TVL FINANCE PLC

SIX MONTHS ENDED 30 JUNE 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”)

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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 30 June 2021 (prior year from 1 January 2020 to 30 June 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 before IFRS 16. This measure also reflects the rent reductions following the CVA in the previous financial year which was 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 period ended 30 June 2021

Material Covid-19 impact

Headlines

- Total revenue down 57.0% to £145.2m (2019: £337.3m, 2020: £142.7m)
- RevPAR[(1)] down 56.1% to £17.50 (2019: £39.83, 2020: £16.22)
- RevPAR performance vs 2019 6.6pts ahead of the competitive segment[(2)]
- Occupancy[(1)] down 33.4pts to 45.1% (2019: 78.5%, 2020: 36.8%)
- Average room rate[(1)] down 23.6% at £38.78 (2019: £50.73, 2020: £44.12)
- EBITDA[(3)] up £17.8m to a profit of £45.0m (under IFRS 16)
- EBITDA (adjusted)[(4)] loss of £43.3m (2019: profit of £44.7m, 2020: loss of £52.4m)
- Cash of £95.9m at 30 June 2021
- 13 new hotels opened in the period, with a further 2 to date
- Total network now 592 hotels and 45,145 rooms as at 30 June 2021

Summary

Travelodge was materially impacted by Covid-19 in the first half of the year with reduced levels of demand as a result of the restrictions in place from the beginning of the year until 17 May with revenues down 57% on 2019 levels. We took action to reduce the impact, including reducing operational costs in line with demand and making use of government support, and continued to benefit from the temporary rent reductions under the CVA.

Demand has increased following the lifting of restrictions for leisure stays since 17 May and we have seen further recovery following the lifting of all restrictions in England on 19 July, driven by strong leisure demand. The budget segment remains the most resilient and continues to recover ahead of the total UK market, and Travelodge has continued its seven-year track record of outperformance against the market segment. However, it's still too early to draw any meaningful conclusions for the recovery as a whole and we therefore continue to face a range wide of possible outcomes. With our large network of hotels, value proposition and focus on domestic travel we should be well positioned to benefit in any recovery.

[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 30 Jun 2021, 2 Jan 2020 to 1 Jul 2020 and 3 Jan 2019 to 3 Jul 2019.

[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 was significantly impacted by the Covid-19 situation in the period. From the beginning of the year to 17 May, 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 2021 with gradual re-opening of hotels in line with demand through the period of restrictions and accommodation revenues during this period down around 65% on 2019 levels.

Following the lifting of restrictions on leisure travel on 17 May, all available hotels were open and trading and since then revenues have been gradually improving with accommodation revenue down around 22% on 2019 levels from 17 May to the end of the first half of the year.

Total revenues for the first half of the year were down 57% on 2019 levels with an adjusted EBITDA loss of £43.3m (2019: profit of £44.7m, 2020: loss of £52.4m).

The budget market has remained relatively resilient throughout the period 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 period was down (56.1)% on 2019 levels, but Travelodge continued to outperform the competitive segment, and this was approximately 6.6pts ahead of the STR MSE benchmark competitive segment, with outperformance in the second quarter of approximately 8.0pts.

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, business support grants and the temporary reductions in rent under the terms of the CVA.

So far in 2021 we have opened 15 new hotels, with two opened following the period end. These include hotels in high leisure demand areas such Poole North on the south coast of England and Kendal Town Centre in the Lake District, and we opened our first hotel in the city of St Albans. We also continued to expand our network of hotels in more business focused locations.

Financial Performance

<u>For the period ended 30 June 2021:</u>

During the first half of the year demand was significantly impacted by the third UK lockdown which permitted essential business travel only and some other legal exceptions until 17 May. As a result, a significant number of hotels were closed at the start of the year with gradual re-opening in line with demand and the lifting of restrictions.

For the period, compared to 2019, UK like-for-like RevPAR was down 56.1% to £17.50 (2019: £39.83), with UK like-for-like occupancy down 33.4pts to 45.1%, and UK like-for-like average room rate down 23.6% to £38.78. UK like-for-like RevPAR was up 7.8% vs 2020 with 2021 impacted by the leisure travel restrictions until 17 May and 2020 impacted mainly from 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 6.6pts ahead of the competitive segment vs 2019 and 7.4pts ahead versus 2020, with outperformance in both London and the Regions.

We have also benefited from the contribution of the 13 new hotels opened in the period and the nine maturing hotels opened in 2020. Spain continues to be impacted by the pandemic.

Total revenue for the period of £145.2m, was up £2.5m (1.8%) vs 2020 and down £192.1m (57.0%) 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 £55m annual benefit in 2021) under the terms of the CVA that was overwhelmingly approved by creditors in June 2020. We also benefited from government support including the business rates holiday from April 2020 to June 2021 (approximately £20m in the period), through the utilisation of the job retention scheme (furlough claims of approximately £18m in the period) and from business support grants (approximately £8.7m recognised in the period). Variable costs were also reduced as result of hotel closures and lower levels of occupancy.

EBITDA (adjusted) was a loss of £43.3m, up £9.1m on the prior year and down £88.0m on 2019.

During the period there was a free cash outflow of £40.3m driven by the EBITDA (adjusted) loss, capital investment and interest costs, partially offset by a working capital inflow primarily driven by the increase in prepaid rooms.

<u>For the quarter ended 30 June 2021:</u>

Since the lifting of restrictions on 17 May we have seen trading improvements driven by increased leisure demand and the gradual recovery in business demand, primarily due to an increased need to travel and be physically present for work.

For the quarter, compared to 2019, UK like-for-like RevPAR was down 44.9% to £24.77 (2019: £44.93), with UK like-for-like occupancy down 21.1pts to 57.8%, and UK like-for-like average room rate down 22.8% to £42.86. UK like-for-like RevPAR was up £21.66 vs 2020 (£3.11) with 2020 impacted by the first lockdown which was announced on 23 March 2020.

Travelodge continued to outperform, with UK like-for-like RevPAR performance 8.0pts ahead of the competitive segment vs 2019, with outperformance in both London and the Regions.

Total revenue for the quarter of £103.5m was down £88.6m (46.1%) vs 2019 and up £90.3m vs 2020. EBITDA (adjusted) was a profit of £2.8m compared to a profit of £43.0m for 2019 and a loss of £38.5m for 2020.

Liquidity Update

Travelodge ended the period with cash of £95.9m.

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 11 August the group held cash reserves of approximately £131m.

Recent Trading

Trading in the weeks following the period end have continued to improve driven by strong leisure demand, including the benefit of the 5% VAT rate, and continued recovery in business travel due to an increasing need to travel and be physically present at work. Revenue for the period from 1 July to 11 August 2021 was down approximately 5% on 2019 levels.

The MSE segment continues to recover ahead of the UK market and is seeing revenue as a percentage of 2019 levels around 20% points higher than the total hotel market, driven by the high levels of domestic demand over the summer period.

We have continued to outperform the STR MSE benchmark segment with UK like-for-like RevPAR performance in the first weeks of the third quarter of c. 6% below 2019 levels, over 12pts[(5)] ahead of the competitive segment with London and the Regions both outperforming.

Outlook

Following the lifting of all restrictions on 19 July in England we expect demand to increase, particularly for the leisure driven summer period, including the benefit from the 5% VAT rate. We are seeing encouraging levels of leisure stays and forward bookings over the summer period and a gradual recovery in business demand.

However, forecasting remains a challenge and we expect the recovery will depend on a number of factors including the continued effectiveness of the vaccines, 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 over a year.

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 and in recent weeks has trended c. 20pts better than the total market.

Our outlook on costs remains unchanged.

Our single largest cost, rent, will continue to benefit from the temporary reductions of approximately £55m for the full year and monthly rent payments under the CVA. We return to full rent for 2022 and quarterly in advance payments of this from the end of December 2021.

