Company Registration No. 08170768

THAME AND LONDON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

THAME AND LONDON LIMITED

OUR PURPOSE AND CONTENTS

At Travelodge, our purpose is to provide affordable travel for everyone and we are positioned as the low-cost choice, offering our customers the best balance of location, price and quality to suit their travel needs.

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 more than 585 hotels and 44,500 guest bedrooms, right across the UK as well as in Ireland and Spain.

Index

Highlights

Total revenue

£284.4m

(2019: £727.9m)

down (60.9)%

EBITDA (adjusted) (4)

£(74.0)m loss

(2019: £129.1m profit)

Underlying operating (loss) profit (5)

£(206.3)m loss

(2019: £64.7m profit)

Statutory loss before tax

£(307.0)m

(2019: £(72.5)m)

2020 Performance Headlines

- **Total revenue down 60.9%** to £284.4m (2019: £727.9m)
- RevPAR(1) down 59.6% to £16.89 (2019: £41.85)
- **RevPAR growth 3.2pts ahead** of the competitive segment(2)
- Occupancy(1) down 39.1pts to 41.3%
- Average room rate(1) down 21.5% at £40.86 (2019: £52.08)
- EBITDA (statutory)(3) down £280.2m to £61.1m (2019: £341.3m)
- **EBITDA (adjusted)(4) down £203.1m** to a loss of £74.0m
- **Cash of £136.2m** at 31 December 2020 (2019: £89.2m)
- **Nine new hotels** opened with practical completion of a further seven which are not yet open due to the current restrictions on customer stays
- Total network now 586 hotels and 44,549 rooms as at 31 December 2020
- 494 hotels achieving TripAdvisor rating of 4 stars, with 385 TripAdvisor Travellers' Choice Awards

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(1) Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 26 Dec 2019 to 30 Dec 2020.
(2) Our competitive segment is the Midscale and Economy Sector of the UK hotel market as reported by Smith Travel Research (STR), an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance
(3) EBITDA (statutory) = Earnings before interest, tax, depreciation, amortisation and non-underlying items.
(4) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment(6), non-underlying items and reflective of the position in line with 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.
(5) Underlying operating profit = Earnings before interest, tax and non-underlying items and reflective of the position in line with historic accounting principles (before IFRS 16). Non-underlying items have been removed as they relate to non-recurring, one-off items.
(6) Rent phasing adjustment = Refer definition under the Alternative Performance Measures section of the Chief Financial Officer's report.

Executive Committee Statement

Overview
2020 has been significantly impacted by the Covid-19 pandemic, resulting in significant falls in demand, with the majority of our hotels closed for large periods of the year.

In response to the situation we developed and implemented a comprehensive recovery plan. This included £165m of new funding, from a new £60m term loan and £40m of shareholder injections (in the form of shareholder loans), both provided by our existing ultimate shareholders (or affiliates thereof), as well as a new £65m bond issue. We also fully drew the Existing £40m RCF in March 2020. In addition, Travelodge Hotels Limited implemented a Company Voluntary Arrangement ("CVA") that was approved by creditors on 19 June 2020, which will deliver temporary rent reductions of approximately £140m through to the end of 2021, with approximately £85m of this impacting 2020. We also accessed Government support in the form of the Job Retention Scheme and the retail, hospitality and leisure business rates holiday.

Our number one priority is the safety and security of our customers and teams, so we created TravelodgeProtect+, our programme of cleaning and social distancing measures designed to keep our guests and teams safe. We would like to thank all of our stakeholders including our customers, team members, shareholders and investors, landlords and other creditors including key operational suppliers, for their support during this challenging period.

While it is still too early to assess the future trading environment with confidence, our recovery plan gives us a solid platform, despite the inevitable material uncertainties that prevail.

Governance and the Board
There have been a number of changes to the composition of the Board in the year:

- Due to illness, Brian Wallace stepped down from the Board and from his role as Chairman in September. Brian was a source of wise and experienced counsel to the board for many years and we recognise his significant contribution to the success of Travelodge. It is with great sadness we note Brian's passing late in 2020, he was an exceptional man and will be greatly missed.
- Subsequent to the year end, Martin Robinson was appointed as Chairman with effect from 25 March 2021. Martin brings a broad wealth of hospitality and strategic management experience to the role and we look forward to working with him to further develop the Travelodge business.
- At the end of the year, Peter Gowers resigned from the Board and from his role as Chief Executive. We would like to thank Peter for his significant contribution to the Group's consistently class-leading performance, leaving a legacy of success. We wish him well for the future.
- The process to confirm Peter's successor has not yet been finalised, however, Travelodge benefits from a strong and experienced executive team and until a permanent appointment is made, the previous Group Chief Operating Officer, Craig Bonnar, has taken on the role of Interim Chief Executive Officer.
- Subsequent to the year end, as of 25 March 2021, Thomas Hilger, the Goldman Sachs nominated non-executive director, resigned as a director. We are grateful for the support Thomas has given the group and wish him well for the future. On the same day, we were delighted to welcome Ion Dagtoglou as the new non-executive director nominated by Goldman Sachs.

Following these changes, to ensure appropriate governance is in place whilst the permanent Chairman and Chief Executive appointments are finalised, Travelodge formed an Executive Committee comprising the Lead Non-Executive Director, Interim Chief Executive, Chief Financial Officer and an independent third party consultant. Further details are included with our reporting against the Wates Principles on pages 22 to 24. This also covers details of our engagement with key stakeholders during the year.

Our People
This has been a very challenging year and the recovery plan has required the dedication and commitment of the whole team, including the significant proportion of team members who have been furloughed, some for a large proportion of the year. I would like to thank all of our team members across the business for their support during this period and for their focus on the safety and security of all their colleagues and also our customers.

Looking ahead

The Covid-19 pandemic clearly presents ongoing challenges for the hospitality industry, and it is still too early to assess how long this will continue. However, we remain confident that the longer-term trends in domestic tourism and infrastructure investment can create significant opportunities for us. As travel restrictions start to be relaxed, business and leisure confidence returns, and our market recovers, Travelodge is well positioned to benefit from improvements in trading conditions.

Stephen Shurrock
Lead Non-Executive Director

23 April 2021

Chief Executive's Review

Covid-19 has had an unprecedented impact on the UK hospitality sector with Travelodge being significantly impacted. The majority of our hotels were closed for a number of months from the end of the first quarter and we faced varying degrees of restrictions for much of the rest of the year. This resulted in revenues being down 60.9% on the prior year. We took decisive action to mitigate the impact including reducing operational costs, utilising government support, securing temporary rent reductions and raising additional funding and shareholder injections (in the form of shareholder loans due 2033). We would like to thank our stakeholders - customers, team members, shareholders and investors, landlords and other creditors including key operational suppliers, for their support during this period.

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

Significant Covid-19 Impact
Following the record set of results achieved in 2019, following five successive years of revenue and EBITDA growth and LFL RevPAR performance ahead of the competitive segment, Travelodge has been significantly impacted by the Covid-19 pandemic in 2020.

Sales were down 60.9% on the prior year with an adjusted EBITDA loss of £(74.0)m (2019: profit of £129.1m)

Travelodge started the year strongly with further improvements in quality, growth ahead of the competitive segment and the opening of three new hotels. However, virtually all the Group's hotels were closed from 24 March 2020 until 15 July 2020, with approximately 50 remaining open as part of our commitment to support NHS workers, key workers and vulnerable groups. The full available estate was re-opened by mid-August when we saw a good recovery in the market over the summer, although performance was significantly below 2019 levels. The budget market was relatively resilient and our occupancy climbed quickly to an average of approximately 60%, but average rate was well below 2019, impacted by the absence of midweek business demand and major events. New tiered restrictions were announced for England from 22 September, with partial travel restrictions but no mandated hotel closures. This was similar to the rules already in force in Scotland. Wales also had localised restrictions in place, but entered a full nationwide 17 day total lockdown from 23 October, with all hotels ordered closed except for certain exemptions such as key workers and vulnerable groups. From 5 November hotel stays were only permitted for essential business travel which resulted in a significant decline in sales, with quarter four RevPAR(7) down 67.0% on 2019 levels.

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

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

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

Becoming a sustainable business
We strive to maximise the social and economic benefits and minimise the environmental impacts of our operation and at the end of 2019, we engaged a specialist agency to support in the development of a new sustainability strategy.

Due to the impact of the pandemic we paused this activity, although maintained on-going dialogue with the agency through 2020 and we expect to progress this strategic review later in 2021.

(7) 24 Sep 2020 to 30 Dec 2020

Outlook
Forecasting remains a challenge and the recovery will depend on the exact dates for the lifting of restrictions, the vaccination roll-out, consumer and business behaviour and more broadly the general economic environment. Each 1 percentage point change up or down in RevPAR compared to 2019 levels would be expected to impact Travelodge revenues by approximately £6-£7m.

In accordance with the latest UK government roadmap we expect the gradual lifting of restrictions with English hotels scheduled to re-open for leisure stays from 17 May, although this date remains subject to change. Scotland is currently scheduled to lift restrictions at the end of April and Wales relaxed domestic restrictions at the end of March, with travel in and out of Wales due to be considered from 12 April.

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

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

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

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

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

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

Craig Bonnar
Interim Chief Executive Officer

23 April 2021

Our Business Model

Founded in 1985, Travelodge is the second largest hotel brand in the United Kingdom based on number of hotels and number of rooms operated.

We lease, franchise, manage and own more than 586 hotels and more than 44,500 rooms throughout the United Kingdom, Spain and Ireland.

The United Kingdom has one of the world's strongest hotel markets.

Historically, the performance of the UK hotel industry has correlated with the strength of the UK economy generally. Other macro-economic factors also influence the demand for hotel accommodation from domestic travellers, particularly business investment, employment levels, wages, consumer spending and consumer confidence. The performance of the UK hotel industry is also affected by the number of travellers coming to the United Kingdom from other countries. The UK hotel industry has been significantly impacted by the pandemic and the recovery will be impacted by the lifting of restrictions, the vaccine roll-out, consumer and business behaviour.

Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 586 hotels and c. 44,500 rooms
- 3 hotel formats offering customers choice
- Well balanced approximately even business / leisure customer split
- Almost 90% booking direct, with c. 80% through own websites
- Low upfront capex leasehold model

We operate in the midscale and economy ("MS&E") sector of the hotel market (as defined by STR) and are positioned as a low-cost operator, offering standardised, modern guest rooms at affordable prices to both business and leisure customers. We aim to offer our customers the right balance of location, price and quality for their travel needs.

Within the UK hotel market, the midscale and economy branded sector is the largest and has demonstrated strong growth and resilience. According to data produced by STR, the top two hotel brands by number of hotels and number of rooms in the United Kingdom, are positioned in the midscale and economy branded sector. In addition, budget operators have historically shown stronger resilience than the wider industry across the hotel cycle.

We operate three hotel formats, namely our core Travelodge hotels featuring standard rooms, Travelodge hotels with standard rooms and "premium economy" SuperRooms and Travelodge Plus hotels featuring alternative standard rooms, SuperRooms and new-style bar cafes.

We estimate that we attracted approximately 19 million customers in 2019, prior to the pandemic, and approximately 90% of our bookings were made through our direct channels, including our own website.

In 2020, we employed nearly 10,000 people across our hotels and support offices, the majority of whom are on hourly paid contracts and worked in our hotels when they were open, however, a significant proportion of our workforce was furloughed during the year as a result of the pandemic.

Within our largest market, the United Kingdom (representing 99% of our total revenue in the year ended 31 December 2020), we operated 43,095 rooms (or 97% of total rooms) in 571 hotels, with c. 21% of our rooms located in London and c. 76% located in regional areas across the United Kingdom. The majority of our rooms in the United Kingdom are leasehold, we also operated one hotel under a freehold and 10 hotels under management contracts in the United Kingdom. More than 90% of our UK revenue for the year ended 31 December 2020 was generated from accommodation, with the remainder from food and beverage and retail and other sales. In addition, we had 621 rooms in five leasehold hotels in Spain and operated a further 833 rooms in 10 hotels under franchise in Ireland and Northern Ireland.

We benefit from high levels of customer satisfaction which we attribute to the quality of our offering and standardised work practices. We have made significant investments to strengthen the quality of our offer. Between 2013 and 2015, we undertook a significant Modernisation Programme to improve the quality and consistency of our hotels by giving the standard rooms in our core estate a modern look and feel.

Approximately 35,000 rooms were modernised under our Modernisation Programme, which introduced the new Travelodge "Dreamer" bed, separate pull-out beds for children in larger rooms and consistent decoration, artwork and bedding. Approximately 90% of our hotel rooms operate with this core format.

Following this initial modernisation of our core estate, in 2017 we commenced our normal Refit Upgrade Cycle, which is expected to see all hotels receive refurbishment on a planned schedule over an expected seven to eight year cycle, with interim works in selected hotels with heavier usage patterns. With our well invested estate we have chosen to temporarily pause our refit cycle following the onset of Covid-19.

In 2017, we also introduced a "premium economy" room type, SuperRooms, which offers an enhanced specification, including a coffee machine, rain shower, choice of pillow and in-room hairdryer, iron and ironing board. As of 31 December 2020, we operated 1,928 SuperRooms in 56 hotels across the United Kingdom.

We launched the Travelodge Plus hotel format in 2018, this concept is designed around the needs of the budget traveller who wants that little bit more style and choice, with little touches to make it easier to work and relax both inside and outside the room.

The investments in our estate are supported by a standardised and disciplined approach to operations. We operate our hotels with a standardised ten-step room cleaning process, we have processes in place to monitor our customers' experience, we provide in-person and online training modules for our employees and we rigorously benchmark our performance by using internal customer surveys and external benchmarking, such as TripAdvisor surveys.

Our strong physical assets and standardised operational processes have allowed us to deliver high levels of customer satisfaction. As of December 2020, our UK hotels had an average TripAdvisor score of four stars out of five and in 2020 we received 385 TripAdvisor Certificates of Excellence, five times the number received in 2014. We were also recognised by TripAdvisor as one of its Top 10 Global "Most Excellent" Large Hotel Chains in 2018.

This combination of improved quality assets and stronger operations, coupled with growth in customer satisfaction, has helped our UK LFL RevPAR growth to outperform the MS&E sector and the UK hotel market as a whole over the last six consecutive years.

Notwithstanding the challenges presented by Covid-19, we believe there is further long-term potential to deliver LFL RevPAR growth as the market recovers, and the budget sector gains further traction, alongside the opportunity to increase the penetration of branded value hotels in the United Kingdom.

Strategic Progress

Our mission is to provide affordable travel for everyone. We are positioned as the low-cost choice and we aim to offer our customers the right balance of location, price and quality to suit their travel needs.

Location
We successfully opened nine new hotels in 2020 further enhancing our network with a mix of both leisure and business focused locations and took practical completion of a further seven hotels, with opening delayed due to the pandemic.

At the end of 2020 our network stood at 586 hotels across the UK, Ireland and Spain.

We expect to open 17 new hotels in 2021, including the seven we delayed opening in 2020. We expect the pandemic will have an impact on our future opening profile, but we should have greater visibility as the market recovers.

Price
Our mission is to deliver affordable travel for everyone. Although 2020 was significantly impacted by the pandemic, we maintained highly competitive pricing throughout the year, with our LFL RevPAR declining less than that of the MS&E segment and the market as a whole. We have extended our choice of rates, with all bookings having a choice of both saver and fully flexible rates, including bed & breakfast and bed, breakfast and WiFi bundles. As a result of Covid-19 all saver rate customers who were unable to stay due to government restrictions were offered either a refund or a voucher for the value of their stay, and those saver rate customers who decided to change their plans were able to do so with our usual amendment fee waived.

Quality
In the six years ended 2019, we had a significant drive to improve quality, investing in modernisation of our hotels, including adding USB ports by the bedside and upgrading to more energy efficient LED lighting, alongside investments to introduce upgraded, higher quality pull-out beds in our family rooms, as well as a cyclical refit programme, and as a result we have a well invested estate. This programme continued during the first quarter of 2020, before being paused due to the pandemic.

In 2017 we led the industry with the launch of our premium economy 'SuperRooms' adding that little bit more choice for customers and these are now present in 56 hotels (1,928 rooms) across the UK. The Group continues the roll-out of Travelodge Plus, the company's 'budget chic' hotel format - during the year we added three further hotels in the greater London area, bringing the total to 11.

Our number one priority is the safety and security of our customers and teams. We aim to create an environment where everyone has peace of mind, so we created TravelodgeProtect+, a programme of cleaning and social distancing measures, designed to keep our guests and teams safe. The programme was developed by a dedicated cross functional hygiene strategy team and has become the basis for our new way of working.

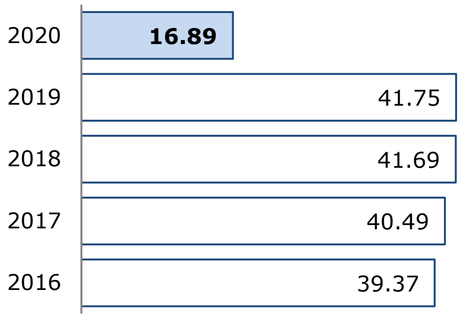
Supported by these initiatives and the work of our nearly 10,000 colleagues across the country, our average TripAdvisor rating sits at 4 stars and we received a record 385 TripAdvisor Certificates of Excellence, an increase of 80 from the previous year.

We are proud that the vast majority of our hotel managers began their careers as entry-level colleagues and have significantly improved their careers with us. Our focus on equality and diversity has helped us to a leading position where the majority of our hotel managers are women and we are ahead of industry benchmarks on diversity more widely.

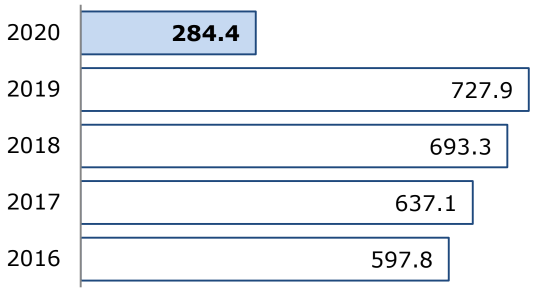
For the communities we serve, we have continued to build our new hotels in a range of architectural styles, to better blend in with the local environment, and the addition of more than 85 new hotels since 2013 has directly created more than 2,000 new jobs right across the UK, with many more indirectly in architecture, construction and other trades. We have long been committed to further improvements in reducing environmental impact, removing plastic bottled toiletries more than 5 years ago, removing single use plastic cups and prior to the pandemic had a rolling multi-million pound programme of investment in energy efficiency that both reduced our impact and our costs.

Key Performance Indicators

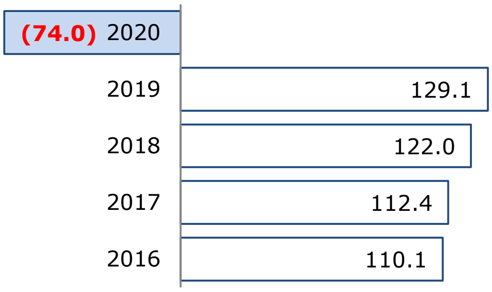
RevPAR



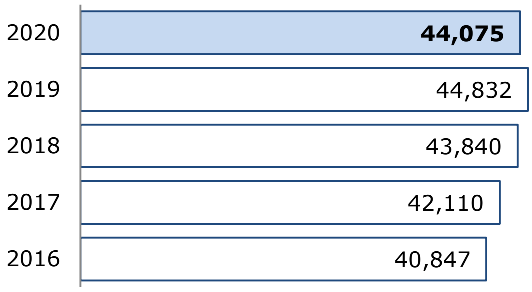
Revenue
- £313.4 million (2016 - 2020)



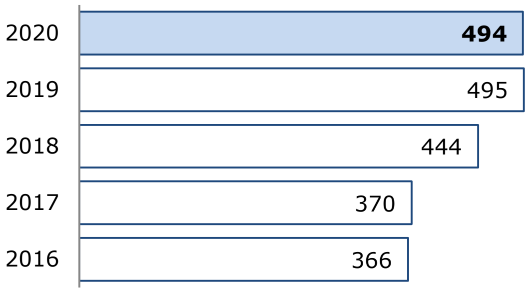
EBITDA (adjusted) (1)
- £184.1 million (2016 - 2020)



Network size
+ 3,228 rooms (2016-2020)



TripAdvisor 4 star ratings
+ 128 (2016-2020)



(1) 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 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.

Chief Financial Officer's Report

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

Statutory results are presented under IFRS, including the impact of IFRS 16. In addition, we have provided Alternative Performance Measures results, excluding the impact of IFRS 16, as we believe these non-IFRS measures are useful metrics for investors to understand our results of operations, profitability and ability to service debt and we also use these measures internally to track our business performance, establish operational and strategic targets and make business decisions. We have also provided an analysis of the position in line with previous accounting principles ("Before IFRS 16") as our financing arrangements all contain 'Frozen GAAP' measures.

Statutory Results

Revenue
Revenue decreased by £443.5m, or 60.9%, from £727.9m for the year ended 31 December 2019 to £284.4m for the year ended 31 December 2020, heavily impacted by the effects of the Covid-19 pandemic, which has had a material and unprecedented impact on the hospitality industry in general and on our business specifically. The vast majority of our hotels were closed during the second quarter, with only around 51 remaining open to support NHS workers, key workers and vulnerable groups. A phased reopening of our hotels was undertaken during a six to seven week period from early July 2020 to the middle of August 2020. The imposition of new tier restrictions throughout the UK in the final quarter saw further hotel closures, with guests only allowed to stay in hotels for work, education or other legally permitted reasons, but not for leisure purposes.

