 March 2021, with comparatives for the quarter ended 31 March 2020.

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

	Period ended 31 March 2021			Period ended 31 March 2020			Variance 2021 vs 2020 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	**41.7**	**-**	**41.7**	**129.5**	**-**	**129.5**	**(87.8)**	**(67.8)%**
Revenue UK	41.0	-	41.0	127.2	-	127.2	(86.2)	(67.8)%
Revenue International	0.7	-	0.7	2.3	-	2.3	(1.6)	(69.6)%
Key income statement items								
Revenue	**41.7**	**-**	**41.7**	**129.5**	**-**	**129.5**	**(87.8)**	**(67.8)%**
Operating expenses	(45.3)	-	(45.3)	(90.2)	-	(90.2)	44.9	49.8%
Of which cost of goods sold	*(1.9)*	-	*(1.9)*	*(9.6)*	-	*(9.6)*	*7.7*	*80.2%*
Of which employee costs	*(23.3)*	-	*(23.3)*	*(41.2)*	-	*(41.2)*	*17.9*	*43.4%*
Of which other operating expenses	*(20.1)*	-	*(20.1)*	*(39.4)*	-	*(39.4)*	*19.3*	*49.0%*
Net external rent (payable) / receivable	(42.5)	43.5	1.0	(53.2)	54.1	0.9	10.7	20.1%
EBITDA (adjusted)[2] / EBITDA[3]	**(46.1)** [2]	**43.5**	**(2.6)** [3]	**(13.9)** [2]	**54.1**	**40.2** [3]	**(32.2)**	**(231.7)%**
Rent phasing adjustment[4]	(12.5)	12.5	-	(0.6)	0.6	-	(11.9)	(1983.3)%
Depreciation	(9.8)	(27.2)	(37.0)	(10.5)	(29.6)	(40.1)	0.7	6.7%
Amortisation	(3.9)	2.7	(1.2)	(4.0)	2.8	(1.2)	0.1	2.5%
Operating (loss) / profit (before non-underlying items)	**(72.3)**	**31.5**	**(40.8)**	**(29.0)**	**27.9**	**(1.1)**	**(43.3)**	**(149.3)%**
Finance costs before investor loan interest	(11.0)	(44.3)	(55.3)	(8.7)	(41.2)	(49.9)	(2.3)	(26.4)%
Investor loan interest	(5.0)	-	(5.0)	(3.3)	-	(3.3)	(1.7)	(51.5)%
Finance income	-	-	-	0.1	-	0.1	(0.1)	(100.0)%
Loss for the period (before non-underlying items)	**(88.3)**	**(12.8)**	**(101.1)**	**(40.9)**	**(13.3)**	**(54.2)**	**(47.4)**	**(115.9)%**
Non-underlying items	0.4	1.6	2.0	-	-	-	0.4	-
Loss for the period before tax	**(87.9)**	**(11.2)**	**(99.1)**	**(40.9)**	**(13.3)**	**(54.2)**	**(47.0)**	**(114.9)%**
Income tax	-	-	-	1.1	(1.1)	-	(1.1)	(100.0)%
Loss for the period	**(87.9)**	**(11.2)**	**(99.1)**	**(39.8)**	**(14.4)**	**(54.2)**	**(48.1)**	**(120.9)%**

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

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment, non-underlying items and reflective of the position in line with the historic accounting principles (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 (statutory) = Earnings before interest, tax, depreciation, amortisation and non-underlying items.

(4) Rent phasing adjustment = 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 phasing 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 £87.8m, or 67.8%, from £129.5m for the quarter ended 31 March 2020 to £41.7m for the quarter ended 31 March 2021, 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. Restrictions throughout the UK meant guests were only allowed to stay in hotels for work, education or other legally permitted reasons, but not for leisure purposes. We started the year with 354 UK hotels open and trading, with closures in the first two weeks of January reducing this to 293, ending January with 295 open hotels. On 1 February we opened a batch of 19 hotels taking the total to 314 open hotels, which increased to 376 by the end of February. By the end of March this had increased to 402 open hotels.

Like-for-like UK RevPAR declined by 65.1%(2) (with a decline of 70.5% compared to 2019).

Operating expenses

Operating expenses were reduced by £44.9m, or 49.8%, from £90.2m for the quarter ended 31 March 2020 to £45.3m for the quarter ended 31 March 2021. In response to the low revenue levels due to the impact of Covid-19, we continued to take decisive action to tightly control costs, mitigating the impact by reducing variable costs in line with hotel closures and the reduced levels of occupancy.

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 7,500 team members fully or partially furloughed throughout the quarter, together with reduced working hours for some team members and enforced holidays, partially offset by the impact of the National Living Wage increase in the like-for-like estate and the additional staff in our new and maturing hotels. Claims of c. £12m were made in respect of the government's job retention scheme in the quarter.

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 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 phasing adjustment and before IFRS 16(1)) decreased by £10.7m, or 20.1%, from £53.2m for the quarter ended 31 March 2020 to £42.5m for the quarter ended 31 March 2021. This decrease was primarily due to rent reductions agreed as part of the CVA, partially offset by upwards only rent reviews predominantly linked to RPI in the like-for-like estate and the impact of new hotels.

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added to reflect the position in line with previous accounting principles.
(2) Revenue per available room (RevPAR) on a UK like-for-like basis for the management accounting period 31 December 2020 to 31 March 2021.

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

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. As a result of the rent reductions agreed as part of the CVA, the lease assets and liabilities have been recalculated under IFRS 16.

The rent payable for operating leases previously reported under IAS 17, within EBITDA (adjusted), has been replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability which are not included within Statutory EBITDA.

Depreciation / Amortisation

Depreciation (before IFRS 16[(1)]) decreased by £0.7m, or 6.7%, from £10.5m for the quarter ended 31 March 2020 to £9.8m for the quarter ended 31 March 2021. Depreciation is driven mainly by ongoing investment in the maintenance and refurbishment of our estate including health and safety measures, energy efficiency projects, IT and new hotel openings. In response to the onset of Covid-19 we deferred our normal capital refit programme and limited non-essential capital expenditure. The impairment charge against a small number of assets at the end of 2020 also contributed to the reduction in depreciation, as did the disposal of a small number of leases following the CVA in 2020.