While the total level of operating costs will fluctuate depending on the level of occupancy and a number of other factors, as an indication, we expect the broad range of operating costs across the remainder of the year, including rent, to be approximately £8-12m per week. We have operated at the middle end of this range in the first weeks of the third quarter. We also continue to focus on cost efficiency, including our recently launched robot vacuums.

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 and the investment in robot vacuums, helping to improve room cleaning efficiency.

The UK's progress on the vaccination programme and lifting of restrictions are encouraging and summer trading patterns are positive to date. It is still too early though to draw

[5] 1 Jul 2021 to 4 Aug 2021

meaningful conclusions for the overall recovery, which will also be impacted by the speed and scale of the recovery in business demand and more broadly the general economic environment.

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

In 1985, Travelodge became Britain’s first value hotel brand when it launched in the UK, opening its first hotel at Barton under Needwood in the heart of England. Since those early days, we have welcomed millions of customers to Travelodge and we now have 592 hotels[(1)] and 45,145 guest bedrooms[(1)], right across the UK as well as in Ireland and Spain. Almost 10,000 colleagues worked across the business at the end of 2020.

(1) As at 30 June 2021

Notes:

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

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

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OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the 6 months ended 30 June 2021

Results for the Group are for the 6 months ended 30 June 2021, with comparatives for the 6 months ended 30 June 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 30 June 2021			Period ended 30 June 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	**145.2**	**-**	**145.2**	**142.7**	**-**	**142.7**	**2.5**	**1.8%**
Revenue UK	143.4	-	143.4	140.3	-	140.3	3.1	2.2%
Revenue International	1.8	-	1.8	2.4	-	2.4	(0.6)	(25.0)%
Revenue	**145.2**	**-**	**145.2**	**142.7**	**-**	**142.7**	**2.5**	**1.8%**
Operating expenses	(102.4)	-	(102.4)	(117.5)	-	(117.5)	15.1	12.9%
Of which cost of goods sold	*(7.0)*	-	*(7.0)*	*(9.6)*	-	*(9.6)*	*2.6*	*27.1%*
Of which employee costs	*(57.7)*	-	*(57.7)*	*(51.3)*	-	*(51.3)*	*(6.4)*	*(12.5)%*
Of which other operating expenses	*(37.7)*	-	*(37.7)*	*(56.6)*	-	*(56.6)*	*18.9*	*33.4%*
Net external rent (payable) / receivable	(86.2)	88.3	2.1	(77.6)	79.2	1.6	(8.6)	(11.1)%
Other income	0.1	-	0.1	-	0.4	0.4	(0.3)	100.0%
EBITDA (adjusted)(2) / EBITDA(3)	**(43.3)** (2)	**88.3**	**45.0** (3)	**(52.4)** (2)	**79.6**	**27.2** (3)	**9.1**	**17.4%**
Rent phasing adjustment(4)	(24.5)	24.5	-	(28.0)	28.0	-	3.5	12.5%
Depreciation	(20.0)	(55.1)	(75.1)	(19.5)	(59.3)	(78.8)	(0.5)	(2.6)%
Amortisation	(8.0)	5.5	(2.5)	(8.0)	5.7	(2.3)	-	-
Operating (loss) / profit (before non-underlying items)	**(95.8)**	**63.2**	**(32.6)**	**(107.9)**	**54.0**	**(53.9)**	**12.1**	**11.2%**
Finance costs before investor loan interest	(22.0)	(90.1)	(112.1)	(18.5)	(83.4)	(101.9)	(3.5)	(18.9)%
Investor loan interest	(10.0)	-	(10.0)	(7.1)	-	(7.1)	(2.9)	(40.8)%
Finance income	0.1	-	0.1	0.3	-	0.3	(0.2)	(66.7)%
Loss for the period (before non-underlying items)	**(127.7)**	**(26.9)**	**(154.6)**	**(133.2)**	**(29.4)**	**(162.6)**	**5.5**	**4.1%**
Non-underlying items	-	2.0	2.0	6.8	0.2	7.0	(6.8)	(100.0)%
Loss for the period before tax	**(127.7)**	**(24.9)**	**(152.6)**	**(126.4)**	**(29.2)**	**(155.6)**	**(1.3)**	**(1.0)%**
Income tax	-	-	-	3.5	(3.5)	-	(3.5)	(100.0)%
Loss for the period	**(127.7)**	**(24.9)**	**(152.6)**	**(122.9)**	**(32.7)**	**(155.6)**	**(4.8)**	**(3.9)%**

(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 in 2020 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 increased by £2.5m, or 1.8%, from £142.7m for the period ended 30 June 2020 to £145.2m for the period ended 30 June 2021. Revenue was heavily impacted by the effects of the Covid-19 pandemic in both 2020 and 2021.

At the start of 2021 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 couple of weeks reducing this to 293 by 15 January, ending the calendar month at 31 January with 295 open hotels. Batches were opened through February, March, April and May with all available hotels open by 17 May. Following the lifting of restrictions on 17 May 2021, demand and revenue gradually improved to the end of June.

Conversely, in the comparative period Travelodge started 2020 strongly, delivering good revenue growth and Covid-19 began to impact the business from March 2020, with the first closure of our UK hotels mandated from 24 March, and eventually came to an end on 15 July 2020. While 51 hotels remained open during the first lockdown period as part of our commitment to support NHS workers, key workers and vulnerable groups, these contributed negligible net income and overall revenues throughout the second quarter of 2020 were virtually eliminated.

Like-for-like UK RevPAR for the first half improved by 7.8%(2) compared to 2020 (a decline of 56.1% compared to 2019), with a decline of 65.1%(3) in the first quarter, due to the pandemic only affecting performance from the end of 2020 Q1, followed by an improvement of 696%(4) in the second quarter, due to the recovery following the lifting of restrictions on 17 May 2021. Like-for-like occupancy(2) for the first half increased by 8.3pts compared to 2020, partially offset by 12.1% lower like-for-like average room rates(2). F&B revenue was impacted by the extended bar café closures.

Operating expenses

Operating expenses were reduced by £15.1m, or 12.9%, from £117.5m for the period ended 30 June 2020 to £102.4m for the period ended 30 June 2021. We continued to manage costs tightly as the impact of the pandemic continued.

Reductions in cost of goods sold mainly reflect the extended bar café closures.

Employee costs increases of £6.4m to £57.7m for the period ended 30 June 2021 reflect a reduction in the use of the government's job retention scheme, 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. £18m (2020 c. £23m) were made in respect of the government's job retention scheme in the period.

(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), Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 31 December 2020 to 30 June 2021. (2020 comparatives for the period 2 January 2020 to 1 July 2020, 2019 comparatives for the period 3 January 2019 to 3 July 2019).

(3) Revenue per available room (RevPAR) on a UK like-for-like basis for the period 31 December 2020 to 31 March 2021 (2020 comparatives for the period 2 January 2020 to 1 April 2020).

(4) Revenue per available room (RevPAR) on a UK like-for-like basis for the period 1 April 2021 to 30 June 2021 (comparatives for the period 2 April 2020 to 1 July 2020).

Reductions in other operating expenses are largely driven by the hospitality business rates holiday (which operated for the whole of H1 2021, but only in Q2 for 2020), government support grants of c. £8.7m 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)) increased by £8.6m, or 11.1%, from £77.6m for the period ended 30 June 2020 to £86.2m for the period ended 30 June 2021. In 2020 full rent was paid for the first quarter before the impact of the Covid-19 pandemic. Significant rent reductions were agreed for the remainder of 2020 and 2021 as part of the CVA in June 2020. Whilst we continue to benefit from the rent reductions in 2021, these reductions are lower than those in 2020. The impact of new hotels, together with upwards only rent reviews predominantly linked to RPI in the like-for-like, also contributed to the increase in rent payable.

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 2020 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 2020 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.