Operating expenses (excluding depreciation, amortisation and impairment)
Operating expenses were reduced by £147.2m, or 37.7%, from £390.8m for the year ended 31 December 2019 to £243.6m for the year ended 31 December 2020. In response to the low revenue levels due to the impact of Covid-19 we took action to reduce the run-rate level of the operating costs, by approximately two-thirds during the period of hotel closures, with further significant savings in the final quarter as a number of hotels were again closed in response to the tier restrictions.

Costs of goods sold reduced by £24.9m to £18.2m for the year ended 31 December 2020 reflecting the periods of hotel closure as well as the extended bar café closures.

Employee cost reductions of £58.5m to £115.4m for the year ended 31 December 2020 mainly reflect the benefit of the government's job retention scheme, with over 8,000 team members furloughed throughout the second quarter and into the beginning of the third quarter, with continued, but reducing use of the scheme through the re-opening programme and the remainder of the third quarter, increasing again in the final quarter following the introduction of the new tier system and the resulting hotel closures, together with reduced working hours for some team members, enforced holidays and voluntary management pay reductions, as well as savings from our cost efficiency programmes in the first quarter, partially offset by the impact of the National Living Wage increase costs in the like-for-like estate and the additional staff in our new and maturing hotels. Claims of c. £45m were made in respect of the government's job retention scheme over the year.

Reductions in other operating expenses of £78.6m to £94.4m for the year ended 31 December 2020 are largely driven by the hotel closures, the hospitality business rates holiday and cost efficiency programmes, partially offset by increased costs from our new and maturing hotels.

In addition, non-underlying charges relating to operating expenses were £15.6m for the year ended 31 December 2020 compared to charges of £0.8m for the year ended 31 December 2019. The £15.6m charges for the year ended 31 December 2020 related to legal and professional fees in connection with the initial landlord consensual proposal, subsequent CVA and other corporate activity, the establishment of a £1m compromised creditor fund following the CVA and management incentives.

Rent
Net rent receivable was reduced by £0.5m, from £3.4m for the year ended 31 December 2019 to £2.9m for the year ended 31 December 2020, mainly reflecting rent concessions offered to sub-tenants during the pandemic.

Depreciation, amortisation and impairment
Depreciation decreased by £15.4m to £146.9m for the year ended 31 December 2020, mainly due to the downward modification of the right of use assets, reflecting the impact of the CVA, together with the impairment charge against a small number of assets at the end of 2019. In addition, since the first quarter we deferred our normal capital refit programme and non-essential capital expenditure in response to the Covid-19 impact. Amortisation is driven by investment in IT systems and decreased by £1.0m to £4.7m for the year ended 31 December 2020, with lower spend during the Covid-19 pandemic.

Impairment charges reflect an £8.7m impairment of intangible assets, property, plant and equipment compared with a charge of £14.8m for the year ended 31 December 2019.

Finance costs
Finance costs (after investor loan interest) decreased by £7.1m, or 3.1%, from £230.9m for the year ended 31 December 2019 to £223.8m for the year ended 31 December 2020.

Interest on lease liabilities was a cost of £176.2m for the year ended 31 December 2020, up £7.1m from £169.1m for the year ended 31 December 2019. The increase was mainly as a result of the CVA related reassessment of leases together with new leases. The liabilities for all leases affected by the CVA were recalculated at June 2020, following the CVA rent reductions, including a reassessment of notional interest rates, which at that point, largely as a result of the pandemic, were higher than the rates used in the original calculations.

Bond interest costs reduced from £29.1m for the year ended 31 December 2019 to £25.7m for the year ended 31 December 2020 following the refinancing in July 2019, together with the impact of the decrease in LIBOR, partially offset by additional bond interest costs following the new bond issue in December 2020. This decrease was partially offset by higher bank interest costs, increasing from £1.0m for the year ended 31 December 2019 to £4.0m for the year ended 31 December 2020, following the full drawdown of £40m under the pre-existing revolving credit facility on 17 March 2020 and drawdown of £30m of the new £60m super senior revolving credit facility on 22 June 2020 (which was repaid on 2 December 2020 and the facility replaced by a new term loan facility of £60m).

Finance fees of £2.3m that were incurred in 2020 included a £0.5m non-underlying charge for the write off of the unamortised portion of a 'take and hold fee' on repayment of the revolving credit facility.

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

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

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

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

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

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

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

For the year ended 31 December 2020, net cash generated from operating activities of £20.5m and net cash generated from financing activities of £49.6m were partially offset by net cash used in investing activities of £23.1m, which relates to the purchase of intangible and tangible fixed assets of £36.0m less proceeds on disposal of assets of £12.6m and interest received of £0.3m.

Net cash generated from operating activities decreased by £315.0m, from £335.5m for the year ended 31 December 2019 to £20.5m for the year ended 31 December 2020. This was due to a decrease of £241.2m in operating profit (after non-underlying items), a decrease of £16.4m in depreciation and amortisation, a profit on disposal of assets of £31.3m, a decrease of £6.1m in impairment of fixed assets and an increase of £22.2m in working capital outflow, partially offset by a decrease of £2.2m in corporation tax payments.

Statutory working capital outflow of £25.8m for the year ended 31 December 2020 compared to an outflow of £3.6m for the year ended 31 December 2019, primarily due to lower inflows from prepaid rooms, adversely impacted by Covid-19 and the related travel restrictions, as well as legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA.

Net cash generated from financing activities of £49.6m was the full drawdown of the original revolving credit facility of £40m in March 2020, the full drawdown of the new super senior term loan of £60m in December 2020, injections from our shareholders and their affiliates in the form of investor loans of £10m in August 2020 and £30m in December 2020 and the issue of new senior secured 9% fixed rate sterling denominated notes of £65m in December 2020, partially offset by bond interest payments and finance fees of £29.8m, costs associated with the refinancing during the year of £4.3m and lease rental capital and interest payments of £121.3m.

Alternative Performance Measures and Before IFRS 16 Results

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

	Year ended 31 December 2020			Year ended 31 December 2019			Variance 2020 vs 2019 before IFRS 16[1]	
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	£m	Var %
Revenue by geographical region								
Revenue	**284.4**	**-**	**284.4**	**727.9**	**-**	**727.9**	**(443.5)**	**(60.9)%**
Revenue UK	280.4	-	280.4	713.1	-	713.1	(432.7)	(60.7)%
Revenue International	4.0	-	4.0	14.8	-	14.8	(10.8)	(73.0)%
Key income statement items								
Revenue	**284.4**	**-**	**284.4**	**727.9**	**-**	**727.9**	**(443.5)**	**(60.9)%**
Operating expenses	(228.0)	-	(228.0)	(390.0)	-	(390.0)	162.0	41.5%
Of which cost of goods sold	*(18.2)*	-	*(18.2)*	*(43.1)*	-	*(43.1)*	*24.9*	*57.8%*
Of which employee costs	*(115.4)*	-	*(115.4)*	*(173.9)*	-	*(173.9)*	*58.5*	*33.6%*
Of which other operating expenses	*(94.4)*	-	*(94.4)*	*(173.0)*	-	*(173.0)*	*78.6*	*45.4%*
Net external rent (payable) / receivable	(130.8)	133.7	2.9	(208.8)	212.2	3.4	78.0	37.4%
Other income	0.4	1.4	1.8	-	-	-	0.4	-
EBITDA (adjusted)[2] / EBITDA (statutory)[3]	**(74.0)** [2]	**135.1**	**61.1** [3]	**129.1** [2]	**212.2**	**341.3** [3]	**(203.1)**	**(157.3)%**
Rent adjustment[4]	(79.8)	79.8	-	(2.3)	2.3	-	(77.5)	(3369.6)%
Depreciation	(36.5)	(110.4)	(146.9)	(44.6)	(117.7)	(162.3)	8.1	18.2%
Amortisation	(16.0)	11.3	(4.7)	(17.5)	11.8	(5.7)	1.5	8.6%
Operating profit / (loss) (before non-underlying items)	**(206.3)**	**115.8**	**(90.5)**	**64.7**	**108.6**	**173.3**	**(271.0)**	**(418.9)%**
Finance costs before investor loan interest	(35.7)	(172.5)	(208.2)	(38.0)	(163.3)	(201.3)	2.3	6.1%
Investor loan interest	(15.1)	-	(15.1)	(14.3)	-	(14.3)	(0.8)	(5.6)%
Finance income	0.3	-	0.3	0.7	-	0.7	(0.4)	(57.1)%
Profit / (loss) for the year (before non-underlying items)	**(256.8)**	**(56.7)**	**(313.5)**	**13.1**	**(54.7)**	**(41.6)**	**(269.9)**	**(2060.3)%**
Non-underlying items	(13.9)	20.4	6.5	(34.1)	3.2	(30.9)	20.2	59.2%
Loss for the year before tax	**(270.7)**	**(36.3)**	**(307.0)**	**(21.0)**	**(51.5)**	**(72.5)**	**(249.7)**	**(1189.0)%**
Income tax	6.8	(7.1)	(0.3)	10.3	(5.5)	4.8	(3.5)	(34.0)%
Loss for the year	**(263.9)**	**(43.4)**	**(307.3)**	**(10.7)**	**(57.0)**	**(67.7)**	**(253.2)**	**(2366.4)%**

(1) Before IFRS 16 - The additional columns added reflect performance under accounting principles prior to the adoption of IFRS 16, referred to elsewhere in this report as Alternative Performance Measures, which include EBITDA (adjusted) and clarify the adjustments required under IFRS 16.

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment, non-underlying items and reflective of the position in line with the historic accounting principles (before IFRS 16). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.

(3) EBITDA (statutory) = Earnings before interest, tax, depreciation, amortisation and non-underlying items.

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

Revenue
Revenue decreased by £443.5m, or 60.9%, from £727.9m for the year ended 31 December 2019 to £284.4m for the year ended 31 December 2020, heavily impacted by the effects of the Covid-19 pandemic, which has had a material and unprecedented impact on the hospitality industry in general and on our business specifically. The vast majority of our hotels were closed during the second quarter, with only around 51 remaining open to support NHS workers, key workers and vulnerable groups. A phased reopening of our hotels was undertaken during a six to seven week period from early July 2020 to the middle of August 2020. The imposition of new tier restrictions throughout the UK in the final quarter saw further hotel closures, with guests only allowed to stay in hotels for work, education or other legally permitted reasons, but not for leisure purposes.

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

Operating expenses (excluding depreciation, amortisation and non-underlying items)
Operating expenses (before non-underlying items) were reduced by £162.0m, or 41.5%, from £390.0m for the year ended 31 December 2019 to £228.0m for the year ended 31 December 2020. In response to the low revenue levels due to the impact of Covid-19 we took action to reduce the run-rate level of the operating costs, excluding rent, by approximately two-thirds during the period of hotel closures, with further significant savings in the final quarter as a number of hotels were again closed in response to the tier restrictions.

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

Employee cost reductions mainly reflect the benefit of the government's job retention scheme, with over 8,000 team members furloughed throughout the second quarter and into the beginning of the third quarter, with continued, but reducing use of the scheme through the re-opening programme and the remainder of the third quarter, increasing again in the final quarter following the introduction of the new tier system and the resulting hotel closures, together with reduced working hours for some team members, enforced holidays and voluntary management pay reductions, as well as savings from our cost efficiency programmes in the first quarter, partially offset by the impact of the National Living Wage increase costs in the like-for-like estate and the additional staff in our new and maturing hotels. Claims of c. £45m were made in respect of the government's job retention scheme over the year.

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

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

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

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

Under IAS 17 Leases, the benefit of the rent free period is recognised gradually over the life of the lease reducing the rent expense in each period, on a straight line basis, over the full life of each lease. Similarly, any credit relating to the rent reductions resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease. The rent 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.

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

Depreciation / amortisation
Depreciation decreased by £8.1m, or 18.2%, from £44.6m for the year ended 31 December 2019 to £36.5m for the year ended 31 December 2020. Depreciation is driven mainly by ongoing investment in the maintenance and refurbishment of our estate and energy efficiency investments, principally in LED lighting and heating controls, as well as new hotel openings. Since the first quarter we deferred our normal capital refit programme and non-essential capital expenditure in response to the Covid-19 impact. The impairment charge against a small number of assets at the end of 2019 also contributed to the reduction in depreciation.

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

Finance costs
Finance costs before investor loan interest decreased by £2.3m, or 6.1%, from £38.0m for the year ended 31 December 2019 to £35.7m for the year ended 31 December 2020. This decrease was primarily due to lower bond interest costs following the refinancing in July 2019, together with the impact of the decrease in LIBOR, plus lower interest on finance leases of £2.1m following the disposal of assets. These were partially offset by higher bank interest costs following the full drawdown of £40m under the pre-existing revolving credit facility on 17 March 2020 and drawdown of £30m of the new £60m super senior revolving credit facility on 22 June 2020 (which was repaid on 2 December 2020 and the facility replaced by a new term loan facility of £60m), additional bond interest costs following the new bond issue in December 2020 and interest paid on overdue rents following the temporary suspension of rent payments ahead of the CVA.

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

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

Non-underlying items
The non-underlying charge (before IFRS 16(1) and taxation) of £13.9m for the year ended 31 December 2020 includes a £10.2m charge for the impairment of intangible assets, property, plant and equipment and a £6.7m charge for onerous lease provision reassessment, together with a profit on the disposal of assets (which was a finance lease under IAS17), partially offset by legal and professional fees in connection with the initial landlord consensual proposal, subsequent CVA and other corporate activity, the establishment of a £1m compromised creditor fund following the CVA, costs associated with the disposal of leases where break clauses were instigated as a direct result of the CVA, management incentives and costs related to the refinancing activity during the year.

The non-underlying charge (before IFRS 16(1) and taxation) of £34.1m for the year ended 31 December 2019 includes a £15.0m charge for the impairment of intangible assets and property plant and equipment, together with a net onerous lease provision reassessment charge of £3.0m and £0.8m related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities, together with break costs of £9.9m and charges of £5.4m relating to the write off of unamortised loan issue costs following the repayment of the fixed rate and floating rate bonds.

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

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

Free Cash Flow (as defined in note 28 Alternative Performance Measures) decreased from an inflow of £55.8m for the year ended 31 December 2019 to an outflow of £119.0m for the period ended 31 December 2020. This was mainly due to the significant year on year decrease in EBITDA (adjusted) and adverse working capital movements due to lower inflows from prepaid rooms, the net VAT reclaim position for the final quarter and the December furlough claim, both received in January 2021, partially offset by the use of the government Covid-19 support VAT deferral scheme.

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

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

(2) Working capital movement is stated before non-underlying movements, before rent phasing adjustment(3) and before the impact of IFRS 16.

(3) 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. Refer definition under the Alternative Performance Measures section.

Our cash cycle reflects the monthly payment of creditors and staff and fluctuates throughout the quarter with rent typically due quarterly in advance around the end of each quarter, although the second quarter rent was deferred until the end of June in 2020 and the CVA results in a period of monthly rents for the majority of hotels until the end of 2021. As a result, our quarterly cash position is generally at a low just after the end of March, June, September and December following payment of the rent bill, monthly creditor payments and payroll.

Working capital requirements
Inventory primarily includes food and beverage products sold through our bar cafes. Trade and other receivables (before IFRS 16(1)) primarily consist of rent prepayments as we usually pay quarterly in advance, although the CVA resulted in a period of monthly rents for the majority of hotels. We have low trade receivables as most of our customers pay at the time of booking, however, business customers taking advantage of our business account card benefit from interest free credit.

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

	Year ended 31 December 2020 Before IFRS16(1) £m	Year ended 31 December 2019 Before IFRS16(1) £m	Variance 2020 vs 2019 before IFRS16(1) £m
Increase / (decrease) in inventory	0.4	(0.1)	0.5
(Increase) / decrease in receivables	15.1	(6.9)	22.0
Increase / (decrease) in payables	55.3	1.9	53.4
Total working capital movement (before non-underlying items)	70.8	(5.1)	75.9
Provisions and non-underlying items	(18.6)	(4.9)	(13.7)
Total working capital movement	52.2	(10.0)	62.2
Less provisions and non-underlying items	18.6	4.9	13.7
Less rent phasing adjustment(3)	(79.8)	(2.3)	(77.5)
Working capital movement per cash flow	(9.0)	(7.4)	(1.6)

Working capital inflow before non-underlying items of £70.8m for the year ended 31 December 2020 compared to an outflow of £5.1m for the year ended 31 December 2019. The current year benefited from lower rent prepayments (due to both the reduced rents and move from quarterly to monthly payments for most hotels) and the 'payable' resulting from spreading the CVA benefit over the life of lease (under IAS 17), as well as the deferral of payments in respect of VAT as a result of UK government Covid-19 support measures, partially offset by lower inflows from prepaid rooms and the net VAT reclaim position for the final quarter and December furlough claim, both received in January 2021.

Working capital outflow for non-underlying items of £6.0m for the year ended 31 December 2020 compared to an outflow of £4.9m for the year ended 31 December 2019, mainly reflecting legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA, payment of legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities, costs associated with the disposal of leases where break clauses were instigated as a direct result of the CVA, other management incentives and cash spend on provisions, partially offset by the inflow on the disposal of assets.

Capital expenditure
Capital expenditure of £36.0m in the year ended 31 December 2020 has mainly been in relation to on-going maintenance and IT, as well as spend on refits and investment in energy efficiency projects committed prior to Covid-19, and development pipeline spending. Since the first quarter, we deferred our normal capital refit programme and all non-essential capital expenditure in response to the Covid-19 impact.

Net cash generated from / (used in) financing activities
Net cash generated from financing activities was £169.2m for the year ended 31 December 2020, compared to net cash used of £38.9m for the year ended 31 December 2019. This was primarily due to the drawdown of the original revolving credit facility of £40m in March 2020, the drawdown of the new super senior term loan of £60m in December 2020, injections from our shareholders and their affiliates in the form of investor loans of £10m in August 2020 and £30m in December 2020, the issue of new senior secured 9% fixed rate sterling denominated notes of £65m in December 2020 (compared to net proceeds of £13m from the issue and repayment of fixed and floating rate sterling denominated notes in 2019), lower costs associated with refinancing of £14.2m and lower finance lease interest payments of £3.0m due to the disposal of assets and reduced rent payments following the CVA, partially offset by higher interest costs and finance fees of £1.1m.

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

Funding, Covenant Compliance & Going Concern

Net Debt

	31 December 2020 £m	**31 December 2019 £m**
External debt redeemable:		
- Fixed rate bond	(65.0)	-
- Floating rate bond	(440.0)	(440.0)
- Issue costs	10.2	7.9
Bond related debt	(494.8)	(432.1)
- Super senior term loan	(61.9)	-
- Issue costs	3.8	-
Super senior term loan related debt	(58.1)	-
Revolving credit facility	(40.0)	-
Secured debt	(592.9)	(432.1)
Cash	136.2	89.2
External net debt	**(456.7)**	**(342.9)**
Investor loan notes (unsecured)	(166.4)	(111.3)
Net funding (excluding lease liabilities)	(623.1)	(454.2)
Lease liabilities	(2,347.8)	(2,597.4)
	(2,970.9)	(3,051.6)

Senior secured notes
Senior secured fixed rate sterling denominated notes of £232m and senior secured floating rate sterling denominated notes of £195m were repaid on 5 July 2019, when new senior secured floating rate sterling denominated notes of £440m were issued with a termination date of 15 July 2025. Interest is floating at three month LIBOR plus a margin of 5.375%. Interest is payable quarterly each January, April, July and October. The notes may be redeemed at any time on or after 15 July 2020, at par.

On 18 December 2020, new senior secured fixed rate sterling denominated notes of £65m were issued with a termination date of 15 January 2025. Interest was fixed at 9% and payable on a semi-annual basis.
Further loan issue costs of approximately £3.8m will be amortised over the life of the facility in accordance with IFRS.

Revolving credit facility and super senior term loan
As part of the refinancing on 5 July 2019, the revolving credit facility ("RCF") was reduced from £50m to £40m and the letter of credit ("LOC") facility of £30m was retained, with the springing covenant trigger point being increased to 40% utilisation of the full original £80m RCF/LOC facility, so drawings of £32m or more. The facility was also extended from April 2022 until July 2024. At the balance sheet date, the £40m revolving credit facility was fully drawn.

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.

At 31 December 2020, letters of credit were in issue to the value of £24.3m (2019: £14.8m), but not called upon (and so not utilised for the purposes of the springing covenant trigger).

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.

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

In addition, 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 ultimate shareholders of the Company have undertaken not to seek cash payments or distributions from the Group during the CVA Rent Concession Period under the terms of their equity arrangements. For the avoidance of doubt, this undertaking will not apply to distributions in certain limited circumstances, including the proceeds of a whole or partial sale of the business or equity. This undertaking will terminate on the termination of the CVA or the insolvency of the Company.

Going concern

In assessing the appropriateness of applying the going concern assumption in the preparation of the Consolidated and Company financial statements, the Board has considered the Group's liquidity and forecast cash flows under a range of potential scenarios over a period of 14 months from the date of approval of these financial statements to the end of June 2022. The Board has taken into account the unprecedented circumstances and economic uncertainty caused by the ongoing Covid-19 pandemic, specifically in relation to the hotel sector in which the Group operates, a range of potential trading outcomes, availability of government support and mitigating actions which could be taken.

Whilst the current government timeline to ease restrictions, the reduced infection rates, vaccination programme and market expectations suggest the potential for recovery, the Board considers the Group's future performance to be sensitive to the ability of hotels to re-open and remain open, the speed at which demand recovers and the ability of the business to obtain covenant waivers or receive additional funding should these be required.

Availability of funding

The Group entered into a CVA in June 2020, as part of which it negotiated a significant rent reduction of £140m from Q2 2020 through to the end of 2021. The Group also fully drew down its £40m revolving credit facility ("RCF"), agreed revised covenants on the RCF through to September 2021, entered into a new £60m super senior secured term loan, received additional shareholder contributions of £40m and issued £65m of fixed rate notes in addition to the £440m floating rate bond already in issue.
The group used and continues to use the Government Furlough Scheme to partially reimburse the cost of employees unable to work their full contracted hours during the hotel closures and periods of low demand.