Amortisation (before IFRS 16[(1)]) is driven mainly by historic lease premiums, investment in IT systems and new openings and decreased by £0.1m, or 2.5%, from £4.0m for the quarter ended 31 March 2020 to £3.9m for the quarter ended 31 March 2021. This is mainly due to the impairment of historic lease premiums for a small number of assets at the end of 2020.

Statutory depreciation, including the impact of right of use assets, decreased by £3.1m to £37.0m. 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 2020. Statutory amortisation of IT software remained level at £1.2m.

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

Finance costs

Finance costs before investor loan interest increased by £2.3m, or 26.4%, from £8.7m for the quarter ended 31 March 2020 to £11.0m for the quarter ended 31 March 2021. This increase was primarily due to higher bank interest costs following the full drawdown of £40m under the pre-existing revolving credit facility in March 2020 and the setting up of a new term loan facility of £60m as part of the refinancing in December 2020, and higher bond interest costs following the new bond issue in December 2020, less the impact of the decrease in LIBOR, plus additional amortisation of capitalised bond issue costs and other capitalised costs related to the refinancing in December 2020, partially offset by lower interest on finance leases following the surrender of a property lease in June 2020.

Investor loan interest increased by £1.7m, or 51.5%, from £3.3m for the quarter ended 31 March 2020 to £5.0m for the quarter ended 31 March 2021. This increase was due to the injection of £40m from our shareholders and their affiliates, £10m in August 2020 and a further £30m in December 2020.

Statutory finance costs include a notional additional finance cost of £44.3m for the quarter ended 31 March 2021, up £3.1m from £41.2m for the quarter ended 31 March 2020, relating to the lease liabilities.

Finance income

There was no finance income for the quarter ended 31 March 2021. Finance income of £0.1m for the quarter ended 31 March 2020 was bank interest received.

Non-underlying items

Non-underlying items (before IFRS 16[(1)] and taxation) of £0.4m credit for the quarter ended 31 March 2021 is a profit on disposal of assets with a category C lease break clause exercised under the CVA.

Statutory non-underlying credit (before taxation) for the quarter ended 31 March 2021 of £2.0m comprises a profit on disposal of assets where a category C lease break clause was exercised under the CVA.

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

Statutory loss before tax was £99.1m for the quarter ended 31 March 2021, £44.9m higher than the loss of £54.2m for the quarter ended 31 March 2020. This was mainly driven by the reduction in revenue as a result of Covid-19, mitigated by the significant cost savings.

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

Taxation

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

There was an overall income tax charge of £nil (2020: £nil) for the quarter ended 31 March 2021 (current tax charge: £nil; deferred tax charge: £nil).

No cash tax payments were made during the quarter (2020: none). Repayments of £0.4m were received in respect of Spain 2019 tax (2020: repayments of £0.2m in respect of Spain 2018 tax).

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

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

As at 31 March 2021, we had cash of £96.2m, a decrease of £45.1m compared to £141.3m as at 31 March 2020.

For the quarter ended 31 March 2021, net cash used in operating activities was £27.1m (which is after rent paid of £41.5m), net cash used in investing activities was £4.9m, which relates to the purchase of intangible and tangible fixed assets and net cash used in financing activities was £8.0m.

Net cash used in financing activities of £8.0m was interest payments and finance fees of £6.9m, finance lease interest payments of £0.2m and costs associated with the refinancing in December 2020 of £0.9m.

Free Cash Flow (as defined in note 1 to the Cash Flow Statement as being EBITDA (adjusted), less Working capital cash flows (before non-underlying items and before IFRS 16[(1)]) and Capital expenditure) decreased from an inflow of £21.3m for the quarter ended 31 March 2020 to an outflow of £30.3m for the quarter ended 31 March 2021. This was mainly due to the significant year on year decrease in EBITDA (adjusted) and working capital movements in the prior year benefitting from the deferral of second quarter rent payments, partially offset by lower capital expenditure, mainly due to the deferral of our normal capital refit programme and non-essential capital expenditure in response to the onset of Covid-19.

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 CVA results in a period of monthly rents for the majority of hotels until the end of 2021. As a result, our quarterly cash position is generally at a low just after the end of March, June, September and December following payment of the rent bill, monthly creditor payments and payroll.

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

The table below sets out certain line items from our consolidated cash flow statement for the quarter ended 31 March 2021 and the quarter ended 31 March 2020.

	Period ended 31 March 2021			Period ended 31 March 2020			Variance 2021 vs 2020 before IFRS 16[1]	
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	£m	Var %
Net cash (used in) / generated from operating activities	(27.1)	41.5	14.4	33.8	17.5	51.3	(60.9)	(180.2)%
Net cash used in investing activities	(4.9)	-	(4.9)	(14.3)	-	(14.3)	9.4	65.7%
Net cash (used in) / generated from financing activities	(8.0)	(41.5)	(49.5)	32.6	(17.5)	15.1	(40.6)	(124.5)%
Net (decrease) / increase in aggregate cash and cash equivalents	(40.0)	-	(40.0)	52.1	-	52.1	(92.1)	(176.8)%
Cash and cash equivalents at beginning of the period	136.2	-	136.2	89.2	-	89.2	47.0	52.7%
Cash and cash equivalents at the end of the period	**96.2**	**-**	**96.2**	**141.3**	**-**	**141.3**	**(45.1)**	**(31.9)%**

Net cash used in operating activities

Net cash used in operating activities (before IFRS 16[1]) of £27.1m for the quarter ended 31 March 2021, an additional outflow of £60.9m, compared to the cash generated of £33.8m for the quarter ended 31 March 2020. This was due to an increase of £42.9m in operating loss (after non-underlying items), a decrease of £0.8m in depreciation and amortisation, a profit on disposal of fixed assets of £0.4m and a decrease of £17.0m in working capital inflow, partially offset by an increase of £0.2m in corporation tax repayments.

Statutory net cash generated from operating activities, which excludes rent, decreased by £36.9m, from an inflow of £51.3m for the quarter ended 31 March 2020 to an inflow of £14.4m for the quarter ended 31 March 2021. This was due to an increase of £37.7m in operating loss (after non-underlying items), a decrease of £3.1m in depreciation and amortisation and a profit on disposal of fixed assets of £2.0m, partially offset by an increase of £5.7m in working capital inflow and an increase of £0.2m in corporation tax repayments.