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)) increased by £0.5m, or 2.6%, from £19.5m for the period ended 30 June 2020 to £20.0m for the period ended 30 June 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 hardware 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. There was also an impairment charge against a small number of assets at the end of 2020 and the disposal of a small number of leases following the CVA in 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.

Amortisation (before IFRS 16[(1)]) is driven mainly by historic lease premiums, investment in IT systems and new openings and remained at £8.0m for the periods ended 30 June 2020 and 30 June 2021. Increases from the amortisation of investment in IT systems were offset by reductions 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 £3.7m to £75.1m. 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 increased by £0.2m to £2.5m for the period ending 30 June 2021 due to for the investment in IT systems.

Finance costs

Finance costs before investor loan interest increased by £3.5m, or 18.9%, from £18.5m for the period ended 30 June 2020 to £22.0m for the period ended 30 June 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, which replaced the £60m super senior revolving credit facility issued in April 2020 with £30m drawn down in June 2020, together with 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 £2.9m, or 40.8%, from £7.1m for the period ended 30 June 2020 to £10.0m for the period ended 30 June 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 £90.1m for the period ended 30 June 2021, up £6.7m from £83.4m for the period ended 30 June 2020, relating to the lease liabilities. The increase is mainly due to the effect of the CVA on the weighted average discount rates and new leases.

Finance income

Finance income of £0.1m for the period ended 30 June 2021 and £0.3m for the period ended 30 June 2020 was interest on loans to related parties and bank interest received.

Non-underlying items

Statutory non-underlying credit (before taxation) for the period ended 30 June 2021 of £2.0m comprises a profit on disposal of assets where a category C lease break clause was exercised under the CVA.

Statutory non-underlying items (before taxation) for the period ended 30 June 2020 were a net credit of £7.0m. This related to a profit on the surrender of a property lease (which was a finance lease under IAS 17), partially offset by legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA.

(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.

Non-underlying items (before IFRS 16[1] and taxation) for the period ended 30 June 2020 were a net credit of £6.8m. This related to a profit on the surrender of a property lease (which was a finance lease under IAS17), partially offset by legal and professional fees in connection with the initial landlord consensual proposal, subsequent CVA and other corporate activity.

Loss before tax

Statutory loss before tax was £152.6m for the period ended 30 June 2021, £3.0m lower than the loss of £155.6m for the period ended 30 June 2020, benefiting from the increased revenue and lower operating expenses, partially offset by the increased finance costs.

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 period ended 30 June 2021 (current tax charge: £nil; deferred tax charge: £nil).

No cash tax payments were made during the period (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])

As at 30 June 2021, we had cash of £95.9m, an increase of £36.4m compared to £59.5m as at 30 June 2020.

For the period ended 30 June 2021, on a 'before IFRS 16[1]' basis, net cash used in operating activities was £4.9m (which is after rent paid of £86.2m), net cash used in investing activities was £15.4m, which relates to the purchase of intangible and tangible fixed assets, and net cash used in financing activities was £20.0m, mainly relating to interest payments.

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) was £69.0m better, moving from an outflow of £87.2m for the period ended 30 June 2020 to an outflow of £18.2m for the period ended 30 June 2021. This was mainly due to the £48.9m year on year working capital benefit largely as a result in the increase in prepaid rooms since the previous year end, lower EBITDA (adjusted) losses and lower capital expenditure, 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 period ended 30 June 2021 and the period ended 30 June 2020.

	Period ended 30 June 2021			Period ended 30 June 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	(4.9)	86.2	81.3	(58.2)	45.4	(12.8)	53.3	91.6%
Net cash (used in) / generated from investing activities	(15.4)	-	(15.4)	(26.2)	12.5	(13.7)	10.8	41.2%
Net cash (used in) / generated from financing activities	(20.0)	(86.2)	(106.2)	54.7	(57.9)	(3.2)	(74.7)	(136.6)%
Net (decrease) / increase in aggregate cash and cash equivalents	(40.3)	-	(40.3)	(29.7)	-	(29.7)	(10.6)	(35.7)%
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	**95.9**	**-**	**95.9**	**59.5**	**-**	**59.5**	**36.4**	**61.2%**

Net cash used in operating activities

	Period ended 30 June 2021			Period ended 30 June 2020			Variance 2021 vs 2020 before IFRS 16(1)	Var
	Before IFRS 16(1) £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16(1) £m	IFRS 16 impact £m	Statutory £m	£m	%
Operating (loss) / profit - Underlying	(95.8)	63.2	(32.6)	(107.9)	54.0	(53.9)	12.1	11.2%
Operating (loss) / profit - Non-underlying	-	2.0	2.0	6.8	0.2	7.0	(6.8)	(100.0)%
Operating (loss) / profit	**(95.8)**	**65.2**	**(30.6)**	**(101.1)**	**54.2**	**(46.9)**	**5.3**	**5.2%**
Adjustments for non-cash items:								
Depreciation of property, plant and equipment	20.0	55.1	75.1	19.5	59.3	78.8	0.5	2.6%
Amortisation of other intangible assets	8.0	(5.5)	2.5	8.0	(5.7)	2.3	-	-
Profit on disposal of fixed assets	-	(2.0)	(2.0)	-	(16.6)	(16.6)	-	-
	28.0	**47.6**	**75.6**	**27.5**	**37.0**	**64.5**	**0.5**	**1.8%**
Operating cash flows before movements in working capital	**(67.8)**	**112.8**	**45.0**	**(73.6)**	**91.2**	**17.6**	**5.8**	**7.9%**
Total working capital movement	**62.5**	**(26.6)**	**35.9**	**15.2**	**(45.8)**	**(30.6)**	**47.3**	**311.2%**
Cash flows from operating activities	**(5.3)**	**86.2**	**80.9**	**(58.4)**	**45.4**	**(13.0)**	**53.1**	**90.9%**
Corporate tax	0.4	-	0.4	0.2	-	0.2	0.2	100.0%
Net Cash (Used in) / Generated from operating activities	**(4.9)**	**86.2**	**81.3**	**(58.2)**	**45.4**	**(12.8)**	**53.3**	**91.6%**

Net cash used in operating activities (before IFRS 16(1)) was £4.9m for the period ended 30 June 2021, £53.3m better than the cash used of £58.2m for the period ended 30 June 2020. This was due to a £5.3m improvement in operating loss (after non-underlying items), an increase of £0.5m in depreciation and amortisation, an increase of £47.3m in working capital inflow and an increase of £0.2m in corporation tax repayments.

Statutory net cash generated from operating activities, which excludes rent, increased by £94.1m, from an outflow of £12.8m for the period ended 30 June 2020 to an inflow of £81.3m for the period ended 30 June 2021. This was due to a £16.3m improvement in operating losses (after non-underlying items)a decrease in the adjustment for non-cash profit on disposal of fixed assets of £14.6m, an increase of £66.5m as a result of a working capital inflow, driven largely by an increase in prepaid rooms and other trading related accruals, and an increase of £0.2m in corporation tax repayments received in the period, partially offset by a decrease of £3.5m in depreciation and amortisation.

(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.

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.

Current liabilities (before IFRS 16[(1)]) include prepaid room purchases from customers who have yet to stay, as well as normal trade creditors, including rent, accrued wages and salaries, other current debts and accrued interest and taxes.