Covenants

The Group agreed a covenant waiver on the RCF financial covenant. Under the revised terms, the Group's existing springing quarterly net leverage covenant requirements, which apply if drawings under the RCF are £32m or more, are not tested until 30 September 2021 and for this period have been replaced with a minimum liquidity covenant of £10m.

The new super senior term loan also introduced a £10m minimum liquidity covenant over the term of the loan and a new minimum Last Twelve Months EBITDA covenant, effective from June 2022.

The Group's currently available facilities, indebtedness and details of covenants are set out in note 19.

Base case scenario

The base case assumes that the majority of our hotels are reopened for trading during May 2021, in line with the current roadmap out of lockdown for England and separate guidance for Wales and Scotland, and gradually build back towards pre-Covid-19 levels of trade. Across 2021, the assumption is that RevPAR is on average c. 33% lower than 2019 levels, ending the year with RevPAR down c. 11% vs 2019 in December 2021 (aligning for like for like weeks) and recovering to pre-Covid-19 levels by the end of Q1 2022.

The base case scenario includes the benefits of actions already taken by management to enable the business to successfully trade through the impact of Covid-19, to the extent they are currently available. These involve a number of key components including: continued action by the company to preserve cash flow with reduced discretionary spend; making use of government measures where possible, including furloughing team members under the Job Retention Scheme where appropriate and benefiting from the Hospitality Business Rates Relief programme; and temporary rent reductions under the terms of the Company Voluntary Arrangement ("CVA"). We consider the base case to be a conservative assessment assuming the current roadmap of hotel reopening and there are a number of potential upsides and mitigations that have not been included such as potential additional demand from our predominantly domestic customer base with ongoing restrictions to foreign travel.

Under this base case scenario, the Group is expected to continue to have liquidity headroom and to comply with its banking covenants. We have modelled repayment of £8m under the RCF prior to the end of September 2021 to reduce the draw down to under £32m, which would avoid the net leverage covenant being tested. The model shows headroom over the liquidity covenant throughout, including in December 2021 and March 2022, after the revised rent agreements under the CVA expire, with a seasonal low point in January 2022.

Severe but plausible downside scenarios

Given the current uncertainty around the ongoing potential impact of Covid-19 and the challenges around forecasting the impact on the hotel sector, the Board has considered the following severe but plausible downside scenarios to stress test the Group's financial forecasts.

Our performance will be closely linked to factors outside of our control and most significantly the timing of restrictions being lifted and the pace of recovery thereafter which will be impacted by a number of things including the vaccination roll-out and any Covid-19 driven longer-term changes in customer behaviour. The Board has considered various severe but plausible downside scenarios, including the possibility that the lifting of restrictions is delayed beyond the dates currently in the roadmap; the recovery profile is slower than that assumed in the base case; and there is a further 1 month lockdown period in the next 12 months.

These downside scenarios, which continue to model that the £8m repayment is made under the RCF agreement, have the following impacts:

- Lockdown extension - If hotel opening was delayed to the end of June 2021, the Group would be close to breaching the minimum liquidity covenant from the end of June 2021 and would breach covenants in December 2021 and potentially also need additional funding in January 2022.

- Slower recovery - In the event that the recovery is slower than our base forecast, but no extension to support schemes, with sales only having recovered to c.75% of 2019 levels in Q4 2021, with Q1 2022 then c.3% below 2019 levels, and sales recovering to 2019 levels thereafter, the Group would breach covenants in December 2021 and potentially also need additional funding in January 2022. This scenario reflects 2021 RevPAR being on average c.38% lower than 2019 levels compared to c.33% lower in the base case.

- Additional lockdown - In the event there was a need for another national lockdown in the latter part of 2021, the Group would breach covenants in December 2021 and potentially also need additional funding in December 2021, depending on the level of government support available under such a scenario.

Each of these downside scenarios are individually plausible and some combination of all factors could also apply. If the lockdown extension scenario is combined with the slower recovery scenario, or the return to trading is even slower than these scenarios, liquidity issues could arise earlier. In all scenarios there are mitigating actions that the Group could take to improve the cash flow position, especially in particular months where liquidity is lower, including delaying planned discretionary spending on capital expenditure or working capital management measures.

The Group has already proactively approached lenders to start discussions about covenants, however, given the current level of uncertainty and wide range of potential outcomes, both better and worse than our base case, we are not yet in a position to conclude these discussions. The liquidity challenges and pressure on the covenants under the individual downside scenarios arise from December 2021 as the revised rent agreements under the CVA expire but liquidity increases from Q2 2022.

There were also new support measures announced in the March budget including property grants and the Recovery Loan Scheme which could potentially be used to increase available cash.

If needed the Group could also seek to obtain additional funding, either through third parties or potentially with the shareholders, however, the Board cannot predict with any certainty how these parties would respond.

Conclusion
Based on the above 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. There are severe but plausible downside scenarios in which the Group and Company would not have adequate resources to continue as a going concern for the foreseeable future. This indicates the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The Consolidated Financial Statements, as drafted, do not include the adjustments that would result if the Group or Company were unable to continue as a going concern.

Jo Boydell
Chief Financial Officer

23 April 2021

Stakeholder Engagement

Accountability and transparency with stakeholders is key to the long term success of the Group. We consider our key stakeholders to be: customers, team members, shareholders and investors, landlords and other creditors including key operational suppliers, local authorities and community.

The Covid-19 pandemic has had a material impact on the way the Company has engaged with stakeholders during 2020. Maintaining strong levels of engagement has been critical to successfully adapting to the consequences of the pandemic.

All company directors have a duty to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. They have regard for:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with landlords, suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Group to demonstrate how the Board of Thame and London Limited ("the Board") makes decisions for the long term success of the company and its stakeholders, as well as having regard to how the Board ensures the Group complies with its requirements of Section 172 of the Companies Act 2016. The Company adopted the Wates Principles during 2019. Our reporting against the Wates Principles has been included on page 36 and should be read in conjunction with the information on the stakeholder Groups discussed below.

Our customers
Prior to the impact of Covid-19 we would typically serve approximately 19 million customers, across the UK and our other markets. We aim to engage extensively to understand customer needs and trends and to get feedback on their stays with us. During the year we had to close and reopen our hotels in line with changing regulation from each of the devolved UK governments. We also needed to ensure that our hotels, once open and trading, were safe to operate for both our customers and team members. We provided regular updates on a dedicated Covid-19 page of our website and communicated Travelodge Protect+ across social media channels.

We have maintained regular lines of communication with our customers to ensure they are kept up to date with which hotels are open, and to clarify the government restrictions in place and how they apply to each customer segment, via emails, social media and sales team activity.

We use a variety of customer feedback tools, including the compilation of TripAdvisor reviews and the gathering of internal "Pillow Talk" customer reviews, both of which are used as key operational KPIs of the business. The Group also participates in various brand image tracking surveys, as well as periodically developing formal customer research on specific topics and carrying out specific engagement with key clients. The findings of these are used to improve customer engagement, with knowledge being shared across the business.

Our team
We employ nearly 10,000 colleagues and we gather extensive feedback from our team-members from a range of sources. During the year, in line with the requirements to close our hotels, we took advantage of the Job Retention Scheme resulting in a significant proportion of our teams being furloughed for parts of 2020. In our hotels that remained trading, our Travelodge Protect+ policies reduced internal business visits to only those considered essential and we had to adapt to different ways to engage our teams.

We continued to perform an employee engagement survey to highlight how we can improve our communication of the Group's purpose.

The Board considers the results of all employee engagement surveys a good barometer of the team's confidence in the Group's strategic direction.

The Travelodge Shadow Board, established in 2019, met twice during the year. Comprising twelve members, ranging across the various roles within hotels and head office and chaired by the Chief Executive, the Shadow Board provides an opportunity for team members to discuss issues and inform decision making on areas of strategy and how Travelodge operates. During 2020, this included discussion and questions on the impact of Covid-19 and how it was being addressed.

We maintained a regular programme of virtual management meetings and "town hall" meetings during the year which sought to engage and gain feedback from all levels of the business, whilst ensuring the Group's strategy, purpose and values were reinforced.

We also operate an Equality and Diversity Group that recognises the benefits of having a diverse workforce with different backgrounds, solely employed on ability. The Group meets quarterly and considers a wide range of topics relating to initiatives and policy.

If any employee wishes to raise concerns concerning the abuse of Group policies, procedures, fraud or other matters they can do so via an independent whistleblowing service. All concerns raised are formally investigated and reported anonymously.

We have also recently changed our systems to allow our hotel teams to report accidents, incidents and damage to our rooms using a new, more company process specific and mobile based system. In scoping and designing this system we encouraged and took views from our hotel teams, including having representatives of those teams as part of the project team to ensure decisions made were effective and appropriate based on the views of the team members who work in our hotels. We plan to continue to leverage our new system to make other more manual or paper-based hotel processes more digital and efficient.

Our investors
Our investors include our shareholders and investors (owners of any financing arrangements we have, such as our bondholders), landlords and other creditors.

During the year Travelodge undertook a recovery plan to mitigate the impact of Covid-19. This plan included a company voluntary arrangement ("CVA"), providing for a temporary period of reduced rent, which was approved by 90.1% of Travelodge Hotels Limited's ("THL") unsecured creditors and 86% of its landlords on 19 June 2020. Discussions with landlords continued before, during and after the CVA and Travelodge listened to the concerns raised by its landlords.

The CVA enabled compromised landlords to elect to extend the term of their leases and to potentially participate in additional cash rental payments should THL meet certain performance thresholds. It also provided for a compromised creditor fund and gave compromised landlords temporary lease termination rights, the majority of which ended on 19 November 2020. Upon expiry of these termination rights, THL had retained hotels that accounted for over 98% of the 2019 UK hotel EBITDA. Approximately 20 category C hotels (those contributing marginally to Group cash flow, loss-making or likely to become loss-making at the time of the CVA) retain break rights until the end of 2021, which collectively made a small loss in 2019 UK hotel EBITDA.

In connection with the recovery plan, the indirect shareholders also entered into conditional commitments to make shareholder contributions of £40 million, the full amount of which was contributed in 2020.

As part of the recovery plan, we had discussions with bondholders and the revolving credit facility lenders concerning approval for a delay to the delivery of the 2019 annual report, consent for the CVA and consent for covenant waivers. All appropriate consents were granted.

We also hold quarterly calls with our bondholders where we present our quarterly results and open the call for a questions and answers session. We also attend at least one external event where we make ourselves available for a Group presentation and question and answer session and smaller meetings as requested.

Our community

Travelodge operates in multiple locations across the UK, Ireland and Spain and the Group actively seeks to engage with local councils, police forces and fire brigades to ensure our policies and procedures are appropriate and fit for the current economic and social landscape.

During the year as part of ensuring our hotels were safe to operate during the Covid-19 pandemic we maintained contact with various Local Authorities. This included ensuring the customers that stayed with us were legally allowed to do so and that the controls put into place were appropriate, for example with the introduction of new cleaning regimes, perspex screens, hand sanitizer and social distancing signage.

Travelodge continues to work with Local Authorities and Real Estate partners to explore opportunities to help in regeneration and job creation through its new hotel development programme.

The Group's Charity Committee organises and promotes fundraising on behalf of a nominated charity, chosen by a company-wide member vote, which is currently the British Heart Foundation. We also have continued our relationship with Pennies, the pioneering electronic donation box which allows customers to choose to make a small donation to the British Heart Foundation as part of the on-line booking process.

Sustainability

Travelodge seeks to be a responsible business in all we do. We place a strong emphasis on safety and security, the environment and our social responsibilities throughout the business.

At the end of 2019 Travelodge engaged a specialist agency to support in the development of a new sustainability strategy, which we expect to report on this year, as a step-change in our sustainability agenda.

Due to the impact of Covid-19 we paused this activity, although maintained on-going dialogue with the agency through 2020. We now expect to progress our strategy review later in 2021. As part of this strategy development process, we will undertake an extensive materiality assessment, engaging a broad range of stakeholders including customers, team members, our landlords, key suppliers and local community groups to determine the most important issues for Travelodge to focus on.

Safety and Security
We base our safety and security on a combination of thorough risk assessment, clear policies and procedures, and controls.

<u>At the Hotels</u>
We have a comprehensive and proactive approach to risk management, endeavouring to ensure that all our customers are always in safe accommodation, maintained and operated in compliance with the appropriate regulations and standards.

We continue to build our relationships in Primary Authority Partnerships with key enforcement agencies and externally with other organisations to ensure our policies and procedures represent best practice. We also share and develop best practice internally, through our District-based Safety Champions. We regularly train our team members on our comprehensive range of safety and security policies and procedures.

To aid us to ensure that all our practices and procedures are correctly implemented we use an independent expert company to carry out unannounced safety audits at all our hotels. In addition to this, we are subject to regular routine inspections from local authority Environmental Health Officers, Fire Safety Officers and officers from other various enforcement agencies.

We actively monitor our audit, enforcement and accident and incident data, ensuring that all information is analysed and improvements are made where possible. This assists us to prevent any reoccurrences and continually work to reduce risk to our customers and team.

During the year we developed our Travelodge Protect+ framework, in conjunction with discussion with our peers and other Groups such as the UK Hospitality Association. This has allowed us to trade our hotels, when permitted to do so, whilst keeping our customers and team members safe. We also fed into consultations run by the Ministry of Housing, Communities & Local Government as part of the government issuing guidance about how to safely operate hotels during the pandemic.

<u>Information Security</u>
Travelodge is committed to ensuring that personal data including both our customers and staff members is held in a safe and secure manner.

It is Travelodge policy to manage and store personal information of both its employees and customers in compliance with all relevant Data Protection Legislation in the jurisdictions in which it operates in particular but not exclusively; The Data Protection Act 2018 and the EU General Data Protection Regulations (GDPR).

Travelodge also works within the provisions of PCI DSS 3.2, and is audited as a tier one merchant annually. Credit card information is secured through industry-standard encryption techniques.

During the year we completed a project to tokenise our IT environments which hold payment card data. This project covers the majority of all encrypted payment card data within our systems and replaces this data with non-sensitive “tokens”, materially reducing the risk to our customers in the worst case event of this data ever being stolen.

Environment
We work to evaluate areas of possible impact on the environment then work across the company to drive improvements.

Greenhouse Gas ("GHG") emissions and Environmental statement
Recognising the importance of our impact of the environment we voluntarily adopted in part the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 for the year ended 31 December 2019.

In line with Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, we are now reporting our greenhouse gas (GHG) emissions as part of our annual strategic report. Our GHG reporting year is the same as our financial year from 31 December 2020 to 31 December 2019.Our net carbon footprint for the 2020 financial year was 35,341 tonnes of carbon dioxide and equivalent gases (CO2e), with an intensity of 124.4 tonnes of CO2e per £million turnover. Although we used 32.2% less energy overall for 2020 vs 2019, the tonnes per £million statistic is adversely impacted because our hotels were all open during the first quarter of 2020 when we consume the most electricity heating our hotels but generate relative few sales and the majority of our hotels were closed in the summer when we consume the least electricity, but would historically generate a larger proportion of our sales.

We have reported on all of the emission sources which we deem ourselves to be responsible for, as required under the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013. These sources fall within our operation's control and financial boundaries and include emissions from manufacturing, retail and distribution sites and the operation of our distribution fleet.

		Current reporting Year 2020	Comparison reporting Year 2019	% change 2020 v 2019
	Energy consumption used to calculate emissions: kWh	**162,737,291 kWh**	**240,051,540 kWh**	**32.2%**
		Current reporting year 2020 (tonnes of CO2e)	Comparison reporting year 2019 (tonnes of CO2e)	% change 2020 v 2019
Scope 1	Emissions from combustion of gas	9,981	15,255	34.6%
Scope 1	Emissions from combustion of fuel for transport purposes	1,128	1,241	9.1%
Scope 2	Emissions from purchased electricity	24,024	38,375	37.4%
Scope 3	Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	208	500	58.4%
Gross Emissions	**Total scope 1 + 2 CO2e emissions**	**35,341**	**55,371**	**36.2%**
Intensity measure	Tonnes of CO2e per £m turnover	124.3	76.1	(63.5%)

**Note: We have recalculated the tCO2e from Scope 2 emissions for 2019. This figure has now been calculated using the Scope 2 'electricity generation' factor only and now excludes the 'transmission and distribution' factor as this is considered Scope 3. Underlying kWh & Scope 1 figures for 2019 remain un-adjusted.*

The methodology used to calculate our emissions is based on the UK Government's Environmental Reporting Guidance (2013) and are in line with the methods used previously for reporting under ESOS and the CRC Energy Efficiency Scheme. Emissions factors are taken from the UK Government's GHG Conversion Factors for Company Reporting (2020 & 2019).

During 2020 Travelodge has progressed its energy efficiency programme by delivering projects that reduce energy consumption as well as continuing to develop our technical understanding of the estate to identify future projects that will add to the reduction of energy consumption.

There were two major energy projects being delivered throughout 2020, although the pace of these projects slowed considerably after the first quarter due to the impacts of the pandemic. These projects were the LED lighting project and the Heating and Cooling project. The LED project focused on replacing existing lighting fittings with sensor controlled LED fittings and the Heating and Cooling project focused on including new controls to the heating, cooling and ventilation systems. We have now converted 80% of the estate that did not have this technology and the savings from the total LED project equate to an annual saving of 20.2 GWh or 4,703 tCO2e. The Heating and Cooling project achieved an annualised saving in 2020 of 1.7 GWH which equates to 396 tCO2e.

We continue to work to reduce our carbon footprint, by changing the way we build new hotels, run our hotels day to day and by working with our partners & suppliers to reduce their carbon footprint.

Every new build Travelodge hotel has the following green features considered for inclusion:

- Low energy lighting such as LED
- Carpet that is C2C (Cradle to Cradle) certified
- Aerated showers
- Full insulation
- Windows and external fixtures fitted accurately for minimum energy leakage
- Stipulated sites will have a BREEAM(1) Rating and green travel plans
- Smart meters installed
- Variable Refrigerant Flow (VRF) heating and cooling system
- Dual flush toilets
- Combined Heat & Power boilers

(1) BREEAM stands for Building Research Establishment Environmental Assessment Method. It is an established method of measuring the sustainability of buildings.

Travelodge will continue to work with energy consultants to consider future improvements and has an Energy Governance Group whose responsibility is to monitor the changing energy landscape and provide guidance and recommendations to the business.

Social impact

Travelodge has a strong record of developing its diverse team of people, raising their average incomes and improving their career prospects. We are proud to have higher than average representation of women and people of diversity in our team and of the high level of internal promotions.

<u>Our team</u>

Covid-19 had a major impact on the hospitality industry. In March 2020 we were required to close the majority of our hotels in line with government restrictions across the UK. 51 of our hotels operated to support key workers and local authorities where accommodation was required for vulnerable customers. Travelodge utilised the Job Retention Scheme to "furlough" colleagues who were not required to work.

Since July 2020, when the initial restrictions were lifted, Travelodge has continued to use the Job Retention Scheme for both "furlough" and "flexible furlough" in order to protect jobs for our colleagues, in the context of reduced levels of occupancy in open hotels.

Colleagues placed on "furlough" where their salary at 80% was higher than the maximum value that could be claimed through the scheme, were given a salary "top-up" by Travelodge in order to ensure they received 80% of normal pay. Likewise, where a colleague was not eligible for "furlough", Travelodge paid colleagues 80% of their normal pay, even when it could not be reclaimed through the scheme.

Around 10,000 Travelodge colleagues work together to look after our customers each day. We offer a wide range of roles, including front-line guest service positions and maintenance teams and a range of positions in our support centre.

We offer the National Living Wage for all colleagues, not just those over 25 years of age, and offer minimum guaranteed hours, with no zero hours contracts and advance notice of shift patterns.

With a mix of full-time and part time roles, we are an ideal employment choice for people who are looking to build their careers in hospitality, or fit work around other commitments, including working parents, students and people looking for a second career later in life.

New colleagues undergo a training programme to support them in being successful in their role and further training is made available for team members to progress and advance their careers. For more than thirty years we have helped thousands of people grow their careers and make the journey from entry-level roles to management positions. Our management development programme, 'Aspire' is central to our approach, helping Team Members to acquire practical supervisory and management skills and to secure promotion. Our colleagues develop further through on the job training.

Throughout the course of 2020 and into 2021, Travelodge has accelerated its plan to provide a better way of communicating with our colleagues along with better access to training and personal information. The launch of an internal App includes a self-serve approach to pay information, easy access to policies and our "Learn More" channel. This approach helps improve engagement with our workforce and embraces the move to a digital training model.

As well as our commitment to developing and promoting colleagues from entry-level roles, Travelodge drives development throughout its management structures both in operations and the support centre in order to create opportunities for those who desire it.

By providing our colleagues with both full and part time career ladders, training and guaranteed hours we help improve our attraction and retention.

The Group engages with and listens to its team members through a number of internal channels, including a Shadow Board which meets 3 times a year and considers a wide range of topics relating to initiatives and policy. We use the organisation's communication framework to engage the team in companywide initiatives and the launch of "Our News", a weekly newsletter designed to keep all colleagues informed and up to date throughout the pandemic has been well received.

We continue to collate feedback using a colleague eNPS survey, Your Voice. This is used to gauge opinions, gain important people insight and to enable actions that are important to our people. Our latest survey conducted in July 2020 showed a further year on year improvement in our eNPS score. In addition we review feedback left by both current and previous colleagues on external sites such as Glassdoor and Indeed.

Travelodge recognises the benefits of having a diverse workforce with different backgrounds and experiences. It supports this belief with clear policies on equality and diversity and a track record of strong representation at all levels from people of all backgrounds. Travelodge monitors the diversity of job applicants, as well as the composition of our existing workforce in order to support a culture of equality, diversity and inclusion. We remain committed to evolving our approach to ensure it is embedded as a way of life across the organisation.