Working capital requirements

Inventory primarily includes food and beverage products sold through our bar cafes. Trade and other receivables (before IFRS 16[1]) primarily consist of rent prepayments as we usually pay quarterly in advance, although the CVA 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[1]) include normal trade creditors, including rent, accrued wages and salaries, other current debts and accrued interest and taxes.

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

	Period ended 31 March 2021			Period ended 31 March 2020			Variance 2021 vs 2020	
	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	-	-	-	0.2	-	0.2	(0.2)	(100.0)%
(Increase) / decrease in receivables	2.1	(1.0)	1.1	34.0	(34.1)	(0.1)	(31.9)	(93.8)%
Increase / (decrease) in payables	31.1	(13.7)	17.4	16.1	(3.9)	12.2	15.0	93.2%
Total working capital movement (before non-underlying items)	33.2	(14.7)	18.5	50.3	(38.0)	12.3	(17.1)	(34.0)%
Provisions and non-underlying items	(2.1)	0.2	(1.9)	(2.2)	0.8	(1.4)	0.1	4.5%
Total working capital movement	**31.1**	**(14.5)**	**16.6**	**48.1**	**(37.2)**	**10.9**	**(17.0)**	**(35.3)%**

Working capital inflow (before IFRS 16(1)) before non-underlying items of £33.2m for the quarter ended 31 March 2021 compared to an inflow of £50.3m for the quarter ended 31 March 2020. This was mainly due to the prior year benefitting from lower rent prepayments (due to the deferral of the second quarter rent payments). In addition for 2021, the net VAT reclaim position for March and the March furlough claim were both received in April 2021, partially offset by the 'payable' resulting from spreading the CVA benefit over the life of the lease (under IAS 17).

Working capital outflow for non-underlying items (before IFRS 16(1)) of £2.1m for the quarter ended 31 March 2021 compared to an outflow of £2.2m for the quarter ended 31 March 2020, mainly reflecting 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 assets where a break clause was instigated as a direct result of the CVA, and cash spend on provisions.

On a Statutory basis, cash flows relating to rent are reported within Net cash used in financing activities. Statutory working capital inflow before non-underlying items of £18.5m for the quarter ended 31 March 2021 compared to an inflow of £12.3m for the quarter ended 31 March 2020, primarily due to the movement in trade payables due to trading levels and higher inflows from prepaid rooms.

Statutory working capital outflow for provisions and non-underlying items of £1.9m for the quarter ended 31 March 2021 compared to an outflow of £1.4m for the quarter ended 31 March 2020 is mainly reflecting payment of legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities and costs associated with the disposal of assets where break clauses were instigated as a direct result of the CVA.

Net cash used in investing activities

Net cash used in investing activities decreased by £9.4m, or 65.7%, from £14.3m for the quarter ended 31 March 2020 to £4.9m for the quarter ended 31 March 2021, primarily due to the reduction in capital expenditure.

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

Capital expenditure

Capital expenditure of £4.9m in the quarter ended 31 March 2021 has mainly been in relation to on-going maintenance, health & safety works and IT, as well as spend on energy efficiency projects and development pipeline spending.

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 used in financing activities (before IFRS 16[(1)]) was £8.0m for the quarter ended 31 March 2021, compared to net cash generated of £32.6m for the quarter ended 31 March 2020. This was primarily due to the drawdown of the original revolving credit facility of £40m in March 2020 and £0.9m of costs paid in 2021 associated with the 2020 refinancing, partially offset by lower interest payments of £0.4m, mainly due to the decrease in LIBOR, partially offset by interest payments relating to the drawdown of the original revolving credit facility.Statutory net cash used in financing activities was £49.5m for the quarter ended 31 March 2021, compared to the £15.1m net cash generated for the quarter ended 31 March 2020. This is due mainly to deferral of the second quarter rent payments and drawdown of the revolving credit facility in March 2020.

Corporation tax

Corporation tax repayments of £0.4m were received in the quarter ended 31 March 2021 in respect of Spain 2019 tax compared to repayments of £0.2m in the quarter ended 31 March 2020.

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

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 2020 Annual Report for the year ended 31 December 2020 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.

Registered number: 08170768

THAME AND LONDON LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2021

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE PERIOD ENDED 31 MARCH 2021

		Unaudited Period ended 31 March 2021				Unaudited Period ended 31 March 2020			
		Underlying before IFRS 16[1]	Underlying impact of IFRS 16[1]	Non-underlying	Statutory	Underlying before IFRS 16[1]	Underlying impact of IFRS 16[1]	Non-underlying	Statutory
	Note	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	*3*	41.7	-	-	**41.7**	129.5	-	-	**129.5**
Operating Expenses	*4*	(45.3)	-	-	**(45.3)**	(90.2)	-	-	**(90.2)**
Rent	*4*	(55.0)	56.0	-	**1.0**	(53.8)	54.7	-	**0.9**
EBITDA after rent adjustment	*3*	**(58.6)**	**56.0**	**-**	**(2.6)**	**(14.5)**	**54.7**	**-**	**40.2**
Depreciation, Amortisation & Impairment	*4*	(13.7)	(24.5)	-	**(38.2)**	(14.5)	(26.8)	-	**(41.3)**
Profit on disposal of fixed assets		-	-	2.0	**2.0**	-	-	-	**-**
Operating (Loss) / Profit	*3*	**(72.3)**	**31.5**	**2.0**	**(38.8)**	**(29.0)**	**27.9**	**-**	**(1.1)**
Finance Costs	*5*	(16.0)	(44.3)	-	**(60.3)**	(12.0)	(41.2)	-	**(53.2)**
Finance Income		-	-	-	**-**	0.1	-	-	**0.1**
(Loss) / Profit before Tax	*3*	**(88.3)**	**(12.8)**	**2.0**	**(99.1)**	**(40.9)**	**(13.3)**	**-**	**(54.2)**
Income Tax		-	-	-	**-**	1.1	(1.1)	-	**-**
(Loss) / Profit for the Period		**(88.3)**	**(12.8)**	**2.0**	**(99.1)**	**(39.8)**	**(14.4)**	**-**	**(54.2)**

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

Memorandum - EBITDA (adjusted)[2]

	Period ended 31 March 2021 £m	Period ended 31 March 2020 £m
EBITDA (adjusted)[2]	**(46.1)**	**(13.9)**
Rent phasing adjustment[3]	**(12.5)**	**(0.6)**
EBITDA - Underlying before IFRS 16	**(58.6)**	**(14.5)**

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment, non-underlying items and reflective of the position in line with the historic accounting principles (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) Rent phasing adjustment = 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 phasing adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under IAS 17.