	Period ended 30 June 2021			Period ended 30 June 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	-	0.2	(0.4)	(200.0)%
(Increase) / decrease in receivables	(0.6)	(1.1)	(1.7)	17.8	(22.6)	(4.8)	(18.4)	(103.4)%
Increase / (decrease) in payables	65.8	(25.9)	39.9	1.6	(25.1)	(23.5)	64.2	4012.5%
Total working capital movement (before non-underlying items)	65.0	(27.0)	38.0	19.6	(47.7)	(28.1)	45.4	231.6%
Provisions and non-underlying items	(2.5)	0.4	(2.1)	(4.4)	1.9	(2.5)	1.9	43.2%
Total working capital movement	**62.5**	**(26.6)**	**35.9**	**15.2**	**(45.8)**	**(30.6)**	**47.3**	**311.2%**

Working capital inflow (before IFRS 16[(1)]) before non-underlying items of £65.0m for the period ended 30 June 2021 compared to an inflow of £19.6m for the period ended 30 June 2020. This is largely driven by an increase of £35.2m in prepaid rooms, increases in other trading related accruals and the large movement in VAT in 2020 from a net payable to a net reclaim position, partially offset by the repayment of all of the payroll taxes and part of the VAT that were deferred in 2020 as part of the government Covid-19 support measures.

Working capital outflow for non-underlying items (before IFRS 16[(1)]) of £2.5m for the period ended 30 June 2021 compared to an outflow of £4.4m for the period ended 30 June 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 Spanish onerous lease 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 £38.0m for the period ended 30 June 2021 compared to an outflow of £28.1m for the period ended 30 June 2020. This is largely driven by an increase of £35.2m in prepaid rooms and increases in other trading related accruals.

Statutory working capital outflow for provisions and non-underlying items of £2.1m for the period ended 30 June 2021 compared to an outflow of £2.5m for the period ended 30 June 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.

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

Net cash used in investing activities

Net cash used in investing activities decreased by £10.8m, or 41.2%, from £26.2m for the period ended 30 June 2020 to £15.4m for the period ended 30 June 2021, primarily due to the reduction in capital expenditure.

Capital expenditure

Capital expenditure decreased by £11.0m, or 41.7%, from £26.4m for the period ended 30 June 2020 to £15.4m for the period ended 30 June 2021 has mainly been in relation to on-going maintenance, health & safety works and IT, as well as spend on energy efficiency projects, robotic vacuum cleaners 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)]) of £20.0m was interest payments and finance fees of £18.1m, finance lease interest payments of £0.5m and costs associated with the refinancing in December 2020 of £1.4m.

Net cash used in financing activities (before IFRS 16[(1)]) was £20.0m for the period ended 30 June 2021, compared to net cash generated of £54.7m for the period ended 30 June 2020.

The year on year movement was primarily due to the drawdown of the original revolving credit facility of £40m in March 2020 and the partial drawdown of £30m of the £60m super senior revolving credit facility in June 2020. In addition there were £1.4m of costs paid in 2021 associated with the 2020 refinancing and a £3.4m increase in interest paid primarily due to the revolving credit facility drawdown, the super senior term loan and fixed rate bonds, partially offset by lower floating rate bond interest payments due to the decrease in LIBOR and lower finance lease interest due to the disposal of a site in 2020.

Statutory net cash used in financing activities was £106.2m for the period ended 30 June 2021, compared to £3.2m for the period ended 30 June 2020. This is due mainly to the drawdown of facilities in 2020 as above, but is also impacted by additional rent prepayments with the reduction in the CVA rent benefit in 2021 compared with 2020.

Corporation tax

Corporation tax repayments of £0.4m were received in the period ended 30 June 2021 in respect of Spain 2019 tax compared to repayments of £0.2m in the period ended 30 June 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.

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the quarter ended 30 June 2021 (Q2)

Results for the Group are for the quarter ended 30 June 2021, with comparatives for the quarter ended 30 June 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”):

	Quarter ended 30 June 2021			Quarter ended 30 June 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 %
Revenue by geographical region								
Revenue	**103.5**	**-**	**103.5**	**13.2**	**-**	**13.2**	**90.3**	**684.1%**
Revenue UK	102.4	-	102.4	13.1	-	13.1	89.3	681.7%
Revenue International	1.1	-	1.1	0.1	-	0.1	1.0	1000.0%
Revenue	**103.5**	**-**	**103.5**	**13.2**	**-**	**13.2**	**90.3**	**684.1%**
Operating expenses	(57.1)	-	(57.1)	(27.3)	-	(27.3)	(29.8)	(109.2)%
Of which cost of goods sold	*(5.1)*	-	*(5.1)*	-	-	-	*(5.1)*	-
Of which employee costs	*(34.4)*	-	*(34.4)*	*(10.1)*	-	*(10.1)*	*(24.3)*	*(240.6)%*
Of which other operating expenses	*(17.6)*	-	*(17.6)*	*(17.2)*	-	*(17.2)*	*(0.4)*	*(2.3)%*
Net external rent (payable) / receivable	(43.7)	44.8	1.1	(24.4)	25.1	0.7	(19.3)	(79.1)%
Other income	0.1	-	0.1	-	0.4	0.4	(0.3)	100.0%
EBITDA (adjusted)(2) / EBITDA(3)	**2.8** (2)	**44.8**	**47.6** (3)	**(38.5)** (2)	**25.5**	**(13.0)** (3)	**41.3**	**107.3%**
Rent adjustment(4)	(12.0)	12.0	-	(27.4)	27.4	-	15.4	56.2%
Depreciation	(10.2)	(27.9)	(38.1)	(9.0)	(29.7)	(38.7)	(1.2)	(13.3)%
Amortisation	(4.1)	2.8	(1.3)	(4.0)	2.9	(1.1)	(0.1)	(2.5)%
Operating profit / (loss) (before non-underlying items)	**(23.5)**	**31.7**	**8.2**	**(78.9)**	**26.1**	**(52.8)**	**55.4**	**70.2%**
Finance costs before investor loan interest	(11.0)	(45.8)	(56.8)	(9.8)	(42.2)	(52.0)	(1.2)	(12.2)%
Investor loan interest	(5.0)	-	(5.0)	(3.8)	-	(3.8)	(1.2)	(31.6)%
Finance income	0.1	-	0.1	0.2	-	0.2	(0.1)	(50.0)%
Loss for the quarter (before non-underlying items)	**(39.4)**	**(14.1)**	**(53.5)**	**(92.3)**	**(16.1)**	**(108.4)**	**52.9**	**57.3%**

(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.

(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 2020 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 increased by £90.3m, or 684.1%, from £13.2m for the quarter ended 30 June 2020 to £103.5m for the quarter ended 30 June 2021, impacted by the effects of the Covid-19 pandemic. We started the quarter with 402 open hotels. Batches were opened through April and May with all available hotels open by 17 May. In 2020 the vast majority of our hotels were closed, with only around 51 remaining open to support NHS workers, key workers and vulnerable groups for the majority of the second quarter.

Like-for-like UK RevPAR improved by 696%(2) compared to 2020 but with a decline of 44.9(2)% compared to 2019.

Operating expenses

Operating expenses increased by £29.8m, or 109.2%, from £27.3m for the quarter ended 30 June 2020 to £57.1m for the quarter ended 30 June 2021.

Increases in cost of goods sold reflect the reopening of hotels, however, [the majority of] bar cafés remained closed during this period.

Employee costs increases reflect the reopening of hotels and reduction in the use of the government's job retention scheme, 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. £6m were made in respect of the government's job retention scheme in the quarter (2020: c. £23m).

Increases in other operating expenses are largely driven by the reopening of hotels and increased costs from our new and maturing hotels, partially offset by government support grants of c. £8.5m and cost efficiency programmes.

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)) increased by £19.3m, or 79.1%, from £24.4m for the quarter ended 30 June 2020 to £43.7m for the quarter ended 30 June 2021. This increase was primarily due to lower rent reductions agreed as part of the CVA in 2021 compared to 2020, upwards only rent reviews predominantly linked to RPI in the like-for-like estate and the impact of new hotels.

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 2020 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.

(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 period 1 April 2021 to 30 June 2021 (2020 comparatives for the period 2 April 2020 to 1 July 2020, 2019 comparatives for the period from 4 April 2019 to 3 July 2019).

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 2020 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.