Diversity
Travelodge recognises the great benefits of having a diverse workforce with different backgrounds, solely employed on ability and it supports the belief with policies on equality and diversity.

Our workforce gender diversity is broadly in line with occupational gender trends in the wider UK hospitality industry, with high levels of female applications, particularly in housekeeping roles and strong career progression from these and other entry level roles into management positions.

Travelodge monitors the composition of our existing workforce in order to support a culture of equality, diversity and inclusion. We remain committed to evolving our approach to ensure it remains embedded as a way of life across the organisation.

Breakdown as at 31 December 2020:

	Female	**Male**
Board*	50%	50%
Senior Management (Ops Board)	43%	57%
Other	73%	27%
Total	**73%**	**27%**

** in addition there are 3 male non-executive Directors who are not employed by the Group.*

<u>Pensions</u>
The Company offers a defined contribution pension scheme to its employees. Eligible employees are auto-enrolled into one of two schemes provided by Scottish Widows and NEST, with employer contributions charged to the Income Statement.

<u>Human Rights</u>
Travelodge firmly supports and endeavours to carry out its business in a manner compatible with the protection of individuals" human rights. The Company does this through its compliance with relevant legislation and through an insistence on ethical business practices. Where relevant Travelodge Hotels Limited has company policies that reflect the rights granted to individuals under the Human Rights Act 1998 as well as the UK Modern Slavery Act 2015. This included such areas as treatment and non-discrimination, data protection, equality and diversity and health and safety. Our statement as required by the Modern Slavery Act is available on our website.

<u>Accessibility</u>
As a business we recognise the wide range of customers that use our premises and aim to make them accessible to all. We hold research Groups to hear first-hand from our customers what their needs are so these can be incorporated into both our products and our policies. We continue to retain a specialist accessibility consultant to assist us to consider accessibility in all product development and meet the latest requirements.

We are committed to making our web site accessible to all users, including people with disabilities. In order to achieve this, the UK website has been developed in accordance with the Web Content Accessibility Guidelines 1.0 where possible. These guidelines have been published by the World Wide Web Consortium to promote accessibility.

<u>Anti-corruption & Anti-Bribery</u>
It is Travelodge's policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery and corruption.

<u>Local Community</u>
Travelodge works with local stakeholders to understand the impact a hotel development can have on local communities. Leveraging the expertise of an experienced planning team and a flexible design approach allows us to employ modular building techniques to minimise construction noise. Care is taken at the design stage to mitigate ongoing traffic and noise for our communities, with green travel plans in place for new properties.

We continue to support the British Heart Foundation and customers on the Travelodge website are invited to donate 50p each time they book, using Pennies, the Digital Charity Box. Fundraising activities include the annual Support Centre "Red Day" and a donation from Sleepeezee every time a customer chooses to buy their own Dreamer bed.

Principal risks and uncertainties

The Directors have carried out an assessment of the principal risks facing the Company, including those that would threaten its brand and reputation, delivery of its strategy or its physical assets, people or systems.

This is carried out under a risk management framework including internal controls to protect our business as far as reasonably possible against known and emerging risks and a periodic review of those controls to reduce the risk of failing to achieve our business objectives.

Additional risks and uncertainties, not presently known to management or deemed less material currently, may also have an adverse effect on the business. Further, the exposure to each risk will evolve as we take mitigating actions, or as new risks emerge. The risks set out below provide a summary of the position at the date of the annual report.

Risks are Grouped according to their overriding theme, and are described along with the strategic pillars to which they are linked, and the movement in net risk during the year.

	Principal Risk	**Description**	**Key Mitigations**	**Progress**
Regulatory	**Brexit** Impact compared to 2019: 	There is continued uncertainty regarding changes to trading arrangements, customs agreements and tariffs post Brexit. This may give rise to increased costs and inflationary pressures, with a resultant risk of recession. There is also a risk that data flows may be interrupted should contracts with EU suppliers not contain appropriate arrangements.	Developments continue to be monitored, with regular review by our Operating Board. Purchasing contracts give price stability in the short to medium term. Contingency arrangements have been developed where possible.	The UK government concluded the Trade and Cooperation Agreement with the European Union on 24 December 2020 and the UK formally left the European Union on 31 December 2020. The impact of Covid-19 has made the impact of Brexit difficult to assess. Prior to 31 December 2020 we completed contractual addendums in respect of data sharing where necessary to ensure appropriate arrangements, such as Standard Contractual Clauses.

	Principal Risk	Description	Key Mitigations	Progress
Regulatory	Regulatory Impact compared to 2019:	Large financial penalties or enforced closures of our hotels could be imposed for breaches of Health & Safety or Data Protection legislation. Due to the number of hotels we operate, and the volume of customers who stay with us, we may be exposed to isolated incidents which fall below our expected standards and may expose us to prosecution. The Covid-19 pandemic has further heightened this risk during 2020.	The Group has policies and procedures which address Health and Safety and Data Protection risks alongside dedicated resource, systems and processes. Primary Authority Partnerships are established for fire and Health & Safety. A full planned and preventative maintenance programme runs year- round, and incidents, accidents and near miss activity are reviewed to establish further action required. A cycle of training provides regular and systematic skills transfer, and hotel teams are briefed on their responsibilities and the Company escalation mechanisms, covering incident, accident, disaster recovery and interaction with emergency services. We use an independent third party to carry out unannounced safety audits at all our hotels and carry out an annual PCI DSS audit. The Group also maintains relevant insurance cover to an appropriate level both where required under regulation or where consider supportive to mitigate a specific risk. The Group has performed a full Risk Assessment in light of the Covid-19 pandemic in line with HSE and government guidance and implemented appropriate controls at our hotels and offices.	The Group was required to develop a new framework to mitigate the risk of Covid-19 during the 2020. This continued to evolve throughout the year as the devolved governments of the UK continued to change restrictions as the pandemic developed. This has resulted in further local authority and police visits to and check on our hotels.

	Principal Risk	Description	Key Mitigations	Progress
Operational	Covid-19 Impact compared to 2019: 	In line with the UK Government's mandatory closure of all hotels and restaurants, the majority of the Group's hotels closed in March 2020, re-opened from July 2020 and then, certain hotels closed again later during the year. The UK is currently again under a formal lock-down and whilst we have some corporate business, the restrictions to wider business and particularly leisure stays are still affecting demand. Even after restrictions are lifted there is a risk of a recession in the UK possibly reducing demand from our customers. Customers may also become reticent about socialising in public settings. Whilst the current progress of delivering a vaccine to the UK population is encouraging, there is still significant uncertainty 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 we may not pass our covenant tests linked to our borrowings and also that the reduction of site profitability results in the impairment of sites. Due to the majority of our central office teams working remotely there is an increased risk of cyber threats including phishing.	The Group implemented a recovery plan including actions taken by management to enable the business to successfully trade through the impact of Covid-19, these involve a number of key components including: - continued action by the company to preserve cash flow with discretionary spend halted and non-essential capex deferred; - making use of government measures where possible including furloughing more than 8,000 team members under the Job Retention Scheme and benefiting from the Hospitality Business Rates Relief programme; - drawing down on our existing bank facilities; - accessing new finance facilities and shareholder contributions; and - Travelodge Hotels Limited agreeing a Company Voluntary Arrangement ("CVA"). For further details see the CFO Report. We have reinforced good cyber security practice during the period since the majority of our central support team have been homeworking and have continued to review the risk of cyber threats.	Travelodge has made good progress in developing our corporate and operational plan to adapt to the consequences of Covid-19. Key actions during 2020 were the completion of our Safe to Operate, Travelodge Protect+ framework and our corporate recover plan, including the successful CVA, further shareholder contributions and additional availability of financing as detailed on page 20.

	Principal Risk	Description	Key Mitigations	Progress
Operational	Liquidity Impact compared to 2019:	The company operates a highly operationally and financially geared leasehold model, with high levels of fixed costs (including rent) and is funded mainly by publicly traded bonds. Liquidity has become critical for the Group since the hotel closures in March 2020 due to the Covid-19 pandemic. A lack of appropriate levels of covenant headroom, cash resources, or inadequate cost controls could impact our financial performance.	The Group implemented a recovery plan including securing additional financing and a waiver for covenants attached to its existing financing, for further details see the CFO Report. More regular financial forecasting is being undertaken during this period of uncertainty and the Group's 5 year strategic plan is under review to reflect the impact of Covid-19.	Key activity includes the successful CVA, further shareholder injections (in the form of shareholder loans due 2033) and additional availability of financing as detailed on page 20.
	Attraction of people Impact compared to 2019:	We employ nearly 10,000 people, particularly team members, assistant hotel managers and hotel managers. Market forces and particularly the impact of Brexit may result in a shortage of available workforce.	See details of how we manage our social impact and our team on pages 22 and 23.	
	Competition Impact compared to 2019:	Our competitors could adjust their room rates, adversely impacting demand for our rooms.	See details of our strategy and our mission to deliver affordable travel for everyone on page 9.	

	Principal Risk	Description	Key Mitigations	Progress
Operational	Cyber and data Impact compared to 2019:	Our data and systems are exposed to external threats such as hackers or viruses. These could lead to data breaches, or disruption to our operation.	We manage information in compliance with relevant Data Protection regulations including the Data Protection Act (2018). The Company reviews general data security regularly and invests in proportionate and appropriate resource, systems and processes to endeavour to ensure the security of its systems, its customer, card data, and its compliance with the regulatory requirements of both PCI DSS and data protection regulations. We have invested in cyber insurance to mitigate the consequences of major unforeseen, or unavoidable service disruptions which might be caused by a cyber-related incident.	During the year we concluded a project to tokenise the majority of the payment card data held with our website and property management systems. Despite this we note that Cyber attacks continue to grow in frequency throughout the year across both the hospitality segment but also wider business.
Operational	Loss of supplier Impact compared to 2019:	Travelodge is reliant on third parties for services, we become more exposed to their business interruption risks or going concern risks which are heightened because of Covid-19. This could impact on our ability to trade.	We maintain regular communications with existing suppliers and review their business continuity and disaster recovery plans. Where possible we ensure contingency supply options are available if required.	We continued to monitor, review and speak with our key suppliers on a more frequent basis during 2020 to ensure all parties were aware of development during the Covid-19 pandemic.

	Principal Risk	Description	Key Mitigations	Progress
Strategic	Macroeconomic Impact compared to 2019: ↑	The wider economy may suffer from adverse events which indirectly reduce the demand for our rooms or increase our costs, including pandemics, terrorism events, increases in inflation or interest rates or Brexit.	The Directors have reviewed the Group's financial projections for the foreseeable future, and in particular, the occupancy and rate forecasts which have been stress tested with plausible but pessimistic changes to those assumptions including macroeconomic shocks.	We continue to perform our key mitigations during 2020, particularly in light of the Covid-19 pandemic. The results of these reviews are within the going concern section of these financial statements on page 20.
	Climate Change Impact compared to 2019: ↑	Climate change, biodiversity depletion and environmental pollution present risks to the business from a financial, operational and reputational perspective. Regulatory action to manage climate change could result in the introduction of additional taxes or restrictions being imposed.	We are already in the process of actively reducing our carbon footprint through certain projects detailed on page 26.	Due to the impact of Covid-19 our engagement with an external advisor to establish a current baseline and develop a sustainability strategy to facilitate future reduction was deferred. We expect to conclude this project during the latter part of 2021.

Following the successful conclusion of the Company Voluntary Arrangement as detailed on page 3, the principal risk relating to reduction in the Group's network has been removed from our principal risks at the year end.

Approved by the board of the directors and signed on its behalf by:

Jo Boydell
Chief Financial Officer

23 April 2021

Corporate Governance

For the year ended 31 December 2020, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies.

As part of the Group's preparation for the new requirements a review was undertaken during 2019 to assess to what extent the Group applied the Wates principles and this has been further updated during 2020. The key area of development during the year was to put into place appropriate interim arrangements during the absence of a Chairman as well as focusing on our engagement with Stakeholders during this challenging period. The outcome of this review is set out below.

Principle	How has Travelodge applied it
Principle One: **Purpose and Leadership** An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	We have a clear strategy of becoming the "Favourite Hotel for Value" which defines our purpose and behaviours. Our purpose is to provide affordable travel for everyone. We are the low-cost choice and aim to offer our customers the right balance of location, price and quality for their travel needs. Travelodge's purpose and behaviours were initially set out in 2013, under the Board's direction, to guide the organisation's strategy, decisions, processes and culture. The strategy was further updated in 2019 and communicated to the teams at our 2020 annual conference, which was held as normal in January 2020. We have continued our communication during 2020 through quarterly leadership events, remotely where necessary due to Covid-19, as well as through more regular senior leadership calls, support centre, regional and district meetings. Due to the impact of Covid-19 we did not hold our 2021 annual Group conference, however, we have smaller Regional remote events scheduled for April and May. The Group promotes, amongst other things: a positive health, safety and security culture, an Equality and Diversity Group, a Health and Wellbeing programme including employee assistance and a charity partnership with The British Heart Foundation.

Principle	How has Travelodge applied it
Principle Two: **Board Composition** Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	The Group has a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Group are effectively maintained. The Chairman plays a pivotal role in creating the conditions for overall Board and individual director effectiveness. On 4 September 2020, following a short period of medical leave, our Chairman, Brian Wallace, stepped down from his role and as a director. On 31 December 2020 our Chief Executive, Peter Gowers resigned from his role and as a director. Travelodge benefits from a strong and experienced executive team and until a permanent appointment is made, the then current Group Chief Operating Officer, Craig Bonnar, has become Interim Chief Executive. The Board have very recently appointed a new Chairman. The Chairman will make a decision on the permanent CEO appointment. To support effective governance in this transition period an Executive Committee was established in December 2020. This Committee comprised the Lead Non-Executive Director, who is one of the Board's owner appointed advisors and chaired the committee, the Interim Chief Executive Officer, Chief Financial Officer and an external independent advisor (as well as the incumbent CEO through December 2020). The main purpose of the Executive Committee was to set the main board agenda, act as a bridge between the main board and the executive team, lead the development of a recommended strategy, strategic initiatives, operating plan and budget for approval by the Main Board, ensure appropriate recommendations are made to the Main Board regarding the Company's capital structure and liquidity and ensure appropriate recommendations are made to the Main Board regarding proposed hotel development opportunities. The Committee meets on a weekly basis and currently remains in effect, with the new Chairman replacing the Lead Non-Executive Director as chair. The Board comprises a Chairman (recently appointed), Interim Chief Executive, Chief Financial Officer and three owner appointed directors, two of whom were not involved in the executive management of the Group (see pages 40 and 41). Two of these Non-Executive Directors were appointed from within the owner entities they represent and the other was appointed by one of the owner entities, but works externally to their business. We are committed to further improving diversity of our board as opportunities arise, within the constraints of our articles of association, which provide that the majority of our board-members are direct representatives of our shareholders, and therefore not appointed by the company. The Non-Executive Director appointed by an Owner, but working externally to their business, brings experience in hospitality, digital, finance and audit, in addition to perspectives and challenge from outside the sectors in which the Group operates. All Directors of the Board have access to company secretarial advice and may, if they wish, take professional advice at the company's expense. The duties of the Board are executed partially through committees. One or more Board Directors attend and act as chair to the relevant committees, including the Executive Committee, Audit, Safety, Security and Risk, and Investment.

Principle	How has Travelodge applied it
Principle Three: **Director Responsibilities** The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	Good governance supports open and fair business, ensures that the company has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. Whilst Board oversight is always maintained, key decisions are made by individuals and committees with the most appropriate knowledge and industry experience. The Board meets a minimum of six times a year, with further meetings convened as necessary. During 2020 the Board met more frequently as and when required, due to the impact of Covid-19, particularly to consider the CVA process and the refinancings. The Board delegates authority for day-to-day management of the company to the Chief Executive Officer. Certain governance responsibilities are delegated to other committees (Executive Committee, Audit, Safety, Security and Risk and Investment) under a formal delegated authority framework approved by the Board. These committees include Board Directors who support effective decision making. The Board receives regular, timely information on all key aspects of the business including Health & Safety, risks and opportunities, the financial performance of the business, strategy, operational matters and market conditions, supported by specific Key Performance Indicators. Key financial information is collated from the Group's various accounting systems. The Group's financial function is appropriately qualified to ensure the integrity of this information and is responsible for remaining compliant with regulatory changes. Financial information is currently externally audited by PricewaterhouseCoopers LLP on an annual basis. Other key information is prepared by relevant internal functions. The processes for collecting data, as well as reporting of that data, are reviewed on an annual basis by the Group's Safety, Security and Risk function. The impact of Covid-19 caused a delay to the expansion of our internal audit capability, however, we expect to start the roll out of enhanced internal audit procedures during the first half of 2021. This will then follow a 3 year audit cycle, as agreed in 2019, covering financial controls at our hotels and head office functions, alongside other business risk mitigation controls.
Principle Four: **Opportunity and Risk** A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	The Board seeks out opportunity whilst mitigating risk. Strategic opportunities are highlighted to, and discussed with the Board at each Group Strategy review, typically on an annual basis. Short term opportunities to improve performance are also reviewed in the normal course of business. The Audit Committee, consisting of the Lead Non-Executive Director (as chairman) and historically the Chairman of the Board, now replaced by a second Non-Executive Director, with the Company's external financial auditors and other Board and functional leads attending by invitation as appropriate, ensures that material risks both inherent and emerging are identified and managed appropriately. The Audit Committee meets every six months and continues to refine and improve the company's risk management framework and risk registers, working to ensure consistency across the functional areas of the company. The Strategic Report includes key risks that are monitored by the Audit Committee. The company's systems and controls are designed to manage, rather than eliminate the risk of failure to achieve business objectives and will always provide reasonable and not absolute assurance against a risk crystallising.

Principle	How has Travelodge applied it
Principle Five: **Remuneration** A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	The Main Board is responsible for the Chairman and Chief Executives remuneration. Typically the Chairman would be responsible for other executive remuneration, which has been assumed by the Executive Committee, which is reported to and approved by the Board. The appointment and remuneration of the Chairman and the Chief Executive Officer are amongst the matters reserved for the Board. Other key reported metrics to the Board on an annual basis are: Gender Pay Gap, take home pay of team members, pay reviews versus benchmark and CEO pay ratio to the Group.
Principle Six: **Stakeholder Relationships and Engagement** Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	Accountability and transparency with stakeholders is key to the long term success of the Group. Travelodge consider their key stakeholders to be: customers, team members, shareholders and investors, landlords and other creditors including key operational suppliers, local authorities and community. Please refer to the Stakeholder Engagement section within the Strategic Report for a discussion of how we engage with each.

Board of Directors

Brian Wallace (former Chairman)
Brian is an experienced leisure and hospitality executive with a wealth of experience in UK and international business. He joined Travelodge in January 2013.

A qualified accountant, Brian has held senior executive roles with companies including Hilton, Schlumberger and Ladbrokes, as well as non-executive roles at Miller Group, Hays plc, Scottish & Newcastle plc, FirstGroup plc and Softcat plc.

Brian spent 12 years with Hilton, initially as Finance Director, and subsequently as Deputy Chief Executive. During that period, he played a pivotal role in strengthening the balance sheet, expanding the global presence of the Company and ultimately reunifying the Hilton brand through the landmark sale of the business to Hilton Hotels Corporation in America.

Brian resigned on 4 September 2020.

Craig Bonnar (Interim Chief Executive Officer)
Craig was appointed on 31 December 2020.

Craig joined Travelodge in 2017 as Chief Operating Officer, a role in which he had direct management responsibility for leading the Group's hotel operations across more than 550 hotels in the UK and Spain. On the 1st January 2021, Craig was promoted to Interim Chief Executive and sits on the Main Board.

Prior to joining Travelodge, Craig spent more than twenty years with Asda Wal-Mart. During a career that began with a spell on the checkouts before joining the company's graduate training programme, Craig held a range of senior positions including managing director of the cleaning and facilities business City FM, operations director for Scotland & Northern Ireland, head of retail operations and vice president, store proposition and format development.

Craig is married with three children and graduated from Heriot-Watt University with a Masters Degree in Economics.

Peter Gowers (former Chief Executive Officer)
Peter is an experienced Chief Executive with a functional leadership background in strategy, marketing and operations.

Peter joined Travelodge in November 2013, having previously served as Chief Executive of the main market listed real estate investment trust, Safestore Holdings plc.

Prior to Safestore, Peter held a series of senior leadership roles with the international hotel Group IHG plc, serving as Chief Executive, Asia-Pacific, and in Group roles as Chief Marketing Officer, Head of Global Brand Services and Head of Strategy.

Peter spent his early career with FTSE-30 conglomerate Bass plc and the global consultancy firm, Arthur D. Little.

Peter holds a First Class Honours degree in Law from Oxford University.
Peter became a member of the board of the British Tourism Authority on 6 January 2020.

Peter resigned on 31 December 2020.

Jo Boydell (Chief Financial Officer)
Jo joined Travelodge in March 2013, and has broad based finance experience in hospitality, leisure and retail. Jo held senior positions with Hilton Group plc, Ladbrokes plc and the EMI Group and was Finance Director at Mothercare and Snap Equity Ltd, the parent company of Jessops.

As Chief Financial Officer, Jo is responsible for overseeing all of the Company's finance functions, as well as overseeing the legal, procurement and risk functions for the business.

Jo is a Chartered Accountant and holds an Honours degree in Physics from Oxford University.

Jo Boydell joined DFS Furniture plc in December 2018 as an Independent Non-Executive Director and became Chair of their Audit Committee on 1 April 2019.