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2021

	Unaudited Period ended 31 March 2021 £m	Unaudited Period ended 31 March 2020 £m
Loss for the period	**(99.1)**	**(54.2)**
Items that will subsequently be reclassified into profit and loss:		
Currency translation differences	**(0.1)**	**0.5**
Other comprehensive income /(expense) for the period, net of tax	**(0.1)**	**0.5**
Total comprehensive expense for the period	**(99.2)**	**(53.7)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 31 MARCH 2021

	Foreign Exchange Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2020	**(0.4)**	**(341.0)**	**(341.4)**
Loss for the period	-	(54.2)	**(54.2)**
Other comprehensive expense			
Currency translation differences	0.5	-	**0.5**
Total comprehensive expense	**0.5**	**(54.2)**	**(53.7)**
31 March 2020	**0.1**	**(395.2)**	**(395.1)**
Loss for the period	-	(253.1)	**(253.1)**
Other comprehensive expense			
Currency translation differences	(0.1)	-	**(0.1)**
Total comprehensive expense	**(0.1)**	**(253.1)**	**(253.2)**
1 January 2021	**-**	**(648.3)**	**(648.3)**
Loss for the period	-	(99.1)	**(99.1)**
Other comprehensive income			
Currency translation differences	(0.1)	-	**(0.1)**
Total comprehensive expense	**(0.1)**	**(99.1)**	**(99.2)**
31 March 2021	**(0.1)**	**(747.4)**	**(747.5)**

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2021

	Note	Unaudited 31 March 2021 £m	Unaudited 31 March 2020 £m	Audited 31 December 2020 £m
NON CURRENT ASSETS				
Intangible assets	*7*	**156.3**	**160.2**	**157.4**
Property, plant and equipment	*8*	**115.7**	**136.3**	**120.7**
Right of Use assets	*9*	**2,115.9**	**2,518.2**	**2,122.9**
Net Deferred tax asset		**3.5**	**3.9**	**3.7**
		2,391.4	**2,818.6**	**2,404.7**
CURRENT ASSETS				
Financial derivative asset		**-**	**0.1**	**-**
Inventory		**0.8**	**1.0**	**0.8**
Trade and other receivables	*11*	**22.8**	**17.3**	**22.2**
Corporation tax debtor		**-**	**1.1**	**0.5**
Cash and cash equivalents		**96.2**	**141.3**	**136.2**
		119.8	**160.8**	**159.7**
TOTAL ASSETS		**2,511.2**	**2,979.4**	**2,564.4**
CURRENT LIABILITIES				
Trade and other payables	*12*	**(118.8)**	**(131.4)**	**(98.5)**
Lease liabilities	*10*	**(32.0)**	**(88.0)**	**(15.7)**
		(150.8)	**(219.4)**	**(114.2)**
NON-CURRENT LIABILITIES				
Bond related debt	*13*	**(495.4)**	**(432.4)**	**(494.8)**
Revolving credit facility	*13*	**(40.0)**	**(40.0)**	**(40.0)**
Super senior term loan	*13*	**(58.3)**	**-**	**(58.1)**
Investor loan	*13*	**(171.4)**	**(114.6)**	**(166.4)**
Lease liabilities	*10*	**(2,335.7)**	**(2,560.5)**	**(2,332.1)**
Provisions	*14*	**(7.1)**	**(7.6)**	**(7.1)**
		(3,107.9)	**(3,155.1)**	**(3,098.5)**
TOTAL LIABILITIES		**(3,258.7)**	**(3,374.5)**	**(3,212.7)**
NET LIABILITIES		**(747.5)**	**(395.1)**	**(648.3)**
EQUITY				
Share capital		**-**	**-**	**-**
Foreign exchange reserve		**(0.1)**	**0.1**	**-**
Accumulated losses		**(747.4)**	**(395.2)**	**(648.3)**
TOTAL DEFICIT		**(747.5)**	**(395.1)**	**(648.3)**

Memorandum - Analysis of net funding

	Note	Unaudited 31 March 2021 £m	Audited 31 March 2020 £m	Audited 31 December 2020 £m
Cash at bank		***96.2***	***141.3***	***136.2***
External debt redeemable (excluding lease liabilities):				
Floating Rate Bond	*13*	***(440.0)***	***(440.0)***	***(440.0)***
Fixed Rate Bond	*13*	***(65.0)***	***-***	***(65.0)***
Super Senior Term Loan	*13*	***(61.9)***	***-***	***(61.9)***
Revolving credit facility	*13*	***(40.0)***	***(40.0)***	***(40.0)***
Issue costs	*13*	***13.2***	***7.6***	***14.0***
Gross debt	*13*	***(593.7)***	***(472.4)***	***(592.9)***
External net debt		***(497.5)***	***(331.1)***	***(456.7)***
Investor loan	*13*	***(171.4)***	***(114.6)***	***(166.4)***
Net debt		***(668.9)***	***(445.7)***	***(623.1)***
Lease liabilities	*10*	***(2,367.7)***	***(2,648.5)***	***(2,347.8)***
		(3,036.6)	***(3,094.2)***	***(2,970.9)***