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)]) increased by £1.2m, or 13.3%, from £9.0m for the quarter ended 30 June 2020 to £10.2m for the quarter ended 30 June 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 hardware 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. There was also an impairment charge against a small number of assets at the end of 2020 and 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 increased by £0.1m, or 2.5%, from £4.0m for the quarter ended 30 June 2020 to £4.1m for the quarter ended 30 June 2021. Increases from the amortisation of 2020 investment in IT systems were partially offset by reductions 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 £0.6m to £38.1m. This is mainly due to the restatement of the right of use assets, reflecting the impact of the 2020 CVA, together with the impairment charge against a small number of assets at the end of 2020. Statutory amortisation of IT software increased by £0.2m to £1.3m for the quarter ending 30 June 2021 due to a full period charge for 2020 investment in IT systems.

Finance costs

Finance costs before investor loan interest increased by £1.2m, or 12.2%, from £9.8m for the quarter ended 30 June 2020 to £11.0m for the quarter ended 30 June 2021. This increase was primarily due to higher bank interest costs following the setting up of a new term loan facility of £60m as part of the refinancing in December 2020, which replaced the £60m super senior revolving credit facility issued in April 2020 with £30m drawn down in June 2020, together with 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.

(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.

Investor loan interest increased by £1.2m, or 31.6%, from £3.8m for the quarter ended 30 June 2020 to £5.0m for the quarter ended 30 June 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 £45.8m for the quarter ended 30 June 2021, up £3.6m from £42.2m for the quarter ended 30 June 2020, relating to the lease liabilities. The increase is mainly due to the effect of the CVA on the weighted average discount rates and new leases.

Finance income

Finance income of £0.1m for the quarter ended 30 June 2021 and £0.2m for the quarter ended 30 June 2020 was interest on loans to related parties and bank interest received.

Loss before non-underlying items and tax

Statutory loss before non-underlying items and tax was £53.5m for the quarter ended 30 June 2021, £54.9m better than the loss of £108.4m for the quarter ended 30 June 2020, benefiting from the increased revenue as a result of hotel openings and tightly controlled operating expenses, partially offset by the increased finance costs.

(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. 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 30 JUNE 2021

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE PERIOD ENDED 30 JUNE 2021

		Unaudited Period ended 30 June 2021				Unaudited Period ended 30 June 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*	145.2	-	-	**145.2**	142.7	-	-	**142.7**
Operating Expenses	*4*	(102.4)	-	-	**(102.4)**	(117.5)	-	(9.6)	**(127.1)**
Rent	*4*	(110.7)	112.8	-	**2.1**	(105.6)	107.2	-	**1.6**
Other Income		0.1	-	-	**0.1**	-	0.4	-	**0.4**
EBITDA after rent adjustment	*3*	**(67.8)**	**112.8**	**-**	**45.0**	**(80.4)**	**107.6**	**(9.6)**	**17.6**
Depreciation, Amortisation & Impairment	*4*	(28.0)	(49.6)	-	**(77.6)**	(27.5)	(53.6)	-	**(81.1)**
Profit on disposal of fixed assets		-	-	2.0	**2.0**	-	-	16.6	**16.6**
Operating (Loss) / Profit	*3*	**(95.8)**	**63.2**	**2.0**	**(30.6)**	**(107.9)**	**54.0**	**7.0**	**(46.9)**
Finance Costs	*5*	(32.0)	(90.1)	-	**(122.1)**	(25.6)	(83.4)	-	**(109.0)**
Finance Income		0.1	-	-	**0.1**	0.3	-	-	**0.3**
(Loss) / Profit before Tax	*3*	**(127.7)**	**(26.9)**	**2.0**	**(152.6)**	**(133.2)**	**(29.4)**	**7.0**	**(155.6)**
Income Tax		-	-	-	**-**	3.5	(3.5)	-	**-**
(Loss) / Profit for the Period		**(127.7)**	**(26.9)**	**2.0**	**(152.6)**	**(129.7)**	**(32.9)**	**7.0**	**(155.6)**

(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.

Memorandum - EBITDA (adjusted)[2]

	Period ended 30 June 2021 £m	Period ended 30 June 2020 £m
EBITDA (adjusted)[2]	**(43.3)**	**(52.4)**
Rent phasing adjustment[3]	**(24.5)**	**(28.0)**
EBITDA - Underlying before IFRS 16	**(67.8)**	**(80.4)**

(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 2020 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 2020 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 30 JUNE 2021

	Unaudited Period ended 30 June 2021 £m	Unaudited Period ended 30 June 2020 £m
Loss for the period	**(152.6)**	**(155.6)**
Items that will subsequently be reclassified into profit and loss:		
Currency translation differences	**-**	**0.4**
Other comprehensive income /(expense) for the period, net of tax	**-**	**0.4**
Total comprehensive expense for the period	**(152.6)**	**(155.2)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED 30 JUNE 2021

	Foreign Exchange Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2020	**(0.4)**	**(341.0)**	**(341.4)**
Loss for the period	-	(155.6)	**(155.6)**
Other comprehensive expense			
Currency translation differences	0.4	-	**0.4**
Total comprehensive expense	**0.4**	**(155.6)**	**(155.2)**
30 June 2020	**-**	**(496.6)**	**(496.6)**
Loss for the period	-	(151.7)	**(151.7)**
Total comprehensive expense	**-**	**(151.7)**	**(151.7)**
1 January 2021	**-**	**(648.3)**	**(648.3)**
Loss for the period	-	(152.6)	**(152.6)**
Total comprehensive expense	**-**	**(152.6)**	**(152.6)**
30 June 2021	**-**	**(800.9)**	**(800.9)**

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021

	Note	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
NON CURRENT ASSETS				
Intangible assets	*7*	**157.0**	**160.9**	**157.4**
Property, plant and equipment	*8*	**111.9**	**132.1**	**120.7**
Right of Use assets	*9*	**2,132.4**	**2,105.9**	**2,122.9**
Net Deferred tax asset		**3.6**	**3.9**	**3.7**
		2,404.9	**2,402.8**	**2,404.7**
CURRENT ASSETS				
Financial derivative asset		**-**	**0.1**	**-**
Inventory		**1.0**	**1.0**	**0.8**
Trade and other receivables	*11*	**23.9**	**22.2**	**22.2**
Corporation tax debtor		**-**	**1.1**	**0.5**
Cash and cash equivalents		**95.9**	**59.5**	**136.2**
		120.8	**83.9**	**159.7**
TOTAL ASSETS		**2,525.7**	**2,486.7**	**2,564.4**
CURRENT LIABILITIES				
Trade and other payables	*12*	**(135.4)**	**(91.1)**	**(98.5)**
Lease liabilities	*10*	**(38.8)**	**(19.4)**	**(15.7)**
Provisions	*14*	**-**	**(0.1)**	**-**
		(174.2)	**(110.6)**	**(114.2)**
NON-CURRENT LIABILITIES				
Bond related debt	*13*	**(495.9)**	**(432.8)**	**(494.8)**
Revolving credit facilities	*13*	**(40.0)**	**(70.0)**	**(40.0)**
Super senior term loan	*13*	**(59.8)**	**-**	**(58.1)**
Investor loan	*13*	**(176.4)**	**(118.3)**	**(166.4)**
Lease liabilities	*10*	**(2,373.2)**	**(2,244.2)**	**(2,332.1)**
Provisions	*14*	**(7.1)**	**(7.4)**	**(7.1)**
		(3,152.4)	**(2,872.7)**	**(3,098.5)**
TOTAL LIABILITIES		**(3,326.6)**	**(2,983.3)**	**(3,212.7)**
NET LIABILITIES		**(800.9)**	**(496.6)**	**(648.3)**
EQUITY				
Share capital		**-**	**-**	**-**
Foreign exchange reserve		**-**	**-**	**-**
Accumulated losses		**(800.9)**	**(496.6)**	**(648.3)**
TOTAL DEFICIT		**(800.9)**	**(496.6)**	**(648.3)**