Thomas Hilger (Non-Executive Director, employed by and representing Goldman Sachs)
Thomas is a Managing Director and Co-head of the European Multi-Strategy Investing (MSI) business in the Merchant Banking Division of Goldman Sachs. MSI is a fundamental investing platform that deploys capital in debt and equity securities as well as private instruments traded in the secondary market.

Thomas joined Goldman Sachs in 2006 and worked in the Investment Banking Division covering Financial Institutions from 2006 to 2010 before transferring to the Merchant Banking Division. He holds Masters degrees in Finance and Business Administration from EM Lyon, France, and WHU Otto Beisheim School, Germany.

Jonathan Ford (Non-Executive Director, employed by and representing Avenue Capital Group)
Jonathan is a Senior Portfolio Manager and Head of Europe Strategy, with responsibility for directing the investment activities of the Avenue Europe Strategy.

Prior to joining Avenue in 2009, Jonathan was the Head of European Research based in London for the Distressed Products Group at Deutsche Bank, focused on European distressed and special situations investments across the capital structure. Previously, Jonathan was an Assistant Director in the Corporate Restructuring Group at Close Brothers Group, where he worked on a number of high profile European restructuring and distressed mergers and acquisitions transactions. Prior to joining Close Brothers Group, Jonathan was an Assistant Manager in the Banking & Capital Markets division of PricewaterhouseCoopers (London).

Jonathan received a B.S. in Economics from the University of Birmingham (1996).

Stephen Shurrock (Senior Non-Executive Director, representing GoldenTree Asset Management, and Chair of Audit Committee)
As CEO of Lebara, Stephen is responsible for the operations across the Group and leading a team to deliver great value mobile services to its millions of customers. Lebara operates across a number of European countries and in the Middle East.

Prior to joining Lebara, Stephen was Chief Commercial Officer of Travelport where he led Travelport's customer focused teams in Air, Agency, Hospitality and Digital Media. Travelport operates a Travel commerce platform across the world. Prior to this, Stephen worked in the mobile telecoms sector for 15 years at O2/Telefonica. Here he was the Chief Executive Officer of its consumer division across Europe and Latin America and focused on growing its digital businesses. Prior to that, he was the Chief Executive Officer of O2 Ireland and the Sales Director of O2UK.

The Directors present the Directors' Report for the audited consolidated financial statements for Thame and London Limited for the year ended 31 December 2020.

Directors
The Directors who served during the year and up to the date of the report are detailed on pages 40 and 41.

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

For 2020, the Group made EBITDA (adjusted)(1) Loss of £74.0m (2019: Profit of £129.1m), Operating Loss of £83.5m (2019: Profit of £157.7m) and a Loss Before Tax of £307.0m (2019: Loss of £72.5m).

Ownership
At 31 December 2020, the Directors regarded Anchor Holdings SCA Luxembourg as the ultimate controlling party.

The Company is owned by funds managed by GoldenTree Asset Management LP, Avenue Capital Group and Goldman Sachs Group, Inc.

GoldenTree Asset Management is a global asset management firm that specialises in opportunities across the credit universe in sectors such as high yield bonds, leveraged loans, distressed debt, structured products, emerging markets, private equity and credit-themed equities. The firm was founded in 2000 with offices in New York, London, Singapore, Sydney, Tokyo and Dublin, and manages approximately $40 billion in assets under management.

Avenue Capital Group is a global investment firm focused on private and public debt opportunities, equity and real estate markets in the U.S., Europe and Asia. Avenue is headquartered in New York with offices in London, Luxembourg, Madrid, Silicon Valley as well as 6 offices throughout Asia.

The Goldman Sachs Group, Inc. is a leading global investment banking, securities and investment management firm that provides a wide range of financial services to a substantial and diversified client base. Founded in 1869, the firm is headquartered in New York and maintains offices in all major financial centres around the world.

Details of the executives who have responsibility for oversight of the Group on behalf of the funds can be found on page 41.

Statement of Corporate Governance Arrangements
For the year ended 31 December 2020, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies.

The strategic report discusses the Groups corporate governance arrangements in the section "Corporate Governance" on pages 36 to 39.

Statement with respect to Employee Engagement
The strategic report discusses the Group's approach with respect to employee engagement in the section entitled "Stakeholder Engagement" on pages 22 and 23, and further clarity is provided as part of the discussion with respect to the application of Principle 6 of the adopted Wates principles on corporate governance in the section "Corporate Governance" on pages 36 to 39.

Statement with respect to Business Relationships
The strategic report discusses the Group's approach toward individual stakeholders and further clarity provided as part of the section entitled "Stakeholder Engagement" on pages 22 to 24.

Currency
The majority of the Group's revenue is earned in sterling. The majority of the Group's costs are paid in sterling.

Insurance
The Group maintains qualifying third party indemnity insurance in respect of Directors and Officers against any such liabilities as referred to in Section 234 of the Companies Act 2006.

(1) 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 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.

Going concern
The strategic report discusses the Groups assessment of the appropriateness of the going concern assumption on pages 20 to 21.

Future developments
Commentary in respect of likely future developments in the business has been included in the Outlook section of the Chief Executive Officer's report on page 6 and in the assessment of the going concern assumption on pages 20 to 21.

Taxation
The underlying current tax charge for 2020 of £0.3m (2019: £4.8m credit) breaks down between a current tax charge of £nil (2019: £1.4m credit) and a deferred tax charge of £0.3m (2019: £3.4m credit).

Cash tax refunds of £0.8m were received during the year (2019: £1.4m payments).

Dividend
The Directors do not recommend the payment of a dividend.

Independent Auditors
During the year the Directors reappointed PricewaterhouseCoopers LLP as auditors of the Group.

Approved by the Board of Directors and signed on behalf of the Board

Jo Boydell
Chief Financial Officer

23 April 2021

OFFICERS AND PROFESSIONAL ADVISORS
FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

DIRECTORS

Craig Bonnar (Appointed 31 December 2020)
Joanna Boydell
Jonathan Ford
Thomas Hilger
Stephen Shurrock

COMPANY SECRETARIES

Joanna Boydell
Katherine Thomas

REGISTERED OFFICE

Sleepy Hollow
Aylesbury Road
Thame
Oxfordshire
OX9 3AT

BANKERS

Barclays PLC
1 Churchill Place
London
E14 5HP

SOLICITORS

Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

THAME AND LONDON LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations
Each of the directors, whose names and functions are listed in officers and professional advisers confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities, financial position and loss of the company; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and company, together with a description of the principal risks and uncertainties that it faces.

Directors' confirmations (continued)

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board

Jo Boydell
Chief Financial Officer

23 April 2021

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Thame and London Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 December 2020; the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Parent Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and company's ability to continue as a going concern.

The global pandemic has had a significant impact on the hotel sector, with the Group's hotels being closed for a significant period during 2020 and 2021 to date. The Group entered into a CVA in June 2020, as part of which it negotiated a significant rent reduction of £140m to the end of 2021, fully drew down on its existing facilities other than the £30m letter of credit facility, obtained additional funding and took advantage of government support schemes as outlined in note 2. The Group agreed covenant waivers on pre-existing financial covenants until September 2021 and agreed revised covenant terms with its lenders. The revised revolving credit facility introduces a £10m minimum liquidity covenant for the period of the net leverage covenant waiver and the new super senior facility also has the £10m minimum liquidity covenant and a new minimum EBITDA covenant, tested from June 2022.In light of the ongoing global pandemic, there remain significant uncertainties over the short term in respect of the impact that this will continue to have on the group and the wider industry in which it operates.

Independent auditors’ report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

Management’s basis of preparation in note 2 to the financial statements sets out the key assumptions in respect of both the base case and severe but plausible downside forecasts.

In respect of the base case, this currently forecasts sufficient liquidity for the going concern period, however it is sensitive to the timing of the easing of government restrictions and the speed of recovery of demand for hotel accommodation as well as any further increases in government restrictions as a result of Covid-19, including further lockdowns in the going concern period. In the event of any of these downsides transpiring then changes to the minimum liquidity or leverage covenants and further liquidity may be required in December 2021, or earlier if there is a combination of factors or a longer lockdown as detailed in the severe but plausible downside scenarios outlined in note 2.

These conditions, along with other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group’s and company’s ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Audit procedures performed

Our evaluation of the directors’ assessment of the group’s and company’s ability to continue to adopt the going concern basis of accounting included:

- obtaining the Directors' paper and supporting models that support the assessment and conclusions with respect to the going concern status of the group and company; and
- evaluating the Directors’ assessment of the estimated speed of recovery of demand for hotel accommodation and the potential impact of further government restrictions as a result of Covid-19 including further lockdowns, changes to the timing of contractual cash flows, and the ability of the group to manage costs, agreeing to evidence where available and ensuring they align to our understanding of the business.

In assessing the impact of the scenarios referred to in note 2 of the financial statements we performed the following procedures on the Directors’ assessment that the group and company will continue as a going concern:

- agreed the underlying cash flow projections to management approved forecasts, and assessed how these forecasts are compiled;
- checked the mathematical accuracy of the spreadsheet used to model future financial performance;
- assessed the accuracy of management’s forecasts by reviewing historical performance against budget, current year to date performance and bookings and in the context of third-party industry and analysts’ reports where available;
- applied appropriate sensitivities to the growth projections where required;
- assessed the impact of the mitigating factors available to management in respect of reducing cash flows over the going concern period;
- reviewed loan agreements and terms and ensured covenant calculations were in line with the agreements and determined in what circumstances there was a risk that the covenants may be breached; and
- assessed whether the disclosures in the financial statements reflect the going concern assessment and adequately explain the material uncertainty.

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our audit approach

Overview

Audit scope

- The focus of our work was over the main trading entity Travelodge Hotels Limited. In addition, we have performed full scope audits of all UK statutory entities consolidated into the Group accounts. We have performed desktop review procedures on the immaterial Spanish and Maltese entities.

Key audit matters

- Material uncertainty related to going concern
- Subsequent measurement of IFRS16 (group)
- Impairment of fixed and right-of-use assets (group)
- Covid-19 (group)

Materiality

- Overall group materiality: £2,700,000 (2019: £3,200,000) based on 2.5% of three year absolute average (2019: 1 year only) of EBITDA (adjusted).
- Overall company materiality: £1,600,000 (2019: £1,100,000) based on 1% of total liabilities.
- Performance materiality: £2,000,000 (group) and £1,200,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation, Health and Safety Executive legislation, Employment Law, Data Protection Regulation, VAT laws and implementation of government support schemes (Coronavirus Job Retention Scheme), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results and management bias in accounting estimates. Audit procedures we performed included:

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

- Evaluating management's controls designed to prevent and detect irregularities;
- Making enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Reviewing Board meeting and other minutes to identify any non-compliance;
- Challenging assumptions and judgements made by management in significant accounting estimates;
- Specific work around the use of the Coronavirus Job Retention Scheme as outlined in the key audit matter below;
- Considering the application of the changes in VAT rates throughout the year and discussing the tax position with the Group's tax advisors, specifically in relation to the recoverability of deferred tax assets; and
- Testing unusual or unexpected journal entries, particularly those impacting revenue.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

The Covid 19 pandemic is a new key audit matter this year. Key judgements and estimates relating to the first-time adoption of IFRS 16, which was a key audit matter last year, is no longer included because this is the second year since the adoption of IFRS 16 and instead the focus is on the subsequent measurement and valuation of right of use assets and lease liabilities on new leases and modification of the leases. Otherwise, the key audit matters below are consistent with last year.

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Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of right-of-use assets and lease liabilities on new leases and modification of the leases (group) Refer to pages 12, 18, 66, 67, 69, 72, 86, 87, 90 and 91 for management's disclosure. The adoption of IFRS 16 in the prior year introduced a heightened risk that the valuation of lease assets and liabilities may be incorrectly accounted for or valued at inception or when modified. The Group has £2.1 billion of Right of Use (ROU) assets as at 31 December 2020. During the year the Group entered a CVA arrangement which meant that there were a number of lease modifications to account for. Whilst management implemented a lease accounting and management system in the prior year on adoption of the new standard the rent amendments agreed as part of the CVA were extensive and management had to manually calculate the impact on the carrying value of assets and associated liabilities. The discount rate and lease extension or termination options are the key subjective areas requiring management's judgement.	In assessing this risk we performed the following procedures: • Considered the findings from our testing of the IFRS 16 first time adoption carried out in 2019, including the use of management's lease accounting system and the accuracy and completeness of the data used. The rent amendments agreed as part of the CVA were calculated outside of the system using a complex manual spreadsheet. • Reviewed all new leases, agreeing data points into the calculations; • Tested the formulae and reperformed calculations within the spreadsheets used; • Tested a sample of terminated and modified leases and agreed data points to lease documents; • Reperformed the ROU asset and lease liability calculation and compared our result to the IFRS 16 workings and investigated any material differences; • Recalculated the related depreciation and finance costs. • Used valuations specialists to assess the discount rate used to calculate the lease liabilities arising on new leases and from changes due to lease modifications; • Assessed the judgements made by management in determining the lease term and rental payment profiles and agreed these back to lease agreements; • Tested manual journals in relation to leases; and • Evaluated the appropriateness of management's disclosures. Based on the evidence obtained, we are satisfied that the accounting for new and modified leases under IFRS 16 and the associated disclosure is appropriate.

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

Impairment of fixed and right-of-use assets (group) Refer to pages 71 and 72 for management's disclosure. The Group has £2.1 billion of Right of Use (ROU) assets as at 31 December 2020. As a result of the CVA arrangement entered into during the year the Group benefited from rent reductions, which resulted in a lease modification adjustment using a higher discount rate, which led to the right-of-use (ROU) assets and associated lease liabilities being reduced by £394.5m. The Group has treated each of its 586 hotels as individual CGUs in the current year. Historically 123 hotels which were subject to historic sale and leaseback transactions were treated as one CGU based on the fair value assessment at acquisition. Management have undertaken an exercise in the current year to reallocate the valuation of lease premiums across the portfolio, which has enabled them to assess each hotel as a separate CGU. Management have performed a full fixed asset impairment review at the year end date. In 2020, given the recent economic impact of Covid-19, especially on the hospitality sector, a heightened risk exists over the recoverability of the Group's fixed assets, including the right-of-use assets. Management performed a value in use assessment by discounting the estimated future trading cash flows from each hotel at a post-IFRS 16 Weighted Average Cost of Capital. As several of the hotels had a value in use below the value of the ROU asset in that review, an impairment charge of £8.8m has been recognised in the Consolidated Income Statement. This is in addition to the £394.5m reduction to the ROU asset value and associated lease liability in the year as a result of the CVA as well as other changes to the values such as depreciation, new leases, other modifications and disposals. The cash flow projections and the long term growth and discount rate are the key subjective areas. The underlying cash flow projections carry a high level of uncertainty relating to the estimated speed of recovery of demand for hotel accommodation and the potential impact of further government restrictions as a result of Covid-19.	In assessing this risk we performed the following procedures to test the impairment model prepared by management at the year end date: • Assessed and challenged management's assessment of cash-generating units. We tested management's exercise to allocate the lease premiums to individual hotels across the 123 asset portfolio previously treated as one CGU; • Verified the completeness and accuracy of the data and model, comparing the data to lease agreements and the fixed asset listing for completeness and using digital tools to assess the model mechanics; • Evaluated the reasonableness of management's future cash flow forecasts and the process by which they were drawn up, including comparing them to the latest Board-approved budgets and 5 year plan as well as to market expectations; • Challenged management on any market expectations that appeared contrary to their forecasts to understand and validate the reasons for this; • Assessed the historic forecasting ability demonstrated by management; • Used PwC Valuations specialists to assess the long term growth rate and discount rate applied in the model; • Challenged management's key assumptions in the cash flow forecasts and challenged in the context of current external market data; • Performed sensitivity analysis around the key drivers of the value in use; and • Evaluated the appropriateness of management's disclosures. From the above procedures, we confirm that the impairment charge booked in the year is appropriate.

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

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Covid-19 (Group)

The Covid-19 pandemic has had a significant impact on the performance of the Group during FY20. As a result, the pandemic has brought increased estimation uncertainty to certain areas of the financial statements.

The key areas of the financial statements most impacted by the increased estimation uncertainty are described below:

1. The Directors have carefully considered the appropriateness of the going concern basis of preparation in the Group's financial statements, including assessing the impact of a potential second Covid-19 national lockdown during the forecast period;
2. The Group has £2.1 billion of Right of Use (ROU) assets as at 31 December 2020. During the year the Group entered a CVA arrangement and as a result of rent reductions the right-of-use (ROU) assets were reduced by £394.5m.
Given the impact of the pandemic on the Group's trading results to date, there is a risk that further disruption caused by Covid-19 (including a potential further national lockdown) could materially reduce the value in use.
3. Following the emergence of Covid-19 in the UK, the Group accessed HMRC's Coronavirus Job Retention Scheme ('CJRS'), claiming £45.3 million of compensation in respect of UK employee wages during the year. This has been disclosed in Note 2.8 in accordance with IAS 20, 'Accounting for government grants and disclosure of government assistance'. There is a risk that the Group has not compiled with the requirements of the Scheme.

In addition, management's ways of working, including the operation of controls, has been impacted as a result of a large number of staff having to work remotely. This has potentially resulted in an increase in risk due to the remote accessing of IT systems and a potentially heightened cyber risk.

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In response to the key areas identified as being significantly impacted by Covid-19, we performed the following procedures:

1. Refer to our section on going concern above for details of how we considered the impact of Covid-19 in our audit procedures over going concern;
2. Refer to our Key Audit Matters above for details of how we considered the impact of Covid-19 in our procedures over the valuation and impairment of ROU assets;
3. We tested a sample of HMRC claims and associated cash receipts in respect of the CJRS income recorded. We used our internal specialists to help assess the risk of non compliance with the terms of the Scheme, which evolved during the year. We did not identify any material issues with the amounts recognised, which have been presented net against the payroll costs to which they relate.

We perform a fully substantive audit and do not place reliance on controls. However, we discussed with management the impact of changes to the control environment due to the move to remote working and specifically in relation to cyber risks. Management did not identify any specific risks or deterioration in the control environment and we did not identify any evidence of deterioration as a result of our substantive audit.

We conducted our 2020 audit remotely but were able to obtain the required evidence to support our audit conclusions.

We considered the appropriateness of management's disclosures in respect of the current environment and the increased uncertainty in relation to certain accounting estimates and consider these to be appropriate.

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How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

The focus of our work was over the main trading entity Travelodge Hotels Limited. In addition, we have performed full scope audits of all UK statutory entities consolidated into the Group accounts. We have performed desktop review procedures on the immaterial Spanish and Maltese entities.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£2,700,000 (2019: £3,200,000).	£1,600,000 (2019: £1,100,000).
How we determined it	2.5% of three year absolute average (2019: 1 year only) of EBITDA (adjusted)	1% of total liabilities
Rationale for benchmark applied	EBITDA (adjusted) which is 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 and rent phasing adjustment) is the measure management use internally and for the purpose of bond reporting to assess the performance of the group. Non-underlying items have been removed as they relate to non-recurring, one-off items. A three year absolute average has been used this year due to the volatility in earnings that has resulted from the impact of Covid-19.	We believe that total liabilities is the key performance benchmark of the parent company, as it is a holding company for the group and does not trade

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2,700,000 and £100,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £2,000,000 for the group financial statements and £1,200,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £135,000 (group audit) (2019: £160,000) and £83,000 (company audit) (2019: £55,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

Independent auditors' report to the members of Thame and London Limited

Report on the audit of the financial statements (continued)

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 April 2021

THAME AND LONDON LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Revenue	4	284.4	727.9
Operating Expenses	6, 7	(243.6)	(390.8)
Rent	6	2.9	3.4
Other income		1.8	-
EBITDA	4	45.5	340.5
Depreciation, Amortisation & Impairment	6, 7	(160.3)	(182.8)
Profit or loss on Disposal of Assets	7	31.3	-
Operating (Loss) / Profit	4	(83.5)	157.7
Finance Costs	7, 10	(223.8)	(230.9)
Finance Income	9	0.3	0.7
Loss before Tax	4	(307.0)	(72.5)
Income Tax	11	(0.3)	4.8
Loss for the Year		(307.3)	(67.7)

Memorandum - EBITDA (adjusted)[(3)]

		Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
EBITDA		45.5	340.5
Non-underlying items (EBITDA)[(1)]		15.6	0.8
EBITDA (statutory)[(2)]		61.1	341.3
Reverse IFRS 16 rent payable adjustment[(3)]		(135.1)	(212.2)
EBITDA (adjusted)[(4)]	27	(74.0)	129.1

(1) Non-underlying items (EBITDA) of £15.6m consist of non-underlying items within operating expenses (note 7).

(2) EBITDA (statutory) = Earnings before interest, tax, depreciation, amortisation and non-underlying items.

(3) Since the adoption of IFRS 16, operating lease rent is no longer charged to the statutory profit & loss account, charges for operating leases under IFRS 16 consist of depreciation of the right of use asset and interest on the lease liability. Under the previous accounting policy, the rent charge reflected the rent due in respect of the year, adjusted to recognise any rent free periods at the start of new leases on a straight line basis over the period until the next rent review, normally five years. The IFRS 16 adjustments to rent payable for operating leases of £133.7m (2019: £212.2m) and £1.4m of insurance receipts that were offset from the related rent payable but reclassified to other income under IFRS 16 have been reversed to calculate EBITDA (adjusted)[(3)].

(4) 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.