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2021

	Unaudited			Unaudited		
	Period ended 31 March 2021			Period ended 31 March 2020		
	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	**(27.5)**	**41.5**	**14.0**	**33.6**	**17.5**	**51.1**
Corporate tax	0.4	-	0.4	0.2	-	0.2
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	**(27.1)**	**41.5**	**14.4**	**33.8**	**17.5**	**51.3**
INVESTING ACTIVITIES						
Interest received	-	-	-	0.2	-	0.2
Purchases of property, plant and equipment and intangible assets	(4.9)	-	(4.9)	(14.5)	-	(14.5)
Net cash used in investing activities	**(4.9)**	**-**	**(4.9)**	**(14.3)**	**-**	**(14.3)**
FINANCING ACTIVITIES						
Finance fees paid	(0.1)	-	(0.1)	(0.1)	-	(0.1)
Interest paid	(6.8)	-	(6.8)	(7.2)	-	(7.2)
Finance lease rental interest payments	(0.2)	0.2	-	(0.1)	0.1	-
IFRS 16 lease rental capital payments	-	(4.4)	(4.4)	-	-	-
IFRS 16 lease rental interest payments	-	(37.3)	(37.3)	-	(17.6)	(17.6)
Drawdown of revolving credit facility	-	-	-	40.0	-	40.0
Finance issue transaction costs	(0.9)	-	(0.9)	-	-	-
Net cash (used in) / generated from financing activities	**(8.0)**	**(41.5)**	**(49.5)**	**32.6**	**(17.5)**	**15.1**
Net (decrease) / increase in aggregate cash and cash equivalents	**(40.0)**	**-**	**(40.0)**	**52.1**	**-**	**52.1**
Cash and cash equivalents at beginning of the period	136.2	-	136.2	89.2	-	89.2
Cash and cash equivalents at end of the period	**96.2**	**-**	**96.2**	**141.3**	**-**	**141.3**

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

Memorandum - Analysis of free cash flow[1]	*Unaudited*	*Unaudited*
	Period ended 31 March 2021	*Period ended 31 March 2020*
	Before IFRS 16 (1)	*Before IFRS 16 (1)*
	£m	*£m*
EBITDA (adjusted)[2]	*(46.1)*	*(13.9)*
Working capital	*20.7*	*49.7*
Net cash flows from operating activities before non-underlying items	*(25.4)*	*35.8*
Capital expenditure	*(4.9)*	*(14.5)*
Free cash flow (used) / generated in the period	*(30.3)*	*21.3*
Non-trading cash flow		
Finance fees paid	*(0.1)*	*(0.1)*
Interest paid	*(6.8)*	*(7.2)*
Interest income	*-*	*0.2*
Finance lease rental interest payments	*(0.2)*	*(0.1)*
Cash spend on provisions and non-underlying items[3]	*(2.1)*	*(2.2)*
Corporate tax	*0.4*	*0.2*
Non-trading cash flow	*(8.8)*	*(9.2)*
Cash used	*(39.1)*	*12.1*
Opening Cash	*136.2*	*89.2*
Movement in cash	*(39.1)*	*12.1*
Drawdown of revolving credit facility	*-*	*40.0*
Finance issue costs	*(0.9)*	*-*
Closing Cash	*96.2*	*141.3*
Opening external net debt	*(456.7)*	*(342.9)*
Net increase in aggregate cash	*(40.0)*	*52.1*
Drawdown of revolving credit facility	*-*	*(40.0)*
Net amortised bond transaction costs	*(0.6)*	*(0.3)*
Net amortised term loan costs	*(0.2)*	*-*
Closing external net debt	*(497.5)*	*(331.1)*

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 phasing 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 2021, net cash spend on provisions and non-underlying items of £2.1m 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, costs associated with the surrender of a property lease and onerous lease provisions of £0.2m. In 2020, cash spend on provisions and non-underlying items of £2.2m included legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other corporate activities of £1.3m and onerous lease provisions of £0.9m.

Reconciliation of net cash flows from operating activities before non-underlying items to net cash generated from operating activities (note 17)	*Unaudited*	*Uanudited*
	Period ended 31 March 2021	*Period ended 31 March 2020*
	Before IFRS 16 (1)	*Before IFRS 16 (1)*
Net cash flows from operating activities before non-underlyings	*(25.4)*	*35.8*
Cash spend on non-underlying items through working capital[4]	*(2.1)*	*(2.2)*
Cash flows from operating activities	*(27.5)*	*33.6*
Corporate tax	*0.4*	*0.2*
Net cash (used in) / generated from operating activities	*(27.1)*	*33.8*

4. In 2021, net cash spend from non-underlying items through working capital of £2.1m included a net £1.9m outflow relating to accrued costs and £0.2m cash spend on provisions. In 2020 cash spend on non-underlying items through working capital of £2.2m included £1.3m cash spend relating to accruals and £0.9m cash spend on provisions.

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 2020. The policies shown are an extract from the full disclosure in the annual financial statements for the year ended 31 December 2020, as not all policies are given.

Statutory accounts for the year ended 31 December 2020 were approved by the board of directors on 23 April 2021 and are published on our website.

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

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

Basis of consolidation

The unaudited financial statements consolidate the financial information of the Group and entities controlled by the Group and its subsidiaries up to 31 March 2021. 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).

Taxation

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

3 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	Unaudited Period ended 31 March 2021 £m	Unaudited Period ended 31 March 2020 £m
Revenue		
UK	41.0	127.2
International	0.7	2.3
Revenue	**41.7**	**129.5**
EBITDA - Underlying		
UK EBITDA (adjusted)[1]	(45.0)	(13.7)
Rent phasing adjustment	(12.5)	(0.6)
UK EBITDA after rent phasing adjustment	(57.5)	(14.3)
International EBITDA after rent phasing adjustment	(1.1)	(0.2)
EBITDA after rent phasing adjustment before IFRS 16	**(58.6)**	**(14.5)**
UK IFRS 16 EBITDA adjustment	55.0	53.7
International IFRS 16 EBITDA adjustment	1.0	1.0
EBITDA after rent phasing adjustment - Underlying	**(2.6)**	**40.2**
Non-underlying items (Total)	-	-
EBITDA after rent phasing adjustment	**(2.6)**	**40.2**
Operating loss - Underlying		
UK	(71.1)	(28.8)
International	(1.2)	(0.2)
Operating loss before IFRS 16 - Underlying	**(72.3)**	**(29.0)**
UK IFRS 16 Operating profit adjustment	31.2	27.6
International IFRS 16 Operating profit adjustment	0.3	0.3
Operating loss - Underlying	**(40.8)**	**(1.1)**
Non-underlying items (Total)	2.0	-
Operating loss	**(38.8)**	**(1.1)**
Loss before tax - Underlying		
UK	(87.1)	(40.6)
International	(1.2)	(0.3)
Loss before tax - Underlying	**(88.3)**	**(40.9)**
Non-underlying items before IFRS 16 (note 7)	0.4	-
Loss before tax and IFRS 16	**(87.9)**	**(40.9)**
UK IFRS 16 Loss before tax adjustment	(12.5)	(13.0)
International IFRS 16 Loss before tax adjustment	(0.3)	(0.3)
IFRS 16 Loss before tax -Underlying	**(12.8)**	**(13.3)**
UK IFRS 16 non-underlying items	1.6	-
IFRS 16 non-underlying items	**1.6**	**-**
Loss before tax	**(99.1)**	**(54.2)**