Memorandum - Analysis of net funding

	Note	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Cash at bank		***95.9***	***59.5***	***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)***
Super Senior Term Loan Capitalised Interest	*13*	***(1.2)***	***-***	***-***
Revolving Credit Facilities	*13*	***(40.0)***	***(70.0)***	***(40.0)***
Bond issue costs	*13*	***9.1***	***7.2***	***10.2***
Super Senior Term Loan issue costs	*13*	***3.3***	***-***	***3.8***
Gross debt	*13*	***(595.7)***	***(502.8)***	***(592.9)***
External net debt		***(499.8)***	***(443.3)***	***(456.7)***
Investor loan	*13*	***(176.4)***	***(118.3)***	***(166.4)***
Net debt		***(676.2)***	***(561.6)***	***(623.1)***
Lease liabilities	*10*	***(2,412.0)***	***(2,263.6)***	***(2,347.8)***
		(3,088.2)	***(2,825.2)***	***(2,970.9)***

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2021

	Unaudited			Unaudited		
	Period ended 30 June 2021			Period ended 30 June 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	(5.3)	86.2	80.9	(58.4)	45.4	(13.0)
Corporate tax	0.4	-	0.4	0.2	-	0.2
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES	(4.9)	86.2	81.3	(58.2)	45.4	(12.8)
INVESTING ACTIVITIES						
Interest received	-	-	-	0.2	-	0.2
Proceeds on disposal of assets	-	-	-	-	12.5	12.5
Purchases of property, plant and equipment and intangible assets	(15.4)	-	(15.4)	(26.4)	-	(26.4)
Net cash (used in) / generated from investing activities	(15.4)	-	(15.4)	(26.2)	12.5	(13.7)
FINANCING ACTIVITIES						
Finance fees paid	(0.2)	-	(0.2)	(0.3)	0.2	(0.1)
Interest paid	(17.9)	-	(17.9)	(14.0)	-	(14.0)
Finance lease rental interest payments	(0.5)	0.5	-	(1.0)	1.0	-
IFRS 16 lease rental capital payments	-	(7.5)	(7.5)	-	(8.9)	(8.9)
IFRS 16 lease rental interest payments	-	(79.2)	(79.2)	-	(50.2)	(50.2)
Drawdown of revolving credit facility	-	-	-	70.0	-	70.0
Finance issue transaction costs	(1.4)	-	(1.4)	-	-	-
Net cash (used in) / generated from financing activities	(20.0)	(86.2)	(106.2)	54.7	(57.9)	(3.2)
Net (decrease) / increase in aggregate cash and cash equivalents	(40.3)	-	(40.3)	(29.7)	-	(29.7)
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	95.9	-	95.9	59.5	-	59.5

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

Memorandum - Analysis of free cash flow[1]	*Unaudited*	*Unaudited*
	Period ended 30 June 2021	*Period ended 30 June 2020*
	Before IFRS 16 (1)	*Before IFRS 16 (1)*
	£m	*£m*
EBITDA (adjusted)[2]	(43.3)	(52.4)
Working capital	40.5	(8.4)
Net cash flows from operating activities before non-underlying items	(2.8)	(60.8)
Capital expenditure	(15.4)	(26.4)
Free cash flow (used) / generated in the period	(18.2)	(87.2)
Non-trading cash flow		
Finance fees paid	(0.2)	(0.3)
Interest paid	(17.9)	(14.0)
Interest income	-	0.2
Finance lease rental interest payments	(0.5)	(1.0)
Cash spend on / (received from) provisions and non-underlying items[3]	(2.5)	2.4
Corporate tax	0.4	0.2
Non-trading cash flow	(20.7)	(12.5)
Cash used	(38.9)	(99.7)
Opening Cash	136.2	89.2
Movement in cash	(38.9)	(99.7)
Drawdown of revolving credit facility	-	70.0
Finance issue costs	(1.4)	-
Closing Cash	95.9	59.5
Opening external net debt	(456.7)	(342.9)
Net increase in aggregate cash	(40.3)	(29.7)
Drawdown of revolving credit facility	-	(70.0)
Net amortised bond transaction costs	(1.2)	(0.7)
Capitalised term loan interest	(1.2)	-
Net amortised term loan costs	(0.4)	-
Closing external net debt	(499.8)	(443.3)

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 £2.5m 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 Spanish onerous lease provisions of £0.4m. In 2020, net cash received from provisions and non-underlying items of £2.4m included a cash inflow relating to the surrender of a property lease, partially offset by legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA, legal and advisors' fees and management incentives relating to the previous restructuring of the Group's debt and other corporate activities, as well as onerous lease provisions of £2.1m.

Reconciliation of net cash flows from operating activities before non-underlying items to net cash generated from operating activities (note 15)	*Unaudited*	*Uanudited*
	Period ended 30 June 2021	*Period ended 30 June 2020*
	Before IFRS 16 (1)	*Before IFRS 16 (1)*
Net cash flows from operating activities before non-underlyings	(2.8)	(60.8)
Cash spend on non-underlying items through working capital[4]	(2.5)	2.4
Cash flows from operating activities	(5.3)	(58.4)
Corporate tax	0.4	0.2
Net cash (used in) / generated from operating activities	(4.9)	(58.2)

4. In 2021, net cash spend from non-underlying items through working capital of £2.5m included a net £2.1m outflow relating to accrued costs and £0.4m cash spend on Spanish onerous lease provisions. In 2020 net cash received from non-underlying items through working capital of £2.4m included a net £4.5m inflow cash spend relating to accruals and £2.1m cash spend on provisions.

1 GENERAL INFORMATION

Thame and London Limited ("T&L") is the holding company of the Travelodge group ("Travelodge" or "The Group"), including Travelodge Hotels Limited ("THL"), the principal trading company of Travelodge UK and TVL Finance PLC. Thame and London Limited, formerly Anchor UK Bidco Limited (the Company) is a private company limited by share capital and was incorporated in the United Kingdom on 7 August 2012. The Company changed its name from Anchor UK Bidco Limited on 23 May 2013. The Company is domiciled in the UK.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 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 30 June 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 30 June 2021 £m	Unaudited Period ended 30 June 2020 £m
Revenue		
UK	**143.4**	**140.3**
International	**1.8**	**2.4**
Revenue	**145.2**	**142.7**
EBITDA - Underlying		
UK EBITDA (adjusted)[1]	**(41.4)**	**(50.9)**
Rent phasing adjustment	**(24.5)**	**(28.0)**
UK EBITDA after rent phasing adjustment	**(65.9)**	**(78.9)**
International EBITDA after rent phasing adjustment	**(1.9)**	**(1.5)**
EBITDA after rent phasing adjustment before IFRS 16	**(67.8)**	**(80.4)**
UK IFRS 16 EBITDA adjustment	**110.9**	**105.8**
International IFRS 16 EBITDA adjustment	**1.9**	**1.8**
EBITDA after rent phasing adjustment - Underlying	**45.0**	**27.2**
Non-underlying items (Total)	**-**	**(9.6)**
EBITDA after rent phasing adjustment	**45.0**	**17.6**
Operating loss - Underlying		
UK	**(93.9)**	**(106.3)**
International	**(1.9)**	**(1.6)**
Operating loss before IFRS 16 - Underlying	**(95.8)**	**(107.9)**
UK IFRS 16 Operating profit adjustment	**62.6**	**53.5**
International IFRS 16 Operating profit adjustment	**0.6**	**0.5**
Operating loss - Underlying	**(32.6)**	**(53.9)**
Non-underlying items (Total)	**2.0**	**7.0**
Operating loss	**(30.6)**	**(46.9)**
Loss before tax - Underlying		
UK	**(125.8)**	**(131.6)**
International	**(1.9)**	**(1.6)**
Loss before tax - Underlying	**(127.7)**	**(133.2)**
Non-underlying items before IFRS 16 (note 6)	**-**	**6.8**
Loss before tax and IFRS 16	**(127.7)**	**(126.4)**
UK IFRS 16 Loss before tax adjustment	**(26.3)**	**(28.6)**
International IFRS 16 Loss before tax adjustment	**(0.6)**	**(0.8)**
IFRS 16 Loss before tax -Underlying	**(26.9)**	**(29.4)**
UK IFRS 16 non-underlying items	**2.0**	**0.2**
IFRS 16 non-underlying items	**2.0**	**0.2**
Loss before tax	**(152.6)**	**(155.6)**