THAME AND LONDON LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share Capital £m	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total Deficit £m
At 1 January 2020	-	(0.4)	-	(341.0)	(341.4)
Loss for the year	-	-	-	(307.3)	(307.3)
Other comprehensive income / (expense)					
Movement in fair value of hedging derivatives	-	-	-	-	-
Currency translation differences	-	0.4	-	-	0.4
Total comprehensive income / (expense)	-	0.4	-	(307.3)	(306.9)
At 31 December 2020	-	-	-	(648.3)	(648.3)

For the year ended 31 December 2019

	Share Capital £m	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total Deficit £m
At 1 January 2019	-	(0.3)	0.4	(93.7)	(93.6)
Adjustment on adoption of IFRS 16 (net of tax)	-	-	-	(179.6)	(179.6)
Restated total deficit at 1 January 2019	-	(0.3)	0.4	(273.3)	(273.2)
Loss for the year	-	-	-	(67.7)	(67.7)
Other comprehensive (expense)					
Movement in fair value of hedging derivatives	-	-	(0.4)	-	(0.4)
Currency translation differences	-	(0.1)	-	-	(0.1)
Total comprehensive (expense)	-	(0.1)	(0.4)	(67.7)	(68.2)
At 31 December 2019	-	(0.4)	-	(341.0)	(341.4)

THAME AND LONDON LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	31 December 2020 £m	31 December 2019 £m
NON CURRENT ASSETS			
Intangible assets	13	157.4	159.6
Property, plant and equipment	14	120.7	132.9
Right of use assets	15	2,122.9	2,521.3
Net deferred tax asset	20	3.7	58.9
		2,404.7	2,872.7
CURRENT ASSETS			
Financial derivative asset		-	0.3
Inventory		0.8	1.2
Trade and other receivables	16	22.2	17.3
Corporation tax debtor		0.5	1.3
Cash and cash equivalents		136.2	89.2
		159.7	109.3
TOTAL ASSETS		2,564.4	2,982.0
CURRENT LIABILITIES			
Trade and other payables	17	(98.5)	(119.7)
Lease liabilities	18	(15.7)	(47.6)
Provisions	21	-	(0.1)
		(114.2)	(167.4)
NON- CURRENT LIABILITIES			
Bond related debt	19	(494.8)	(432.1)
Revolving credit facility	19	(40.0)	-
Super senior term loan	19	(58.1)	-
Investor loan	19	(166.4)	(111.3)
Lease liabilities	18	(2,332.1)	(2,549.8)
Deferred tax liability	20	-	(55.2)
Provisions	21	(7.1)	(7.6)
		(3,098.5)	(3,156.0)
TOTAL LIABILITIES		(3,212.7)	(3,323.4)
NET LIABILITIES		(648.3)	(341.4)
EQUITY			
Share capital	22	-	-
Foreign exchange reserve		-	(0.4)
Cash flow hedge reserve		-	-
Accumulated losses		(648.3)	(341.0)
TOTAL DEFICIT		(648.3)	(341.4)

These financial statements on pages 57 to 108 were approved by the Board of Directors and signed on their behalf by:

Joanna Boydell
Director

23 April 2021

Thame and London Limited Company registration number 08170768

THAME AND LONDON LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
CASH GENERATED FROM OPERATING ACTIVITIES (Note 26)	19.7	336.9
Corporate tax	0.8	(1.4)
Net cash generated from operating activities	20.5	335.5
INVESTING ACTIVITIES		
Interest received	0.3	0.6
Proceeds on disposal of assets	12.6	-
Purchases of property, plant and equipment and intangible assets	(36.0)	(65.9)
Net cash used in investing activities	(23.1)	(65.3)
FINANCING ACTIVITIES		
Finance fees paid	(0.3)	(0.2)
Interest paid	(29.5)	(28.7)
IFRS 16 lease rental capital payments	(15.5)	(59.3)
IFRS 16 lease rental interest payments	(105.8)	(169.1)
Issue of fixed and floating rate bonds	65.0	440.0
Repayment of fixed and floating rate bonds	-	(427.0)
Exceptional refinancing costs	(4.3)	(18.5)
Investor loan proceeds	40.0	
Drawdown of revolving credit facility	40.0	-
Super Senior Term Loan proceeds	60.0	-
Net cash generated from / (used in) financing activities	49.6	(262.8)
Net increase in aggregate cash and cash equivalents	47.0	7.4
Cash and cash equivalents at beginning of the year	89.2	81.8
Cash and cash equivalents at end of the year	136.2	89.2

THAME AND LONDON LIMITED

CONSOLIDATED CASH FLOW STATEMENT MEMORANDUM
FOR THE YEAR ENDED 31 DECEMBER 2020

Memorandum - Analysis of free cash flow[(1)]

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

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

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent 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) In 2020, net cash spend on provisions and non-underlying items of £4.3m included legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA, legal and advisors' fees and management incentives relating to the previous restructuring of the Group's debt and other corporate activities, as well as onerous lease provisions of £2.2m, partially offset by a cash inflow relating to the disposal of assets. In 2019, cash spend on provisions and exceptional items of £27.2m included costs of refinancing the Travelodge Group of £18.5m, exceptional legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities of £5.6m and onerous lease provisions of £3.1m.

1 GENERAL INFORMATION

Thame and London Limited, formerly Anchor UK Bidco Limited ("the Company") is a private company limited by share capital and was incorporated in the United Kingdom on 7th August 2012. The Company changed its name from Anchor UK Bidco Limited on 23rd May 2013. The Company is domiciled in the UK. The address of its registered office and principal place of business are disclosed in the introduction to the annual report. The Company acquired the Travelodge business on 12th October 2012. The principal activities of the parent Company and its subsidiaries (together "the Group") are disclosed in the Directors' report.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Going Concern

In assessing the appropriateness of applying the going concern assumption in the preparation of the Consolidated and Company financial statements, the Board has considered the Group's liquidity and forecast cash flows under a range of potential scenarios over a period of 14 months from the date of approval of these financial statements to the end of June 2022. The Board has taken into account the unprecedented circumstances and economic uncertainty caused by the ongoing Covid-19 pandemic, specifically in relation to the hotel sector in which the Group operates, a range of potential trading outcomes, availability of government support and mitigating actions which could be taken.

Whilst the current government timeline to ease restrictions, the reduced infection rates, vaccination programme and market expectations suggest the potential for recovery, the Board considers the Group's future performance to be sensitive to the ability of hotels to re-open and remain open, the speed at which demand recovers and the ability of the business to obtain covenant waivers or receive additional funding should these be required.

<u>Availability of funding</u>

The Group entered into a CVA in June 2020, as part of which it negotiated a significant rent reduction of £140m from Q2 2020 through to the end of 2021. The Group also fully drew down its £40m revolving credit facility ("RCF"), agreed revised covenants on the RCF through to September 2021, entered into a new £60m super senior secured term loan, received additional shareholder contributions of £40m and issued £65m of fixed rate notes in addition to the £440m floating rate bond already in issue.

The group used and continues to use the Government Furlough Scheme to partially reimburse the cost of employees unable to work their full contracted hours during the hotel closures and periods of low demand.

<u>Covenants</u>

The Group agreed a covenant waiver on the RCF financial covenant. Under the revised terms, the Group's existing springing quarterly net leverage covenant requirements, which apply if drawings under the RCF are £32m or more, are not tested until 30 September 2021 and for this period have been replaced with a minimum liquidity covenant of £10m.

The new super senior term loan also introduced a £10m minimum liquidity covenant over the term of the loan and a new minimum Last Twelve Months EBITDA covenant, effective from June 2022.

The Group's currently available facilities, indebtedness and details of covenants are set out in note 19.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Base case scenario

The base case assumes that the majority of our hotels are reopened for trading during May 2021, in line with the current roadmap out of lockdown for England and separate guidance for Wales and Scotland, and gradually build back towards pre-Covid-19 levels of trade. Across 2021, the assumption is that RevPAR is on average c. 33% lower than 2019 levels, ending the year with RevPAR down c. 11% vs 2019 in December 2021 (aligning for like for like weeks) and recovering to pre-Covid-19 levels by the end of Q1 2022.

The base case scenario includes the benefits of actions already taken by management to enable the business to successfully trade through the impact of Covid-19, to the extent they are currently available. These involve a number of key components including: continued action by the company to preserve cash flow with reduced discretionary spend; making use of government measures where possible, including furloughing team members under the Job Retention Scheme where appropriate and benefiting from the Hospitality Business Rates Relief programme; and temporary rent reductions under the terms of the Company Voluntary Arrangement ("CVA"). We consider the base case to be a conservative assessment assuming the current roadmap of hotel reopening and there are a number of potential upsides and mitigations that have not been included such as potential additional demand from our predominantly domestic customer base with ongoing restrictions to foreign travel.

Under this base case scenario, the Group is expected to continue to have liquidity headroom and to comply with its banking covenants. We have modelled repayment of £8m under the RCF prior to the end of September 2021 to reduce the draw down to under £32m, which would avoid the net leverage covenant being tested. The model shows headroom over the liquidity covenant throughout, including in December 2021 and March 2022, after the revised rent agreements under the CVA expire, with a seasonal low point in January 2022.

Severe but plausible downside scenarios

Given the current uncertainty around the ongoing potential impact of Covid-19 and the challenges around forecasting the impact on the hotel sector, the Board has considered the following severe but plausible downside scenarios to stress test the Group's financial forecasts.

Our performance will be closely linked to factors outside of our control and most significantly the timing of restrictions being lifted and the pace of recovery thereafter which will be impacted by a number of things including the vaccination roll-out and any Covid-19 driven longer-term changes in customer behaviour. The Board has considered various severe but plausible downside scenarios, including the possibility that the lifting of restrictions is delayed beyond the dates currently in the roadmap; the recovery profile is slower than that assumed in the base case; and there is a further 1 month lockdown period in the next 12 months.

These downside scenarios, which continue to model that the £8m repayment is made under the RCF agreement, have the following impacts:

- Lockdown extension - If hotel opening was delayed to the end of June 2021, the Group would be close to breaching the minimum liquidity covenant from the end of June 2021 and would breach covenants in December 2021 and potentially also need additional funding in January 2022.

- Slower recovery - In the event that the recovery is slower than our base forecast, but no extension to support schemes, with sales only having recovered to c.75% of 2019 levels in Q4 2021, with Q1 2022 then c.3% below 2019 levels, and sales recovering to 2019 levels thereafter, the Group would breach covenants in December 2021 and potentially also need additional funding in January 2022. This scenario reflects 2021 RevPAR being on average c.38% lower than 2019 levels compared to c.33% lower in the base case.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Additional lockdown - In the event there was a need for another national lockdown in the latter part of 2021, the Group would breach covenants in December 2021 and potentially also need additional funding in December 2021, depending on the level of government support available under such a scenario.

Each of these downside scenarios are individually plausible and some combination of all factors could also apply. If the lockdown extension scenario is combined with the slower recovery scenario, or the return to trading is even slower than these scenarios, liquidity issues could arise earlier. In all scenarios there are mitigating actions that the Group could take to improve the cash flow position, especially in particular months where liquidity is lower, including delaying planned discretionary spending on capital expenditure or working capital management measures.

The Group has already proactively approached lenders to start discussions about covenants, however, given the current level of uncertainty and wide range of potential outcomes, both better and worse than our base case, we are not yet in a position to conclude these discussions. The liquidity challenges and pressure on the covenants under the individual downside scenarios arise from December 2021 as the revised rent agreements under the CVA expire but liquidity increases from Q2 2022.

There were also new support measures announced in the March budget including property grants and the Recovery Loan Scheme which could potentially be used to increase available cash.

If needed the Group could also seek to obtain additional funding, either through third parties or potentially with the shareholders, however, the Board cannot predict with any certainty how these parties would respond.

Based on the above 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. There are severe but plausible downside scenarios in which the Group and Company would not have adequate resources to continue as a going concern for the foreseeable future. This indicates the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern. The Consolidated Financial Statements, as drafted, do not include the adjustments that would result if the Group or Company were unable to continue as a going concern.

2.2 Basis of Accounting

The consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 applicable to Group reporting at 31 December 2020.

The consolidated financial statements have been prepared under the historical cost convention modified by the revaluation of financial assets and financial liabilities held at fair value through profit and loss. The principal accounting policies adopted have been consistently applied throughout the year and across the Group and are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Group's exposure to interest rate risk, credit risk, liquidity risk, currency risk and capital risk is discussed in note 19.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 New and Amended standards that are not yet effective

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:
- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.4 Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Group and entities controlled by the Group and its subsidiaries up to 31 December 2020. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Uniform accounting policies are adopted across the Group.

The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or disposal, as appropriate.

All intra-Group transaction balances, income and expenses are eliminated on consolidation.

2.5 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition 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.

2.6 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 as a contract liability. Revenue is recognised when the customer stays. A proportion of the prepaid room purchases would be non-refundable on cancellation of the room booking, with revenue being recognised once the booking is cancelled or the stay date passes.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Non-underlying items
In order to understand the underlying performance of the business, non-recurring items are separately disclosed as non-underlying items in note 7.

2.8 Coronavirus Job Retention Scheme (CJRS) grants
Coronavirus Job Retention Scheme (CJRS) grants were received in 2020 in respect of furloughed staff for the purpose of providing immediate financial support to the Group as a result of Covid-19 pandemic . These grants are not recognised until there is reasonable assurance that the Group has complied with the conditions attaching to them and that the grants will be received.

CJRS grants are recognised in profit or loss in the same period in which the expense was incurred.

2.9 Leasing

The Group's leasing activities and how these are accounted for
The Group leases various properties, all but a few being hotel properties. Rental contracts are typically made for fixed periods of 25 years or 35 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. 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 year. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- 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.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs

Variable lease payments
Variable lease payments that depend on sales are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

Extension and termination options
a) Lessee options
Due to a property lease term typically being for 25 years or 35 years lessee lease extension and termination options are not considered until 3 years prior to the termination date (in line with our 3 year planning process) unless commercial negotiations have commenced sooner.

b) Lessor options
Lessor only extension rights apply to a number of our properties and as required by IFRS 16 the period of the option to extend the lease is included as part of the overall lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 restoration costs are excluded from the initial cost as lease properties are continuously maintained and refurbished.

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 year.

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.

As a lessor
When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. The lease classification of a sub-lease is also based on an assessment of the risks and rewards of ownership of the right-of-use-asset arising from the head lease, in particular whether or not the risks and rewards of ownership lie with the lessor.

The Group recognises lease payments received under operating leases as income on a straight line basis over the lease term as part of 'net rent expenses' (note 6).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Foreign currencies

Transactions and balances

The presentational currency of the Group is sterling. Foreign currency transactions are translated into sterling using average exchange rates.

Group companies

The presentational currency of the Group is sterling. The results and financial position of Group entities that have a functional currency different from the Group's presentational currency are translated in the consolidated financial statements. Assets and liabilities are translated into sterling at rates prevailing at the balance sheet date. Income statement items are translated at the average rates of exchange. All resulting exchange differences are recognised in other comprehensive income.

2.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to other comprehensive income or to equity, in which case the deferred tax is also dealt with in other comprehensive income or in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.12 IT software

IT software is measured initially at purchase cost and is amortised on a straight line basis over its expected useful life of three years. Cost includes the original purchase price of the assets and the costs attributable to bringing the asset to working condition for its intended use. The values attributed are reviewed for impairment if events or changes in circumstances indicate that their carrying value may be impaired.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Brand

The brand name acquired through the acquisition of the Travelodge business was assigned a fair market value at the date of acquisition. The value for the brand name was derived by estimating the amount of royalty income that could be generated from the brand name if it was owned by an independent third-party using a royalty rate Travelodge would expect to receive on forecast future revenues. This is considered to be the market value that could be achieved. The resulting cash flow was discounted to the acquisition date using the Group's pre-tax weighted average cost of capital. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained almost indefinitely and is therefore not amortised. The Group supports the value of the brand name through investment in consumer marketing and advertising, public relations and hotel maintenance and refurbishment across the business. The value of the brand name is reviewed annually for impairment. Please refer to note 3.1 for additional details.

2.14 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Cost includes original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use.

These are depreciated on a straight line basis, over their estimated useful lives as follows:

- Freehold land is not depreciated.
- Freehold buildings are depreciated to their estimated residual values over periods up to fifty years.
- Long leasehold buildings are depreciated to their estimated residual values over fifty years or, where shorter, their remaining lease periods.
- Fixtures and fittings are depreciated over five years for plant and machinery, fixtures, fittings, equipment and over three years for information technology hardware.
- Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

2.15 Assets under construction

Assets under construction are not depreciated. Residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

2.16 Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired (see also 'Brand' policy above).

The recoverable amount is the higher of the fair value less costs to sell and value in use of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Inventory

Inventory comprises food, bar stocks and hotel consumables and are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis.

Derivative financial instruments and hedge accounting

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Derivatives are not basic financial instruments. They are initially recognised at fair value, changes in which are recognised in profit or loss unless they are included in a hedging arrangement.

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses interest rate swap contracts to hedge these exposures and they are designated as cash flow hedges of floating rate borrowings. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives.

The fair value of the derivative financial instruments is shown as non-current if the maturity date of the hedged item is more than 12 months after the balance sheet date.

Changes in the fair value of the derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same year in which the hedge item affects net profit or loss.

Interest hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedging transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.19 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of any direct issue costs.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

2.21 Pension costs

The Group offers a defined contribution scheme to its employees by way of recommending a third party stakeholder scheme with The Scottish Widows plc and the National Employment Savings Trust (NEST). The amount charged to the income statement for this scheme in respect of pension costs and other post-retirement benefits is the contributions payable by the Group in respect of the year. Differences between Group contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2.22 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.

2.23 Share Capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below.

3.1 Carrying value of brand

The brand name acquired through the acquisition of the Travelodge business was assigned a fair market value at the date of acquisition. The value of the brand name is reviewed annually for impairment. This is derived by estimating the amount of royalty income that could be generated from the brand name if it was owned by an independent third party using a royalty of 4.0% on forecast future revenues, which is considered to be the market value that could be achieved. The sales forecast is based on a sales forecast for the period 2021 - 25 and an estimated long term growth rate of 2.0% (2019: 2.5%). The key assumptions are consistent with past experience and with external sources of information. This is discounted at the pre-tax weighted average cost of capital of 10.6% (2019: 10.54%) which is calculated using the Capital Asset Pricing Model and referencing inputs from a portfolio of similar hotel businesses. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained indefinitely and is therefore not amortised. A sensitivity was performed and confirmed that the royalty rate could be reduced to 1.6% (2019: 1.2%) or the discount factor rate would need to increase to 23.1% (2019: 26.7%) before an impairment is triggered.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (CONTINUED)

3.2 Carrying value of intangible assets and tangible assets - hotel assets

Significant estimates are involved in the process of identifying and evaluating hotel carrying values. These assets with a finite life are reviewed for impairment when an impairment trigger is identified. Calculating any subsequent impairment, principally in the estimation of the future cash flows of the cash generating units and the discount rate applied to each cash generating unit involves judgement.

In order to form an estimate of the value in use, the Company prepares cash flow forecasts derived from the most recent financial budgets and financial plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated long term growth rate of 2.0% (2019: 2.5%). The key assumptions are consistent with past experience and with external sources of information. Reviews are performed on a site by site basis over the length of the lease. The Directors have considered the Company's financial projections and the assumptions which underpin those projections including future growth of the budget hotel sector, brand demand and occupancy.

The long term growth rate assumption has been considered with reference to the compound annual growth rate collated by Smith Travel Research for the hotel sector over an 18-year period. In general, the midscale & economy sector, of which Travelodge is part, outperforms the rest of the hotel sector, nevertheless, a significant element of prudence was applied by the Company in selecting a rate below the long term average.

The discount rate assumption has been calculated with reference to the market-weighted average pre-tax cost of capital based on a portfolio of similar hotel businesses using the Capital Asset Pricing Model as a starting point. As permitted by the IAS 36, this is then adjusted to reflect the estimated incremental borrowing cost of leasing for each asset based on market rates at the date of the review, in line with the methodology for assessing the variation in the discount rate by asset used to calculate the discount rate which has been used to derive the lease liabilities included on the balance sheet as a result of IFRS 16. This resulted in a weighted average pre-tax discount rate of 10.6% (2019: 8.3%), compared to a range of 7.6% to 11.5% (2019: 6.8% to 9.3%) for the Company's portfolio of leases.

Following this review, a charge of £8.7m was made in the year for those assets where the carrying value exceeded the discounted estimated future cash flows. This charge is in respect of Property, plant and equipment, Intangible assets and Right of Use assets.

The Company performed a sensitivity analysis in respect of the discount rate applied, short term growth rate as well as the long term growth rates.

The increase in the pre-tax discount in the year of 2.3% to 10.6% in 2020 was driven largely as a result of the pandemic, and a further deterioration of this magnitude is, in the Company's view, unlikely in the absence of any future catastrophic event. Nevertheless, for context, a further increase of 1% to 11.6% in the discount rate would have resulted in an additional charge of £17m. This sensitivity is driven largely by an increase in impairment across a small number of sites, already impaired as a result of the initial assessment. The majority of these sites were not affected by the CVA lease modifications and as a result, the corresponding right of use assets were established at a historic discount rate which is significantly below that used to discount the future cash flows for the value in use calculations.

If future cash flows varied by 5% from management assumptions, this would result in an additional impairment charge of £9m.

The long term growth rate of 2% used in the value in use calculations is prudent in the Company's view as it is significantly below the long term compound annual growth rate for the midscale and economy sector of 2.8%. Nevertheless, for context, a further deterioration of 0.5 percentage points in the long term growth rate from 2.0% to 1.5% would have resulted in an additional charge of £5.1m, again largely due to an increase in impairment across a small number of sites, already impaired as a result of the initial assessment, and which were not affected by the CVA lease modifications.

The Company is therefore comfortable with the rates selected given the inherent prudence in selecting the long term growth rate, and the fact that the discount rate has, as described above, been calculated with reference to the estimated incremental borrowing cost of leasing for each of its assets, based on market rates at the date of the review.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (CONTINUED)

3.3 Modifications to leases

Management use judgement in determining the appropriate discount rates to apply when lease modifications are calculated.

3.4 Deferred tax assets Spain

Based on long term plans and profit forecasts management consider it likely that sufficient taxable profit will be available in Spain in the next 10 years to offset deductible temporary differences and unused tax losses. Profit forecasts involve judgement and an element of risk.