[1] EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustments, non-underlying items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). This measure also reflects the cash benefit of rent reductions following the CVA which completed on 19 June 2020. Non-underlying items have been removed as they relate to non-recurring, one-off items.

4 NET OPERATING EXPENSES (BEFORE NON-UNDERLYING ITEMS)

	Unaudited			Unaudited		
	Period ended 31 March 2021			Period ended 31 March 2020		
	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	1.9	-	1.9	9.6	-	9.6
Employee costs	23.3	-	23.3	41.2	-	41.2
Operating expenses	20.1	-	20.1	39.4	-	39.4
Net operating expenses before rent, depreciation and amortisation	**45.3**	**-**	**45.3**	**90.2**	**-**	**90.2**
Rent payable (third party landlords)[3]	43.5	(43.5)	-	54.2	(54.1)	0.1
Rent receivable	(1.0)	-	(1.0)	(1.0)	-	(1.0)
Net external rent payable	42.5	(43.5)	(1.0)	53.2	(54.1)	(0.9)
Rent phasing adjustment[2]	12.5	(12.5)	-	0.6	(0.6)	-
Net rent	**55.0**	**(56.0)**	**(1.0)**	**53.8**	**(54.7)**	**(0.9)**
Net operating expenses before depreciation and amortisation	**100.3**	**(56.0)**	**44.3**	**144.0**	**(54.7)**	**89.3**
Depreciation	9.8	27.2	37.0	10.5	29.6	40.1
Amortisation	3.9	(2.7)	1.2	4.0	(2.8)	1.2
Net depreciation and amortisation	**13.7**	**24.5**	**38.2**	**14.5**	**26.8**	**41.3**
Total net operating expenses	**114.0**	**(31.5)**	**82.5**	**158.5**	**(27.9)**	**130.6**

(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) Rent phasing adjustment = 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 phasing 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 £nil (2020: £0.1m) relates to £0.1m (2020: £0.1m) of variable lease payments that are not included within right of use assets, partially offset by a £(0.1)m (2020: £nil) credit relating to temporary rent reductions in Spain.

5 FINANCE COSTS

	Unaudited Period ended 31 March 2021	Unaudited Period ended 31 March 2020
	£m	£m
Finance fees	0.9	0.6
Interest on bank loans	2.3	0.3
Interest on fixed and floating rate bonds	7.3	6.3
Interest on obligations under finance leases	0.4	1.4
Unwinding of discount on provisions	0.1	0.1
Finance costs before interest on investor loan, non-underlying items and IFRS 16	**11.0**	**8.7**
Interest on investor loan	5.0	3.3
Finance costs before non-underlying items and IFRS 16	**16.0**	**12.0**
IFRS 16 adjustment[1]	44.3	41.2
Finance costs after IFRS 16	**60.3**	**53.2**

(1) The total IFRS 16 notional interest charge on lease liabilities is £44.8m (2020: £42.7m). The IFRS 16 adjustment includes a £0.4m (2020: £1.4m) credit in respect of interest on finance leases and a £0.1m (2020: £0.1m) credit in respect of unwinding of discount on provisions.

6 NON-UNDERLYING ITEMS

Non-underlying items (before IFRS 16(1) and taxation) of £0.4m credit for the quarter ended 31 March 2021 is a profit on disposal of assets with a category C lease break clause exercised under the CVA.

Statutory non-underlying credit (before taxation) for the quarter ended 31 March 2021 of £2.0m comprises a profit on disposal of assets where a category C lease break clause was exercised under the CVA.

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

7 INTANGIBLE ASSETS

	Unaudited 31 March 2021 £m	Unaudited 31 March 2020 £m
Opening net book value	157.4	159.6
Additions	0.1	1.7
Movement on capital creditors	-	0.1
Amortisation	(1.2)	(1.2)
Closing net book value	**156.3**	**160.2**

The closing net book value at 31 March 2021 comprises brand value of £145.0m, assets under construction of £3.0m and IT software of £8.3m.

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 March 2020 comprises brand value of £145.0m, assets under construction of £7.3m and IT software of £7.9m.

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

8 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31 March 2021 £m	Unaudited 31 March 2020 £m
Opening net book value	**120.7**	**132.9**
Additions	**4.7**	**12.5**
Movement on capital creditors	**1.1**	**1.7**
Depreciation	**(10.8)**	**(10.8)**
Closing net book value	**115.7**	**136.3**

The closing net book value at 31 March 2021 comprises assets under construction of £2.6m, freehold and long leaseholds of £1.6m and fixtures and fittings of £111.5m.

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 March 2020 comprises assets under construction of £10.1m, freehold and long leaseholds of £1.6m and fixtures and fittings of £124.6m.

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

9 RIGHT OF USE ASSETS

	Unaudited 31 March 2021 £m	Unaudited 31 March 2020 £m
Opening net book value	**2,122.9**	**2,521.3**
New leases	**11.0**	**21.0**
Lease Adjustments	**10.0**	**2.7**
Additions(1)	**0.1**	**0.3**
Foreign Exchange Translation Adjustment	**(1.9)**	**2.2**
Depreciation	**(26.2)**	**(29.3)**
Closing net book value	**2,115.9**	**2,518.2**

(1) Additions relate to leasehold premiums.