(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 30 June 2021			Period ended 30 June 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	7.0	-	7.0	9.6	-	9.6
Employee costs	57.7	-	57.7	51.3	-	51.3
Operating expenses	37.7	-	37.7	56.6	-	56.6
Net operating expenses before rent, depreciation and amortisation	102.4	-	102.4	117.5	-	117.5
Rent payable (third party landlords)[3]	88.3	(88.3)	-	79.2	(79.2)	-
Rent receivable	(2.1)	-	(2.1)	(1.6)	-	(1.6)
Net external rent payable	86.2	(88.3)	(2.1)	77.6	(79.2)	(1.6)
Rent phasing adjustment[2]	24.5	(24.5)	-	28.0	(28.0)	-
Net rent	110.7	(112.8)	(2.1)	105.6	(107.2)	(1.6)
Net operating expenses before depreciation and amortisation	213.1	(112.8)	100.3	223.1	(107.2)	115.9
Depreciation	20.0	55.1	75.1	19.5	59.3	78.8
Amortisation	8.0	(5.5)	2.5	8.0	(5.7)	2.3
Net depreciation and amortisation	28.0	49.6	77.6	27.5	53.6	81.1
Total net operating expenses	241.1	(63.2)	177.9	250.6	(53.6)	197.0

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

[2] 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: £nil) relates to £0.2m (2020: £0.1m) of variable lease payments that are not included within right of use assets, partially offset by a £(0.2)m (2020: £(0.1)m) credit relating to temporary rent reductions in Spain.

5 FINANCE COSTS

	Unaudited Period ended 30 June 2021	Unaudited Period ended 30 June 2020
	£m	£m
Finance fees	1.9	1.2
Interest on bank loans	4.5	1.3
Interest on fixed and floating rate bonds	14.7	13.4
Interest on obligations under finance leases	0.7	2.4
Unwinding of discount on provisions	0.2	0.2
Finance costs before interest on investor loan, non-underlying items and IFRS 16	22.0	18.5
Interest on investor loan	10.0	7.1
Finance costs before non-underlying items and IFRS 16	32.0	25.6
IFRS 16 adjustment[1]	90.1	83.4
Finance costs after IFRS 16	122.1	109.0

[1] The total IFRS 16 notional interest charge on lease liabilities is £91.0m (2020: £86.2m). The IFRS 16 adjustment includes a £0.7m (2020: £2.4m) credit in respect of interest on finance leases, a £0.2m (2020: £0.2m) credit in respect of unwinding of discount on provisions and £nil (2020: £0.2m) interest on overdue rent (included within finance fees before IFRS 16).

6 NON-UNDERLYING ITEMS

Statutory non-underlying credit (before taxation) for the period ended 30 June 2021 of £2.0m comprises a profit on disposal of assets where a category C lease break clause was exercised under the CVA.

Statutory non-underlying items (before taxation) for the period ended 30 June 2020 were a net credit of £7.0m. This related to a profit on the surrender of a property lease (which was a finance lease under IAS 17), partially offset by legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA.

7 INTANGIBLE ASSETS

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m
Opening net book value	**157.4**	**159.6**
Additions	**2.1**	**3.5**
Movement on capital creditors	**-**	**0.1**
Amortisation	**(2.5)**	**(2.3)**
Closing net book value	**157.0**	**160.9**

The closing net book value at 30 June 2021 comprises brand value of £145.0m, assets under construction of £5.0m and IT software of £7.0m.

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 30 June 2020 comprises brand value of £145.0m, assets under construction of £9.1m and IT software of £6.8m.

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

8 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m
Opening net book value	**120.7**	**132.9**
Additions	**12.9**	**22.6**
Movement on capital creditors	**0.3**	**(2.8)**
Disposals	**-**	**(0.6)**
Depreciation	**(22.0)**	**(20.0)**
Closing net book value	**111.9**	**132.1**

The closing net book value at 30 June 2021 comprises assets under construction of £6.3m, freehold and long leaseholds of £1.6m and fixtures and fittings of £104.0m.

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 30 June 2020 comprises assets under construction of £9.3m, freehold and long leaseholds of £1.6m and fixtures and fittings of £121.2m.

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

9 RIGHT OF USE ASSETS

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m
Opening net book value	**2,122.9**	**2,521.3**
New leases	**42.0**	**28.4**
Lease Adjustments	**21.8**	**(370.3)**
Additions(1)	**0.4**	**0.3**
Foreign Exchange Translation Adjustment	**(1.6)**	**1.7**
Depreciation	**(53.1)**	**(58.8)**
Disposals(2)	**-**	**(16.7)**
Closing net book value	**2,132.4**	**2,105.9**

(1) Additions relate to leasehold premiums.
(2) Disposals relate to leases where break clauses were instigated as a direct result of the CVA. In addition 2020 relates to the surrender of a property lease. The 2021 disposals relate to a site that had been previously fully impaired.
(3) Lease adjustments of £21.8m in 2021 mainly consist of rent reviews. In 2020 these include the effect of lease modifications following the CVA (see note 10).

10 IFRS 16 LEASE LIABILITIES

	Unaudited 30 June 2021	Unaudited 30 June 2020
	£m	£m
Opening Balance	**(2,347.8)**	**(2,597.4)**
New leases	**(42.0)**	**(28.4)**
Lease Adjustments	**(21.8)**	**370.3**
Foreign Exchange Translation Adjustment	**1.9**	**(1.9)**
Finance Costs	**(91.0)**	**(86.2)**
Payments - Finance Leases	**0.5**	**1.0**
Payments - Operating Leases	**86.2**	**58.1**
Disposals[1]	**2.0**	**20.9**
Closing Balance	**(2,412.0)**	**(2,263.6)**
Amounts falling due within one year	**(38.8)**	**(19.4)**
Amounts falling due after one year	**(2,373.2)**	**(2,244.2)**
	(2,412.0)	**(2,263.6)**

[1] Disposals relate to leases where break clauses were instigated as a direct result of the CVA. In addition 2020 relates to the surrender of a property lease.

Lease adjustments of £21.8m in 2021 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% at 30 June 2020.

Total lease liabilities at 30 June 2021 have been discounted at a weighted average discount rate of 8.9% with a range of 5.0% to 11.0% and represent leases with a weighted average remaining length from the balance sheet date of 23.0 years.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Amounts due within one year:			
Trade amounts receivable			
- Gross amounts receivable	11.2	3.7	8.0
- Bad debt provision	(0.3)	(0.2)	(0.2)
- Net amounts receivable	10.9	3.5	7.8
Other amounts receivable	3.6	11.1	7.0
Accrued income	1.4	0.5	0.6
Prepayments	5.6	5.1	4.7
Loans to related parties	2.4	2.0	2.1
	23.9	**22.2**	**22.2**

12 TRADE AND OTHER PAYABLES

	Unaudited 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Trade payables	(8.1)	(7.6)	(6.2)
Other payables(1)	(14.7)	(9.6)	(13.7)
Social security and other taxation	(8.6)	(7.9)	(7.4)
Accruals	(38.5)	(33.6)	(41.8)
Deferred income	(2.5)	(2.0)	(1.7)
Prepaid room purchases	(58.4)	(27.3)	(23.4)
Capital payables	(4.6)	(3.1)	(4.3)
Amounts falling due within one year	**(135.4)**	**(91.1)**	**(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 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
Cash at bank and in hand		95.9	59.5	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	(63.1)	-	(61.9)
Revolving credit facilities	May 2022 / July 2024	(40.0)	(70.0)	(40.0)
Issue Costs		12.4	7.2	14.0
External debt		(595.7)	(502.8)	(592.9)
Net external debt		(499.8)	(443.3)	(456.7)
Investor Loan Note	January 2026 / 2033	(176.4)	(118.3)	(166.4)
Net debt before finance leases		(676.2)	(561.6)	(623.1)
Lease liabilities under IFRS 16		(2,412.0)	(2,263.6)	(2,347.8)
Net debt including finance leases		**(3,088.2)**	**(2,825.2)**	**(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: 30 June 2021: £14.7m, 31 December 2020: £14.5m, 30 June 2020: £14.2m.