4 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Revenue		
UK	280.4	713.1
International	4.0	14.8
Revenue	284.4	727.9
EBITDA		
UK EBITDA	45.5	333.5
International EBITDA	-	7.0
EBITDA	45.5	340.5
Operating (loss) /profit		
UK	(80.8)	153.5
International	(2.7)	4.2
Operating (loss) /profit	(83.5)	157.7
Profit/ (loss) before tax		
UK	(301.5)	(74.0)
International	(5.5)	1.5
Loss before tax	(307.0)	(72.5)

There is only one operating segment, which is the provision of budget hotel accommodation and related sales.

5 ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

		2020 £m	2019 £m
Assets			
Property, plant and equipment	- UK	120.2	132.5
	- International	0.5	0.4
		120.7	132.9
Right of use assets	- UK	2,090.4	2,488.4
	- International	32.5	32.9
		2,122.9	2,521.3
Total segment assets		2,243.6	2,654.2
Unallocated			
Intangible assets		157.4	159.6
Deferred tax asset		62.3	58.9
Financial derivative asset		-	0.3
Inventory		0.8	1.2
Trade and other receivables		22.2	17.3
Corporation tax debtor		0.5	1.3
Cash and cash equivalents		136.2	89.2
Total assets		2,623.0	2,982.0
Liabilities			
Lease liabilities	- UK	(2,311.0)	(2,561.8)
	- International	(36.8)	(35.6)
Total segment liabilities		(2,347.8)	(2,597.4)
Unallocated			
Trade and other payables		(98.5)	(119.7)
Bond related debt		(494.8)	(432.1)
Revolving credit facility		(40.0)	-
Super senior term loan		(58.1)	-
Investor loan		(166.4)	(111.3)
Deferred tax liability		(58.6)	(55.2)
Provisions		(7.1)	(7.7)
Total liabilities		(3,271.3)	(3,323.4)

6 NET OPERATING EXPENSES

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Cost of goods sold	18.2	43.1
Employee costs (note 8)	115.4	173.9
Fees payable to the Company auditors[1]		
- audit for the parent company and consolidated financial statements	0.2	0.2
- audit fee for subsidiaries	0.2	0.2
Operating expenses	94.0	172.6
Net operating expenses before rent, depreciation, amortisation and non-underlying items	228.0	390.0
Rent payable (third party landlords)[2]	0.4	0.6
Rent receivable	(3.3)	(4.0)
Net rent	(2.9)	(3.4)
Net operating expenses before depreciation, amortisation and non-underlying items	225.1	386.6
Depreciation	146.9	162.3
Amortisation	4.7	5.7
Net depreciation and amortisation	151.6	168.0
Total net operating expenses (before non-underlying items)	376.7	554.6
Non-underlying items (note 7)	(7.0)	15.6
Total net operating expenses	369.7	570.2

(1) In the year ended 31 December 2020, remuneration for non-audit fees was £27k (2019: £0.2m) primarily relate to advisory services in relation to Gender Pay Gap reporting and tax compliance services.

(2) Statutory rent payable of £0.4m (2019: £0.6m) relates to £0.6m (2019: £0.6m) of variable lease payments that are not included within right of use assets, partially offset by a £(0.2)m credit (2019: £nil) relating to temporary rent reductions in Spain (note 15).

Reductions in other operating expenses of £78.6m to £94.0m for the year ended 31 December 2020 are largely driven by the hotel closures, the hospitality business rates holiday and cost efficiency programmes, partially offset by increased costs from our new and maturing hotels.

During the year, the company benefited approximately £3.0m per month since April 2020 from not paying business rates due to Covid-19 relief from the government.

7 NON-UNDERLYING ITEMS (BEFORE TAXATION)

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities and reassessment of provisions	15.6	0.8
Operating expenses	15.6	0.8
Impairment of intangible assets, property plant & equipment and right of use assets	8.7	14.8
Depreciation & amortisation	8.7	14.8
Profit on disposal of assets	(31.3)	-
Profit on disposal of assets	(31.3)	-
Break costs in relation to repayment of bonds	-	9.9
Write off of unamortised loan issue costs on repayment of bonds	-	5.4
Write off of unamortised 'take and hold' fee on repayment of revolving credit facility	0.5	-
Finance costs	0.5	15.3
Total non-underlying (credit) / charge	(6.5)	30.9

Non-underlying items (before taxation) were a credit of £6.5m for the year ended 31 December 2020, being a £31.3m profit on disposal of assets where break clauses were instigated as a direct result of the CVA, partially offset by £15.0m of legal and professional fees and management incentives in connection with the initial landlord consensual proposal, subsequent CVA and other corporate activity, £8.7m for the impairment of fixed assets, other CVA related costs of £0.6m and a £0.5m charge relating to the write off of the unamortised 'take and hold' fee following the repayment of the revolving credit facility.

Non-underlying charges (before taxation) of £30.9m for the year ended 31 December 2019 include a £14.8m charge for the impairment of intangible assets and property plant & equipment, a £0.8m charge related to management incentives with respect to the restructuring of the Group's debt and other exceptional corporate activities, together with break costs of £9.9m and charges of £5.4m relating to the write off of unamortised loan issue costs following the repayment of the fixed rate and floating rate bonds.

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The Directors of the Company are considered to be the key management of the Group.

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Directors' emoluments		
Directors' emoluments	1.5	3.6
Fees	-	-
Pension costs	-	-
Compensation for loss of office	-	-
Total	1.5	3.6
Remuneration of the highest paid Director	1.0	2.0

	Number	Number
Number of Directors accruing benefits under the defined contribution scheme	-	-

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Employees costs during the year (including Directors)		
Wages and salaries	104.6	160.5
Social and security costs	7.3	9.4
Other pension costs	3.5	4.0
Total employee costs	115.4	173.9

In 2020, £0.6m of directors' emoluments (which exclude employer's national insurance) (2019: £0.7m) was in respect of incentives paid in relation to the refinancing and other exceptional corporate activities, which have been charged to non-underlying items (together with employer's national insurance).

The highest paid director voluntarily agreed to forego pay and pension contributions during the period April to June 2020, the Chairman voluntarily agreed to forego pay and pension contributions from April 2020 until his resignation and the other director also took reduced pay and pension contributions during April and May 2020, no performance bonuses were paid for the year. The highest paid director resigned as a director at the end of the year and retains certain ongoing obligations to the company. Totals shown for the year for the highest paid director include a payment due to be made on or before 30 June 2021.

In 2020, a grant of £45.3m was received in respect of the UK Government's Coronavirus Job Retention Scheme (CJRS), which has been offset against employee costs.

In 2020, £3.2m employee costs were capitalised during the year (2019: £1.1m) in respect of employees working on IT and hotel refit capital projects.

8 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

		Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Average FTE number of persons employed[1]	- UK	4,295	7,053
	- International	67	75
	-		
		4,362	7,128

		Year ended 31 December 2020 Number	Year ended 31 December 2019 Number
Total number of persons employed[2]	- UK	10,712	11,637
	- International	66	81
	-		
		10,778	11,718

The total number of employees at the year ended 31 December 2020 includes all employees whether full time or part time. The average FTE number of employees has been calculated as the average FTE number of people who were included on the Group's payroll during the year.

(1) Average FTE number of persons employed includes executive Directors.
(2) Total number of persons employed includes executive Directors.

9 FINANCE INCOME

	Year ended 31 December 2020			Year ended 31 December 2019		
	Received £m	Accrued £m	Total £m	Received £m	Accrued £m	Total £m
Interest on bank deposits	0.3	(0.1)	0.2	0.6	-	0.6
Interest on related party loans	-	0.1	0.1	-	0.1	0.1
Finance income	0.3	-	0.3	0.6	0.1	0.7

10 FINANCE COSTS

	Year ended 31 December 2020			Year ended 31 December 2019		
	Paid £m	Accrued £m	Total £m	Paid £m	Accrued £m	Total £m
Finance fees	0.3	2.0	2.3	0.2	1.9	2.1
Interest on bank loans	3.3	0.7	4.0	1.3	(0.3)	1.0
Interest on fixed and floating rate bonds	26.2	(0.5)	25.7	27.4	1.7	29.1
Interest on lease liabilities	105.8	70.4	176.2	169.1	-	169.1
Finance costs before interest on investor loan - underlying	135.6	72.6	208.2	198.0	3.3	201.3
Interest on investor loan	-	15.1	15.1	-	14.3	14.3
Finance costs - underlying	135.6	87.7	223.3	198.0	17.6	215.6
Non-underlying items						
Fees in relation to restructuring of debt	0.5	-	0.5	18.5	(3.2)	15.3
Finance costs	136.1	87.7	223.8	216.5	14.4	230.9

11 INCOME TAX

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Current tax		
Adjustment in respect of prior years	-	1.6
UK Corporation tax	-	-
Foreign tax	-	(0.2)
Total current tax credit / (charge)	-	1.4
Deferred tax		
Current year credit / (charge)	(0.3)	2.7
Adjustment in respect of previous years	-	-
Effect of change in tax rate	-	0.7
Total deferred tax credit / (charge) (note 20)	(0.3)	3.4
Income tax credit / (charge)	(0.3)	4.8

The main rate of UK corporation tax was 19.0%. As announced in the 2020 budget, the main rate of corporation tax will now remain at 19.0%.

Deferred tax balances have been measured at a rate of 19.0% (2019: 17.0%), being the rate substantively enacted at the balance sheet date.

Current corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated assessable profit for the year.

The total charge for the year can be reconciled to the loss per the income statement as follows:

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Loss before tax	(307.0)	(72.5)
Tax at the UK corporation rate of 19.0% (2019: 19.0%)	(58.3)	(13.8)
Tax effect of:		
Items not deductible for tax purposes	3.1	2.5
Non-qualifying depreciation, amortisation and impairment	-	0.1
Losses where no DTA is recognised	55.7	8.7
Effect of overseas tax rates	(0.1)	(0.7)
Adjustments from prior years	-	(1.6)
Other	(0.1)	-
Income tax (credit)/ charge for the year	0.3	(4.8)

The deferred tax credit arising in the year is comprised as follows:

	Intangible assets £m	Tax losses and hold-over relief £m	Accelerated tax depreciation £m	Total £m
(Credit)/ charge due to movement in the year (note 20)	3.4	0.7	(3.8)	0.3
(Credit)/ charge to income statement	3.4	0.7	(3.8)	0.3

As part of their review of the 2015, 2016 and 2017 tax returns, HMRC have requested information in relation to the Group restructuring and refinancing in those years. The business has been responding to those information requests.

12 SUBSIDIARIES

The subsidiaries of the Group are listed below.

Name of subsidiary undertaking	Registered address	Business description	Country of Incorporation	% of equity held
Travelodge Hotels Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Trading Company	Great Britain	100
Travelodge Hoteles Espana SL	Calle Santa Leonor, 34, 28037, Madrid, Spain	Trading Company	Spain	100
Full Moon Holdco 4 Limited*	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 5 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 6 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 7 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
TVL Finance PLC	47 Esplanade, St Helier, Jersey, JE1 0BD	Financing Company	Great Britain	100
TLLC Holdings2 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Travelodge Holdings (Malta) Limited	The Landmark, Level 1, Suite 2, Triq L-Iljun, Qormi QRM3800, Malta	Holding Company	Malta	100
FullMoonPropco1 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Trading Company	Great Britain	100
Travelodge Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Dormant Company	Great Britain	100

* Directly owned
All shares held are ordinary shares

13 INTANGIBLE ASSETS

An analysis of intangible assets for the year ended 31 December 2020 is given below:

	Brand(1) £m	Assets under construction(2) £m	IT Software(4) £m	Total £m
Cost				
At 1 January 2020	145.0	5.6	13.5	164.1
Additions - Capital expenditure	-	4.1	-	4.1
Transfers between categories(6)	-	(6.7)	5.1	(1.6)
Write off fully depreciated assets	-	-	(3.3)	(3.3)
At 31 December 2020	145.0	3.0	15.3	163.3
Accumulated amortisation				
At 1 January 2020	-	-	(4.5)	(4.5)
Charge for the year	-	-	(4.7)	(4.7)
Write off fully depreciated assets	-	-	3.3	3.3
At 31 December 2020	-	-	(5.9)	(5.9)
Carrying amount				
At 31 December 2020	145.0	3.0	9.4	157.4
At 31 December 2019	145.0	5.6	9.0	159.6

13 INTANGIBLE ASSETS (CONTINUED)

An analysis of intangible assets for the year ended 31 December 2019 is given below:

	Brand(1) £m	Assets under construction(2) £m	Lease Premiums(3) £m	IT Software(4) £m	Total £m
Cost					
At 1 January 2019	145.0	3.9	285.5	16.1	450.5
Impact of adoption of IFRS 16(2)	-	-	(285.5)	-	(285.5)
Restated at 1 January 2019	145.0	3.9	-	16.1	165.0
Additions - Capital expenditure	-	9.0	-	-	9.0
Movement on capital creditors(5)	-	-	-	(0.4)	(0.4)
Transfers between categories(6)	-	(7.3)	-	5.3	(2.0)
Write off fully depreciated assets	-	-	-	(7.5)	(7.5)
At 31 December 2019	145.0	5.6	-	13.5	164.1
Accumulated amortisation					
At 1 January 2019	-	-	(78.7)	(6.3)	(85.0)
Impact of adoption of IFRS 16(2)	-	-	78.7	-	78.7
Restated at 1 January 2019	-	-	-	(6.3)	(6.3)
Charge for the year	-	-	-	(5.7)	(5.7)
Write off fully depreciated assets	-	-	-	7.5	7.5
At 31 December 2019	-	-	-	(4.5)	(4.5)
Carrying amount					
At 31 December 2019	145.0	5.6	-	9.0	159.6
Restated at 1 January 2019	145.0	3.9	-	9.8	158.7
At 31 December 2018	145.0	3.9	206.8	9.8	365.5

(1) The brand intangible asset arose on the acquisition of Travelodge. This is not subject to annual amortisation but is assessed for impairment on an annual basis.

(2) Assets under construction predominantly consists of costs in relation to the construction of new hotels which have not opened yet and investment in IT. Once complete the costs are transferred to the appropriate asset category.

(3) On adoption of IFRS 16 Lease premiums were reclassified to Right of Use assets at the transition date.

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

(5) Movement on capital creditors represents the year on year movement in accrued capital expenditure at year end.

(6) Transfers between categories include £1.6m (2019: £2.0m) of leasehold premiums reclassified to right of use assets.

14 PROPERTY, PLANT AND EQUIPMENT

An analysis of property, plant and equipment for the year ended 31 December 2020 is given below:

	Assets under construction[1] £m	Freehold land, freehold and long leasehold buildings[2] £m	Fixtures and fittings[4] £m	Total £m
Cost				
At 1 January 2020	2.9	1.8	206.5	211.2
Additions - Capital expenditure	31.7	-	0.2	31.9
Movement on capital creditors[5]	-	-	(1.5)	(1.5)
Transfers	(32.8)	-	32.8	-
Write-down of fully depreciated assets	-	-	(23.9)	(23.9)
Disposals	(0.3)	-	(7.6)	(7.9)
At 31 December 2020	1.5	1.8	206.5	209.8
Accumulated depreciation				
At 1 January 2020	-	(0.2)	(78.1)	(78.3)
Charge for the year	-	-	(37.7)	(37.7)
Write-back of depreciation on fully depreciated assets	-	-	23.9	23.9
Disposals	-	-	3.5	3.5
Impairment	-	-	(0.5)	(0.5)
At 31 December 2020	-	(0.2)	(88.9)	(89.1)
Carrying amount				
At 31 December 2020	1.5	1.6	117.6	120.7
At 31 December 2019	2.9	1.6	128.4	132.9

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

An analysis of property, plant and equipment for the year ended 31 December 2019 is given below:

	Assets under construction(1) £m	Freehold land, freehold and long leasehold buildings(2) £m	Assets held under finance leases(3) £m	Fixtures and fittings(4) £m	Total £m
Cost					
At 1 January 2019	1.4	1.8	18.3	198.5	220.0
Impact of adoption of IFRS 16(3)	-	-	(18.3)	-	(18.3)
Restated at 1 January 2019	1.4	1.8	-	198.5	201.7
Additions - Capital expenditure	56.7	-	-	0.2	56.9
Movement on capital creditors(5)	-	-	-	(2.3)	(2.3)
Transfers	(55.2)	-	-	55.2	-
Write-down of fully depreciated assets	-	-	-	(44.9)	(44.9)
Disposals	-	-	-	(0.2)	(0.2)
At 31 December 2019	2.9	1.8	-	206.5	211.2
Accumulated depreciation					
At 1 January 2019	-	(0.2)	(2.8)	(76.7)	(79.7)
Impact of adoption of IFRS 16(3)	-	-	2.8	(1.4)	1.4
Restated at 1 January 2019	-	(0.2)	-	(78.1)	(78.3)
Charge for the year	-	-	-	(44.2)	(44.2)
Write-back of depreciation on fully depreciated assets	-	-	-	44.9	44.9
Impairment	-	-	-	(0.7)	(0.7)
At 31 December 2019	-	(0.2)	-	(78.1)	(78.3)
Carrying amount					
At 31 December 2019	2.9	1.6	-	128.4	132.9
Restated at 1 January 2019	1.4	1.6	-	120.4	123.4
At 31 December 2018	1.4	1.6	15.5	121.8	140.3

(1) Assets under construction predominantly consists of on-going maintenance and refits. Once complete the costs are transferred to the appropriate asset category.

(2) Freehold, freehold and long leasehold buildings includes freehold land stated at cost of £20,100 (2019: £20,100) which is not depreciated. Freehold land and long leasehold properties are stated at cost. Depreciation is provided on cost in equal annual installments over the estimated remaining useful lives of the assets.

(3) Before the adoption of IFRS 16 on 1 January 2019, assets held under finance leases were depreciated over their useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The impact of the adoption of IFRS 16 consists of the transfer of £15.5m from Property, Plant & Equipment to Right of Use assets, representing the net book value of assets previously classified as finance lease assets in 2019. There was also an additional £1.4m impairment to fixtures and fittings on transition.

(4) Fixtures and fittings are initially measured at cost and are depreciated over three to 5 years.

(5) Movement on capital creditors represents the year on year movement in accrued capital expenditure at year end.

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In line with its accounting policy, the Group assesses the carrying value of all cash generating units, which would include individual, where there are indications of potential impairment. Impairment reviews are performed annually at the Group's year end of 31 December. As a result of this review, an impairment charge of £0.5m has been made in the year. Please refer to Note 3.2 for a discussion of the estimates and judgements which underpin this charge together with a sensitivity analysis for changes to those assumptions.

15 RIGHT OF USE ASSETS

An analysis of Right of use assets for the year ended 31 December 2020 is given below:

	Property £m	Total £m
Cost		
At 1 January 2020	3,093.1	3,093.1
New leases	79.1	79.1
Transfers (3)	1.6	1.6
Rent reviews and adjustments	(305.3)	(305.3)
Disposals	(90.5)	(90.5)
Foreign Exchange Translation Adjustment	2.1	2.1
At 31 December 2020	2,780.1	2,780.1
Accumulated depreciation		
At 1 January 2020	(571.8)	(571.8)
Depreciation charge for the year	(109.2)	(109.2)
Disposals	32.3	32.3
Foreign Exchange Translation Adjustment	(0.3)	(0.3)
Impairment	(8.2)	(8.2)
At 31 December 2020	(657.2)	(657.2)
Carrying amount		
At 31 December 2020	2,122.9	2,122.9
At 31 December 2019	2,521.3	2,521.3

15 RIGHT OF USE ASSETS (CONTINUED)

An analysis of Right of use assets for the year ended 31 December 2019 is given below:

	Property £m	Total £m
Cost		
Impact of Adoption of IFRS 16 on 1 January 2019 (1)	2,976.5	2,976.5
New leases	64.1	64.1
Movement on capital creditors(2)	(0.2)	(0.2)
Transfers (3)	2.0	2.0
Rent reviews and adjustments	52.6	52.6
Foreign exchange translation adjustments	(1.9)	(1.9)
At 31 December 2019	3,093.1	3,093.1
Accumulated depreciation		
Adoption of IFRS 16 on 1 January 2019	(404.1)	(404.1)
Impairment on adoption	(35.7)	(35.7)
Impact of Adoption of IFRS 16 on 1 January 2019 (1)	(439.8)	(439.8)
Depreciation	(118.1)	(118.1)
Foreign exchange translation adjustments	0.2	0.2
Impairment	(14.1)	(14.1)
At 31 December 2019	(571.8)	(571.8)
Carrying amount		
At 31 December 2019	2,521.3	2,521.3
Restated at 1 January 2019	2,536.7	2,536.7

(1) The impact of the adoption of IFRS 16 included the transfers from Property, Plant and Equipment of £15.5m represents the net book value of assets previously classified as finance lease assets, transfers from Intangible Assets of £206.8m represent the net book value of assets previously classified as lease premiums, £10.5m of transfers from Provisions being onerous lease provisions held in respect of leases at the date of transition and an additional £35.7m impairment to Right of Use assets at transition date.

(2) Movement on capital creditors relate to leasehold premiums.

(3) Transfers relate to leasehold premiums reclassified from assets under construction within intangible assets.

As permitted by IFRS 16, the Company has elected not to recognise Right of use assets in respect of short term or low value leases.

Each hotel to which a lease premium asset is assigned is considered to be a separate cash generating unit when assessing impairment.

In line with its accounting policy, the Group assesses the carrying value of all cash generating units, which would include individual hotels, where there are indications of potential impairment. Impairment reviews are performed annually at the Group's year end of 31 December.

As a result of this review, an impairment charge of £8.2m has been made in the year. Please refer to Note 3.2 for a discussion of the estimates and judgements which underpin this charge together with a sensitivity analysis for changes to those assumptions.