10 IFRS 16 LEASE LIABILITIES

	Unaudited 31 March 2021	Unaudited 31 March 2020
	£m	£m
Opening Balance	(2,347.8)	(2,597.4)
New leases	(11.0)	(21.0)
Lease Adjustments	(10.0)	(2.7)
Foreign Exchange Translation Adjustment	2.2	(2.3)
Finance Costs	(44.8)	(42.7)
Payments - Finance Leases	0.2	0.1
Payments - Operating Leases	41.5	17.5
Disposals(1)	2.0	-
Closing Balance	(2,367.7)	(2,648.5)
Amounts falling due within one year	(32.0)	(88.0)
Amounts falling due after one year	(2,335.7)	(2,560.5)
	(2,367.7)	(2,648.5)

(1) Disposals relate to the disposal of a lease where the break clause was instigated as a direct result of the CVA.

Lease adjustments of £10.0m mainly consist of 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 7.10% and represent leases with a weighted average remaining length from the balance sheet date of 22.9 years. This compares to the pre-tax weighted average discount rate used to create the lease liabilities of 7.1% with a range of 5.5% to 9.1%.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 31 March 2021 £m	Unaudited 31 March 2020 £m	Audited 31 December 2020 £m
Amounts due within one year:			
Trade amounts receivable			
- Gross amounts receivable	**9.3**	**6.7**	**8.0**
- Bad debt provision	**(0.3)**	**(0.2)**	**(0.2)**
- Net amounts receivable	**9.0**	**6.5**	**7.8**
Other amounts receivable	**5.8**	**2.4**	**7.0**
Accrued income	**0.5**	**2.1**	**0.6**
Prepayments	**5.3**	**4.4**	**4.7**
Loans to related parties	**2.2**	**1.9**	**2.1**
	22.8	**17.3**	**22.2**

12 TRADE AND OTHER PAYABLES

	Unaudited 31 March 2021 £m	Unaudited 31 March 2020 £m	Audited 31 December 2020 £m
Trade payables	**(4.8)**	**(3.6)**	**(6.2)**
Other payables[(1)]	**(16.3)**	**(11.7)**	**(13.7)**
Social security and other taxation	**(11.8)**	**(19.5)**	**(7.4)**
Accruals	**(43.4)**	**(49.2)**	**(41.8)**
Deferred income	**(1.6)**	**(2.4)**	**(1.7)**
Prepaid room purchases	**(35.5)**	**(37.4)**	**(23.4)**
Capital payables	**(5.4)**	**(7.6)**	**(4.3)**
Amounts falling due within one year	**(118.8)**	**(131.4)**	**(98.5)**

(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 March 2021 £m	Unaudited 31 March 2020 £m	Audited 31 December 2020 £m
Cash at bank and in hand		**96.2**	**141.3**	**136.2**
External debt redeemable:				
Floating Rate Bond	July 2025	**(440.0)**	**(440.0)**	**(440.0)**
Fixed Rate Bond	January 2025	**(65.0)**	**-**	**(65.0)**
Super Senior Term Loan	July 2024	**(61.9)**	**-**	**(61.9)**
Revolving credit facility	May 2022 / July 2024	**(40.0)**	**(40.0)**	**(40.0)**
Issue Costs		**13.2**	**7.6**	**14.0**
External debt		**(593.7)**	**(472.4)**	**(592.9)**
Net external debt		**(497.5)**	**(331.1)**	**(456.7)**
Investor Loan Note	January 2026 / 2033	**(171.4)**	**(114.6)**	**(166.4)**
Net debt before finance leases		**(668.9)**	**(445.7)**	**(623.1)**
Lease liabilities under IFRS 16		**(2,367.7)**	**(2,648.5)**	**(2,347.8)**
Net debt including finance leases		**(3,036.6)**	**(3,094.2)**	**(2,970.9)**

The IFRS 16 impact represents the fact that operating lease commitments and finance lease creditors have been replaced by the lease liabilities from 1 January 2019. The lease liabilities represent the present value of future lease payments in respect of the right of use assets.

Finance lease liabilities (before IFRS 16) were as follows: 31 March 2021: £14.6m, 31 December 2020: £14.5m, 31 March 2020: £34.9m.

Senior secured notes

Senior secured floating rate sterling denominated notes of £440m were issued on 5 July 2019 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.

Further loan 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. At the date of these financial statements the £40m facility was fully drawn.

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

A 'take and hold' fee of £0.6m was incurred in respect to the initial drawdown of £30m. This fee 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 2020, 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 drawdown 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.

Further loan issue costs of approximately £2.0m will be amortised over the life of the facility in line with generally accepted accounting practice.

In May 2020, the RCF/LOC 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.

Letter of credit facility
The letter of credit facility has a maximum usage of £30m and is available until July 2024. At 31 March 2021, letters of credit were in issue to the value of £24.1m, 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 quarter ended 31 March 2021 totalled £5.0m (2020: £3.3m).

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

	31 March 2021		31 March 2020		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£m	£m	£m
Financial instrument categories						
Cash and Cash Equivalents	**96.2**	**96.2**	**141.3**	**141.3**	**136.2**	**136.2**
Financial assets at amortised cost[(1)]	**17.0**	**17.0**	**10.8**	**10.8**	**16.9**	**16.9**
Financial derivative asset	**-**	**-**	**0.1**	**0.1**	**-**	**-**
Bond related debt	**(505.0)**	**(473.2)**	**(440.0)**	**(322.7)**	**(505.0)**	**(455.2)**
Super Senior Term Loan	**(61.9)**	**(61.9)**	**-**	**-**	**(61.9)**	**(61.9)**
Revolving credit facility	**(40.0)**	**(40.0)**	**(40.0)**	**(40.0)**	**(40.0)**	**(40.0)**
Investor Loan Note	**(171.4)**	**(171.4)**	**(114.6)**	**(114.6)**	**(166.4)**	**(166.4)**
Financial liabilities[(2)]	**(2,437.6)**	**(2,437.6)**	**(2,720.6)**	**(2,720.6)**	**(2,413.8)**	**(2,413.8)**
	(3,102.7)	**(3,070.9)**	**(3,163.0)**	**(3,045.7)**	**(3,034.0)**	**(2,984.2)**

[(1)] Financial assets at amortised cost of £17.0m (December 2020: £16.9m) are made up of trade receivables of £9.0m (December 2020: £7.8m), other receivables of £5.8m (December 2020: £7.0m) and loans to related parties of £2.2m (December 2020: £2.1m).