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 30 June 2021, letters of credit were in issue to the value of £27.8m, 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 period ended 30 June 2021 totalled £10.0m (2020: £7.1m).

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

	30 June 2021		30 June 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	**95.9**	**95.9**	**59.5**	**59.5**	**136.2**	**136.2**
Financial assets at amortised cost[1]	**16.9**	**16.9**	**16.6**	**16.6**	**16.9**	**16.9**
Financial derivative asset	**-**	**-**	**0.1**	**0.1**	**-**	**-**
Bond related debt	**(505.0)**	**(487.2)**	**(440.0)**	**(367.6)**	**(505.0)**	**(455.2)**
Super Senior Term Loan related debt	**(63.1)**	**(63.1)**	**-**	**-**	**(61.9)**	**(61.9)**
Revolving credit facilities	**(40.0)**	**(40.0)**	**(70.0)**	**(70.0)**	**(40.0)**	**(40.0)**
Investor Loan Note	**(176.4)**	**(176.4)**	**(118.3)**	**(118.3)**	**(166.4)**	**(166.4)**
Financial liabilities[2]	**(2,477.9)**	**(2,477.9)**	**(2,317.5)**	**(2,317.5)**	**(2,413.8)**	**(2,413.8)**
	(3,149.6)	**(3,131.8)**	**(2,869.6)**	**(2,797.2)**	**(3,034.0)**	**(2,984.2)**

(1) Financial assets at amortised cost of £16.9m (December 2020: £16.9m) are made up of trade receivables of £10.9m (December 2020: £7.8m), other receivables of £3.6m (December 2020: £7.0m) and loans to related parties of £2.4m (December 2020: £2.1m).

(2) Financial liabilities of £2,477.9m (December 2020: £2,413.8m) are made up of lease liabilities of £2,412.0m (December 2020: £2,347.8m), trade payables of £8.1m (December 2020: £6.2m), capital payables of £4.6m (December 2020: £4.3m), accruals of £38.5m (December 2020: £41.8m) and other payables of £14.7m (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 30 June 2021 £m	Unaudited 30 June 2020 £m	Audited 31 December 2020 £m
At 1 January 2021	(7.1)	(7.7)	(7.7)
Cash spend	-	0.2	0.2
Reassessment of provisions	-	-	(0.6)
Disposals	-	-	0.8
Transfer to accruals	-	-	0.2
At 30 June 2021	**(7.1)**	**(7.5)**	**(7.1)**
The balance can be analysed as:			
Due in less than one year	-	(0.1)	-
Due in greater than one year	(7.1)	(7.4)	(7.1)
	(7.1)	(7.5)	(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 30 June 2021			Period ended 30 June 2020		
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m
Operating (loss) / profit - Underlying	(95.8)	63.2	(32.6)	(107.9)	54.0	(53.9)
Operating (loss) / profit - Non-underlying	-	2.0	2.0	6.8	0.2	7.0
Operating (loss) / profit	**(95.8)**	**65.2**	**(30.6)**	**(101.1)**	**54.2**	**(46.9)**
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	20.0	55.1	75.1	19.5	59.3	78.8
Amortisation of other intangible assets	8.0	(5.5)	2.5	8.0	(5.7)	2.3
Profit on disposal of fixed assets	-	(2.0)	(2.0)	-	(16.6)	(16.6)
	28.0	47.6	75.6	27.5	37.0	64.5
Operating cash flows before movements in working capital	**(67.8)**	**112.8**	**45.0**	**(73.6)**	**91.2**	**17.6**
Movement in inventory	(0.2)	-	(0.2)	0.2	-	0.2
Movement in receivables	(0.6)	(1.1)	(1.7)	17.8	(22.6)	(4.8)
Movement in payables	63.7	(25.9)	37.8	(0.7)	(25.1)	(25.8)
Movement in provisions	(0.4)	0.4	-	(2.1)	1.9	(0.2)
Total working capital movement[2]	**62.5**	**(26.6)**	**35.9**	**15.2**	**(45.8)**	**(30.6)**
Cash flows from operating activities	**(5.3)**	**86.2**	**80.9**	**(58.4)**	**45.4**	**(13.0)**
Corporate tax	0.4	-	0.4	0.2	-	0.2
Net Cash (Used in) / Generated from operating activities	**(4.9)**	**86.2**	**81.3**	**(58.2)**	**45.4**	**(12.8)**

[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 £62.8m (2020: £15.2m) is after non-underlying outflows of £2.5m (2020: outflows of £4.4m) and before rent phasing adjustment of £24.8m (2020: £28.0m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 25 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 30 June 2021 £m	**Period ended 30 June 2020 £m**
Statutory Loss before Tax	**(152.6)**	**(155.6)**
Net Finance Costs	122.0	108.7
Operating Loss	**(30.6)**	**(46.9)**
Non-underlying Items (See note 6)	(2.0)	(7.0)
Underlying Operating Loss	**(32.6)**	**(53.9)**
Reverse IFRS 16 Rent Adj(1)	(112.8)	(107.2)
Reverse IFRS 16 Other Income adj(4)	-	(0.4)
Depreciation, Amortisation - Underlying	77.6	81.1
EBITDA - before Rent Phasing Adjustment	(67.8)	(80.4)
Rent Phasing Adjustment(2)	24.5	28.0
EBITDA (adjusted)(3)	**(43.3)**	**(52.4)**

(1) The rent payable for operating leases of £88.3m (2020: £79.2m) and the rent phasing adjustment of £24.5m (2020: £28.0m) 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.

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

	Period ended 30 June 2021 £m	**Period ended 30 June 2020 £m**
EBITDA (adjusted)(1)	(43.3)	(52.4)
Working capital(2)	40.5	(8.4)
Net cash flows from operating activities before non-underlying items	(2.8)	(60.8)
Capital expenditure	(15.4)	(26.4)
Free Cash Flow	**(18.2)**	**(87.2)**

(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.

(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 30 June 2021 £m	**Period ended 30 June 2020 £m**
Net cash flows from operating activities before non-underlying items	(2.8)	(60.8)
Cash spend on non-underlying items through working capital(1)	(2.5)	2.4
Cash flows from operating activities	(5.3)	(58.4)
Corporate tax	0.4	0.2
Net cash (used in) / generated from operating activities	**(4.9)**	**(58.2)**

(1) In 2021, net cash spend from non-underlying items through working capital of £2.5m included a net £2.1m outflow relating to accrued costs and £0.4m cash spend on Spanish onerous lease provisions. In 2020 net cash received on non-underlying items through working capital of £2.4m included a net £4.5m inflow cash spend relating to accruals and £2.1m cash spend on provisions.

	Period ended 30 June 2021 £m	**Period ended 30 June 2020 £m**
Total working capital movement (note 15)	35.9	(30.6)
Less IFRS 16 impact	26.6	45.8
Working capital movement before IFRS 16	62.5	15.2
Less non-underlyings before IFRS 16 (cash flow provisions and exceptionals)	2.5	4.4
Less rent adjustment before IFRS 16	(24.5)	(28.0)
Working capital	**40.5**	**(8.4)**