[(2)] Financial liabilities of £2,437.6m (December 2020: £2,413.8m) are made up of lease liabilities of £2,367.7m (December 2020: £2,347.8m), trade payables of £4.8m (December 2020: £6.2m), capital payables of £5.4m (December 2020: £4.3m), accruals of £43.4m (December 2020: £41.8m) and other payables of £16.3m (December 2020: £13.7m).

Financial assets at amortised cost 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	Unaudited	Audited
	31 March 2021	31 March 2020	31 December 2020
	£m	£m	£m
At 1 January 2021	(7.1)	(7.7)	(7.7)
Cash spend	-	0.1	0.2
Reassessment of provisions	-	-	(0.6)
Disposals	-	-	0.8
Transfer to accruals	-	-	0.2
At 31 March 2021	(7.1)	(7.6)	(7.1)
The balance can be analysed as:			
Due in less than one year	-	-	-
Due in greater than one year	(7.1)	(7.6)	(7.1)
	(7.1)	(7.6)	(7.1)

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			Unaudited		
	Period ended 31 March 2021			Period ended 31 March 2020		
	Before IFRS 16[(1)]	IFRS 16 impact	Statutory	Before IFRS 16[(1)]	IFRS 16 impact	Statutory
	£m	£m	£m	£m	£m	£m
Operating (loss) / profit - Underlying	(72.3)	31.5	(40.8)	(29.0)	27.9	(1.1)
Operating (loss) / profit - Non-underlying	0.4	1.6	2.0	-	-	-
Operating (loss) / profit	(71.9)	33.1	(38.8)	(29.0)	27.9	(1.1)
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	9.8	27.2	37.0	10.5	29.6	40.1
Amortisation of other intangible assets	3.9	(2.7)	1.2	4.0	(2.8)	1.2
Profit on disposal of fixed assets	(0.4)	(1.6)	(2.0)	-	-	-
	13.3	22.9	36.2	14.5	26.8	41.3
Operating cash flows before movements in working capital	(58.6)	56.0	(2.6)	(14.5)	54.7	40.2
Movement in inventory	-	-	-	0.2	-	0.2
Movement in receivables	0.5	(1.0)	(0.5)	34.0	(34.1)	(0.1)
Movement in payables	30.8	(13.7)	17.1	14.8	(3.9)	10.9
Movement in provisions	(0.2)	0.2	-	(0.9)	0.8	(0.1)
Total working capital movement[(2)]	31.1	(14.5)	16.6	48.1	(37.2)	10.9
Cash flows from operating activities	(27.5)	41.5	14.0	33.6	17.5	51.1
Corporate tax	0.4	-	0.4	0.2	-	0.2
Net Cash (Used in) / Generated from operating activities	(27.1)	41.5	14.4	33.8	17.5	51.3

[(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 £31.1m (2020: £48.1m) is after non-underlying inflows of £2.1m (2020: inflows of £2.2m) and before rent phasing adjustment of £12.5m (2020: £0.6m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 20 is stated before non-underlying movements and before rent phasing adjustment.

16 ALTERNATIVE PERFORMANCE MEASURES (APMS)

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

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

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

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

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

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

	Period ended 31 March 2021 £m	**Period ended 31 March 2020 £m**
Statutory Loss before Tax	**(99.1)**	**(54.2)**
Net Finance Costs	60.3	53.1
Operating Loss	**(38.8)**	**(1.1)**
Non-underlying Items (See note 6)	(2.0)	-
Underlying Operating Loss	**(40.8)**	**(1.1)**
Reverse IFRS 16 Rent Adj[1]	(56.0)	(54.7)
Depreciation, Amortisation - Underlying	38.2	41.3
EBITDA - before Rent Phasing Adjustment	(58.6)	(14.5)
Rent Phasing Adjustment[2]	12.5	0.6
EBITDA (adjusted)[3]	**(46.1)**	**(13.9)**

[1] The rent payable for operating leases of £43.5m (2020: £54.1m) and the rent phasing adjustment of £12.5m (2020: £0.6m) are replaced by depreciation of the right of use asset and notional financing costs on the lease liability under IFRS 16. This adjustment has been reversed to calculate EBITDA (adjusted)[3].

[2] Rent phasing adjustment = 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 phasing 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 phasing adjustment, non-underlying items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.

	Period ended 31 March 2021 £m	**Period ended 31 March 2020 £m**
EBITDA (adjusted)[1]	(46.1)	(13.9)
Working capital[2]	20.7	49.7
Net cash flows from operating activities before non-underlying items	(25.4)	35.8
Capital expenditure	(4.9)	(14.5)
Free Cash Flow	**(30.3)**	**21.3**

(1) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing 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 phasing adjustment and before the impact of IFRS 16.

Reconciliation of net cash flows from operating activities before non-underlying items to net cash (used in) / generated from operating activities (note 15)

	Period ended 31 March 2021 £m	**Period ended 31 March 2020 £m**
Net cash flows from operating activities before non-underlying items	(25.4)	35.8
Cash spend on non-underlying items through working capital[1]	(2.1)	(2.2)
Cash flows from operating activities	(27.5)	33.6
Corporate tax	0.4	0.2
Net cash (used in) / generated from operating activities	**(27.1)**	**33.8**

(1) In 2021, cash spend on non-underlying items through working capital of £2.1m included a net £1.9m outflow relating to accrued costs and £0.2m cash spend on provisions. In 2020, cash spend on non-underlying items through working capital of £2.2m included a net £1.3m outflow relating to accrued costs and £0.9m cash spend on provisions.

	Period ended 31 March 2021 £m	**Period ended 31 March 2020 £m**
Total working capital movement (note 15)	16.6	10.9
Less IFRS 16 impact	14.5	37.2
Working capital movement before IFRS 16	31.1	48.1
Less non-underlyings before IFRS 16 (cash flow provisions and exceptionals)	2.1	2.2
Less rent adjustment before IFRS 16	(12.5)	(0.6)
Working capital	**20.7**	**49.7**