16 TRADE AND OTHER RECEIVABLES

	31 December 2020 £m	**31 December 2019 £m**
Amounts due within one year:		
Trade amounts receivable		
- Gross amount receivable	8.0	6.5
- Bad debt provision	(0.2)	(0.2)
- Net amounts receivable	7.8	6.3
Other amounts receivable	7.0	2.2
Accrued income(2)	0.6	2.4
Prepayments(1)	4.7	4.5
Loans to related parties (note 25)	2.1	1.9
Total	22.2	17.3

(1) Prepayments mainly include prepayments of property costs and system costs.
(2) Accrued income is made up of £0.4m (2019: £1.6m) accrued supplier rebates and £0.2m (2019: £0.8m) of accrued income.

Management have estimated the fair value of trade and other receivables to be equal to the book value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group estimates expected credit losses based on historical experience.

Trade Receivable Ageing

	31 December 2020 £m	**31 December 2019 £m**
Current	4.3	5.2
Past due		
30 days	0.1	0.1
60 days	1.4	0.1
90+ days	2.2	1.1
Total	8.0	6.5

17 TRADE AND OTHER PAYABLES

	31 December 2020 £m	31 December 2019 £m	1 January 2019 £m
Trade payables	(6.2)	(13.5)	(15.5)
Other payables(1)	(13.7)	(8.7)	(7.5)
Social security and other taxation	(7.4)	(7.5)	(14.2)
Accruals	(41.8)	(54.4)	(58.8)
Deferred income	(1.7)	(2.3)	(0.8)
Contract liabilities - Prepaid room purchases (2)	(23.4)	(27.5)	(28.1)
Capital payables	(4.3)	(5.8)	(8.7)
Amounts falling due within one year	(98.5)	(119.7)	(133.6)
Amounts falling due after one year			
Accruals	-	-	(15.3)
Total	(98.5)	(119.7)	(148.9)

(1) Other payables include bank and bond interest accrued, bond issue costs accrued and pension fund contributions.

(2) Prepaid room purchases of £23.4m (2019: £27.5m) relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay, of which 39.5% (2019: 45.0%) would be non-refundable on cancellation of the room booking. Customer stays are within 1 year of the booking date so contract liabilities at the start of the period are recognised within revenue in the year.

The Group pays its trade payables in line with the terms that it has agreed with its suppliers. Typically these terms vary from 30 days to 90 days.

Management have estimated the fair value of trade and other payables to be equal to the book value.

18 LEASE LIABILITIES

	31 December 2020 £m	31 December 2019 £m
Opening Balance	(2,597.4)	-
Transfer from Finance Lease Creditor[1]	-	(32.8)
New Lease Liabilities on Adoption	-	(2,509.1)
Adoption of IFRS 16	-	(2,541.9)
New leases	(79.1)	(64.1)
Lease Adjustments[2]	305.3	(52.6)
Foreign Exchange Translation Adjustment	(2.0)	1.9
Finance Costs	(176.2)	(169.1)
Payments	121.3	228.4
Disposals[3]	80.3	-
Closing Balance	(2,347.8)	(2,597.4)
Amounts falling due within one year	(15.7)	(47.6)
Amounts falling after one year	(2,332.1)	(2,549.8)
	(2,347.8)	(2,597.4)

(1) Following the adoption of IFRS 16 on 1 January 2019, leases previously classified as finance leases have been included in the IFRS 16 lease liability.
(2) These include the effect of lease modifications following the CVA.
(3) Disposals relate to the disposal of assets and the disposal of leases where break clauses were instigated as a direct result of the CVA.

Lease adjustments of £305.3m include CVA modifications at 20 June 2020 of £394.4m, since offset by subsequent revisions as a result of landlords exercising their options under the CVA to extend leases, together with other lease adjustments in the normal course of business, mainly rent reviews.

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

As a result of this treatment as a modification, leases were reassessed based on future projected rent cash flows, together with the impact of any lease extension options entered into, and the discount rates used were also reassessed as at June 2020, when the CVA took effect. This resulted in a total reduction in both the lease liability and right of use asset totalling £394.4m, which comprises the effect of the temporary period of rent reductions of approximately £142.4m, together with the reduction due to the increase in the weighted average discount rate for the affected leases from 7.1% to 9.4%.

18 LEASE LIABILITIES (CONTINUED)

Lease liabilities have been discounted at a weighted average discount rate of 8.89% (2019: 7.1%) with a range between 5.0% and 11.0% (2019: 5.5% to 9.1%). The weighted average remaining length of lease from the balance sheet date is 23.2 years (2019: 23.1 years).

Details of lease payments made in the year and charged to the Income Statement are given below:

Lease payments charged/ (credited) to Income Statement

Year ended 31 December 2020	**Property 2020 £m**	**Total 2020 £m**
Variable lease payments charge not included within right of use assets	0.4	0.4
Income from subleasing right of use assets	(3.3)	(3.3)
	(2.9)	(2.9)

Year ended 31 December 2019	**Property 2019 £m**	**Total 2019 £m**
Variable lease payments charge not included within right of use assets	0.6	0.6
Income from subleasing right of use assets	(4.0)	(4.0)
	(3.4)	(3.4)

The total cash outflow for leases in 2020 was £121.3m (2019: £228.4m)

19 FINANCIAL ASSETS AND LIABILITIES

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Cash at bank and in hand	136.2	89.2
External debt redeemable:		
- Fixed rate bond	(65.0)	-
- Floating rate bond	(440.0)	(440.0)
- Issue costs	10.2	7.9
Bond related debt	(494.8)	(432.1)
- Super senior term loan	(61.9)	-
- Issue costs	3.8	-
Super senior term loan related debt	(58.1)	-
Revolving credit facility	(40.0)	-
External debt	(592.9)	(432.1)
Net external debt	(456.7)	(342.9)
Investor loan note	(166.4)	(111.3)
Net debt before finance leases	(623.1)	(454.2)
Lease liabilities	(2,347.8)	(2,597.4)
Net funding including finance leases	(2,970.9)	(3,051.6)

Senior secured notes

Senior secured fixed rate sterling denominated notes of £232m and senior secured floating rate sterling denominated notes of £195m were repaid on 5 July 2019, when new senior secured floating rate sterling denominated notes of £440m were issued with a termination date of 15 July 2025. Interest is floating at three month LIBOR plus a margin of 5.375%. Interest is payable quarterly each January, April, July and October. The notes may be redeemed at any time on or after 15 July 2020, at par.

On 18 December 2020, new senior secured fixed rate sterling denominated notes of £65m were issued with a termination date of 15 January 2025. Interest was fixed at 9% and payable on a semi-annual basis. Further loan issue costs of approximately £3.8m will be amortised over the life of the facility in line with generally accepted accounting practice.

The weighted average interest rate paid in the year ended 31 December 2020 was 5.9% (2019: 5.8%), and the weighted average interest rate charged in the year ended 31 December 2020 was 5.8% (2019: 6.2%).

Revolving credit facility and super senior term loan

At the balance sheet date, a sterling denominated revolving credit facility of £40m (2019: £40m) was available to the Group until July 2024. At the date of these financial statements £40m (2019: £40m) drawings on this facility had been made.

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. An initial drawdown of £30m was made on that date.

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.

19 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 on 31 December 2021, or shortly thereafter. 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 (as amended on 5 July 2019). At 31 December 2020, letters of credit were in issue under the RCF/LOC facility to the value of £24.3m (2019: £14.8m), but not called upon.

Issue costs
Costs incurred in issuing the senior secured sterling denominated notes and revolving credit facility have been deducted from the fair value of the notes and facilities, 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 15.0%. As at 31 December 2020, accrued interest for year from 1 January 2020 to 31 December 2020 totalled £15.1m (2019: £14.3m).

The notes were variably secured on leases owned by certain subsidiary undertakings and charges over shares in subsidiary undertakings.

19 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	Lease liabilities £m	Fixed rate bond £m	Floating rate bond £m	Revolving credit facility £m	Super senior revolving credit facility £m	Super senior term loan £m	Total External debt £m	Investor loan note £m	Total £m
Balance at 1 January 2020	(2,597.4)	-	(440.0)	-	-	-	(3,037.4)	(111.3)	(3,148.7)
Bonds issued in the year	-	(65.0)	-	-	-	-	(65.0)	-	(65.0)
Proceeds from new drawdowns / loans	-	-	-	(40.0)	(30.0)	(60.0)	(130.0)	(40.0)	(170.0)
Take and hold fee	-	-	-	-	(0.6)	-	(0.6)	-	(0.6)
OID fee	-	-	-	-	-	(1.9)	(1.9)	-	(1.9)
New leases	(79.1)	-	-	-	-	-	(79.1)	-	(79.1)
CVA impact and rent reviews(1)	305.3	-	-	-	-	-	305.3	-	305.3
Foreign exchange translation adjustments	(2.0)	-	-	-	-	-	(2.0)	-	(2.0)
Finance lease repayments	1.5	-	-	-	-	-	1.5	-	1.5
Operating lease repayments	119.8	-	-	-	-	-	119.8	-	119.8
Disposals	80.3	-	-	-	-	-	80.3	-	80.3
Interest on lease liabilities	(176.2)	-	-	-	-	-	(176.2)	-	(176.2)
Accrued investor loan interest	-	-	-	-	-	-	-	(15.1)	(15.1)
Loan repayments	-	-	-	-	30.6	-	30.6	-	30.6
Net movement in year	249.6	(65.0)	-	(40.0)	-	(61.9)	82.7	(55.1)	27.6
Balance at 31 December 2020	(2,347.8)	(65.0)	(440.0)	(40.0)	-	(61.9)	(2,954.7)	(166.4)	(3,121.1)

(1) CVA impact and rent reviews = reduced rent, lease extensions and discount rate changes under the terms of the CVA less rent reviews.

19 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

	31 December 2020		31 December 2019	
	Carrying amount £m	**Fair value £m**	**Carrying amount £m**	**Fair value £m**
Financial instrument categories				
Cash and Cash equivalents	136.2	136.2	89.2	89.2
Financial assets at amortised cost (1)	16.9	16.9	10.4	10.4
Financial derivative asset	-	-	0.3	0.3
Bond related debt	(505.0)	(455.2)	(440.0)	(442.6)
Revolving credit facility	(40.0)	(40.0)	-	-
Super senior term loan	(61.9)	(61.9)	-	-
Investor loan note	(166.4)	(166.4)	(111.3)	(111.3)
Financial liabilities(2)	(2,413.8)	(2,413.8)	(2,679.8)	(2,679.8)
	(3,034.0)	(2,984.2)	(3,131.2)	(3,133.8)

(1) Financial assets at amortised cost of £16.9m (2019: £10.4m) are made up of trade receivables £7.8m (2019: £6.3m), other receivables of £7.0m (2019: £2.2m) and loans to related parties of £2.1m (2019: £1.9m).

(2) Financial liabilities of £2,413.8m (2019: £2,679.8m) are made up of lease liabilities of £2,347.8m (2019: £2,597.4m), trade payables £6.2m (2019: £13.5m), capital payables £4.3m (2019: £5.8m), accruals £41.8m (2019: £54.4m) and other payables £13.7m (2019: £8.7m).

Financial assets at amortised cost and financial liabilities (excluding lease liabilities and finance lease 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 commenced 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.

19 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which uses inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	Level 1 £m	Level 2 £m	Level 3 £m	31 December 2020 Total £m
Financial assets measured at fair value through profit and loss				
Derivatives (interest rate cap)	-	0.0	-	0.0
Total Derivatives	-	0.0	-	0.0

	Level 1 £m	Level 2 £m	Level 3 £m	31 December 2019 Total £m
Financial assets measured at fair value through profit and loss				
Derivatives (interest rate cap)	-	0.3	-	0.3
Total Derivatives	-	0.3	-	0.3

Risk

Capital risk management: The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes borrowings disclosed above, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Interest rate risk: The Group finances its operations through borrowings. The Group borrows at floating rates and uses an interest rate cap to limit the interest paid. £300m of floating rate bonds of £440m are covered by the interest rate cap.

Given the Group's debt facilities position at 31 December 2020 a small movement in LIBOR will affect the Group's interest profile. The Group's net profit and cash interest payment would increase or decrease by £1.3m (2019: £1.1m) if LIBOR rates increased or decreased by 25 basis points.

Liquidity risks: The Group has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Credit risk: The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. No collateral is held against liquid funds.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Currency exposures: At 31 December 2020, the Group had no material currency exposures that would give rise to net currency gains or losses being recognised in the income statement.

20 DEFERRED TAX

The following are the major deferred tax assets and (liabilities) recognised by the Group which are expected to be recovered or settled more than twelve months after the reporting year and movements thereon during the current and prior reporting year.

For the year ended 31 December 2020:

	Tax losses and hold-over relief £m	**Accelerated tax depreciation £m**	***Deferred tax asset £m***	**Intangible assets £m**	***Deferred tax liability £m***	**Total £m**
At 1 January 2020	3.3	55.6	*58.9*	(55.2)	*(55.2)*	3.7
(Charge)/credit to income	(0.7)	3.8	*3.1*	(3.4)	*(3.4)*	(0.3)
Foreign exchange movement in year	0.3	-	*0.3*	-	-	0.3
At 31 December 2020	2.9	59.4	*62.3*	(58.6)	*(58.6)*	3.7

For the year ended 31 December 2019:

	Tax losses and hold-over relief £m	**Accelerated tax depreciation £m**	***Deferred tax asset £m***	**Intangible assets £m**	***Deferred tax liability £m***	**Total £m**
At 1 January 2019	24.8	22.6	*47.4*	(60.5)	*(60.5)*	(13.1)
Impact of Adoption of IFRS 16 on 1 January 2019	(18.5)	31.9	*13.4*	-	-	13.4
	6.3	54.5	*60.8*	(60.5)	*(60.5)*	0.3
(Charge)/credit to income	(3.0)	1.1	*(1.9)*	5.3	*5.3*	3.4
At 31 December 2019	3.3	55.6	*58.9*	(55.2)	*(55.2)*	3.7

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19.0%.

There is an unprovided deferred tax asset of £91.7m (2019: £32.9m) relating to tax losses and other timing differences.

In 2020 the deferred tax liability has been offset against the deferred tax asset, to the extent that a legal right of set-off exists. In 2019 the deferred tax asset and deferred tax liability was included on a gross basis.

21 PROVISIONS

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
At 1 January	(7.7)	(18.6)
Impact of adoption of IFRS 16	-	10.5
Revised balance at 1 January	(7.7)	(8.1)
Cash spend	0.2	0.4
Additional provisions recognised	(0.6)	-
Disposals	0.8	-
Transfer from accruals	0.2	-
At 31 December	(7.1)	(7.7)
The balance can be analysed as:		
Due in less than one year	-	(0.1)
Due in greater than one year	(7.1)	(7.6)
Total	(7.1)	(7.7)

Provisions of £7.1m (2019: £7.7m) consist of the establishment of a compromised creditors fund following the CVA of £1.0m (2019: £nil), public liability claims costs of £0.9m (2019: £0.9m), onerous lease provisions relating to historic sub-leased restaurant units of £0.4m (2019: £1.4m) and other provisions of £4.8m (2019: £5.4m).

22 SHARE CAPITAL

	2020 & 2019 Number of shares	2020 & 2019 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1

	2020 & 2019 Number of shares	2020 & 2019 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1

23 CAPITAL COMMITMENTS

Contracted future capital expenditure not provided for in these financial statements predominantly relates to expenditure on the refurbishment and maintenance of current hotels. At 31 December 2020 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £3.3m (2019: £6.1m).

24 CONTINGENT LIABILITIES

The Group had contingent liabilities under a number of leases that have been assigned to various third parties. In certain circumstances, should the current lessee default on the payment of rent, a superior landlord may have recourse to the Group. Should a superior landlord make a claim on the Group for unpaid rent, the Group would be required to settle that liability and subsequently the unit / units subject to the claim could be seized by the Group following petitioning of a court. The Group could subsequently, subject to certain conditions, either trade from the unit or reassign or sublet the lease of the unit to a third party. The CVA in June 2020 released Travelodge Hotels Ltd from any contingent liability that it might have in relation to these properties.

At 31 December 2020 the estimated annual contingent rental liability was £nil (2019: £61k), represented by nil units (2019: 5 units) with an average annual rental cost per unit of £nil (2019: £12k) and an average lease term remaining of nil years (2019: 35 years).

25 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the Directors regard Anchor Holdings SCA as the ultimate parent undertaking and controlling party, a company incorporated in Luxembourg.

Thame and London Limited is the parent undertaking of the largest and smallest Group of undertakings to consolidate these financial statements at 31 December 2020. The consolidated financial statements of Thame and London Limited are available from Sleepy Hollow, Aylesbury Road, Thame, Oxfordshire, OX9 3AT.

Anchor Holdings SCA has provided the Company with investor loans totalling £135.0m (2019: £95.0m). The original investor loan note of £95.0m has a termination date of January 2026. On 24 August 2020 and 2 December 2020, the Group entered into additional investor loan note agreements of £10.0m and £30.0m respectively, with a termination date of 2033. None of the accrued interest relating to these loans was repaid during 2020 (2019: £nil). The loan accrues interest at 15.0% (2019: 15.0%) per annum.

Interest accrued in the year is £15.1m (2019: £14.3m) and the total balance including accrued interest was £166.4m (2019: £111.3m).

25 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY (CONTINUED)

Travelodge Hotels Limited has agreed to make loan facilities available to Anchor Holdings SCA and Anchor Holdings G.P.S.A up to a maximum of £1.5m (2019: £1.5m) and £0.5m (2019: £0.5m) respectively. At the balance sheet date, Anchor Holdings SCA and Anchor Holdings G.P.S.A had utilised £1.2m (2019: £1.2m) and £0.4m (2019: £0.4m) respectively. The loans accrue interest at 8% per annum. Interest accrued in the year was £0.1m (2019: £0.1m), all of which was unpaid. The total interest accrued at the balance sheet date was £0.5m (2019: £0.4m).

Of the total fees paid as part of the Group's refinancing (see note 19), an amount of £0.6m (2019: £3.1m) was paid to a financial institution which is related to one of the parent undertakings.

The Group entered into a new super senior £60m revolving credit facility agreement on 20 April 2020, with certain financial institutions that are indirect shareholders (or affiliates thereof) of Thame and London Limited. The facility was to fund general corporate and working capital requirements and £30m of this facility was initially drawn, on which 'take and hold' fee of £0.6m was incurred. In November 2020, the Group entered into a new super senior term loan agreement which refinanced and replaced the £60m super senior revolving credit facility entered into on 20 April 2020. The super senior facility agreement is between, among others, the Group, the issuer, certain funds managed or advised by GoldenTree Asset Management and certain funds managed or advised by Avenue Europe International Management, L.P. (or affiliates thereof) and the agent, Global Loan Agency Services Limited. 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. There will be no scheduled repayment of the principal under the term loan before 5 July 2024. The initial fees payable in connection with the term loan are deferred until after 31 December 2021, and a proportion of the interest is also payable in kind at the borrower's election.

26 NOTE TO THE CASH FLOW STATEMENT

	Year ended 31 December 2020 £m	**Year ended 31 December 2019 £m**
Operating profit	(83.5)	157.7
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	146.9	162.3
Amortisation of other intangible assets	4.7	5.7
Impairment of fixed assets (notes 14 & 15)	8.7	14.8
Profit on disposal of assets	(31.3)	-
	129.0	182.8
Operating cash flows before movements in working capital	45.5	340.5
Movement in inventory	0.4	(0.1)
Movement in receivables	(4.9)	(5.5)
Movement in payables	(20.9)	2.4
Movement in provisions	(0.4)	(0.4)
Total working capital movement	(25.8)	(3.6)
CASH FLOWS FROM OPERATING ACTIVITIES	19.7	336.9

27 ALTERNATIVE PERFORMANCE MEASURE (APM)

The Group uses the non-statutory alternative performance measures 'EBITDA (Adjusted)' and 'Free Cash Flow' to monitor the financial performance of the Group internally. These measures are not statutory measures in accordance with IFRS. In addition, the Group's debt facilities contain 'frozen GAAP' clauses, so additional measures have also been provided on a 'Before IFRS 16' basis.

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

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

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

We also use these measures internally to track our business performance, establish operational and strategic targets and make business decisions. We believe EBITDA (adjusted) facilitates operating performance comparisons between periods and among other companies in industries similar to ours because it removes the effect of variation in capital structures, taxation, and non- cash depreciation, amortisation and impairment charges, which may be unrelated to operating performance. We believe EBITDA (adjusted) is a useful measure of our underlying operating performance because it excludes the impact of items which are not related to our core results of operations, including certain one-off or non-recurring items and more closely aligns the recognition of rent free periods in profitability with the corresponding cash impact. Management used the same key performance measure for many years which deducts an annual rental charge from profit and accounting for rent free periods by spreading these over the period to the next rent review. Management believe this is a useful performance measure as it more accurately reflects the cash impact of the hotel operating leases.

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Statutory Loss before tax	(307.0)	(72.5)
Net Finance Costs	223.5	230.2
Operating (Loss) / Profit	(83.5)	157.7
Non-underlying Operating Items (see note 7)	(7.0)	15.6
Underlying Operating (Loss) / Profit	(90.5)	173.3
Reverse IFRS 16 and the Rent phasing adjustment(1)	(214.9)	(214.5)
Depreciation, Amortisation - Underlying	151.6	168.0
EBITDA – before Rent phasing adjustment	(153.8)	126.8
Rent phasing adjustment(2)	79.8	2.3
EBITDA (adjusted)(3)	(74.0)	129.1

(1) The rent payable for operating leases of £133.7m (2019: £212.2m) and the rent phasing adjustment of £79.8m (2019: £2.3m) are replaced by depreciation of the right of use asset and notional financing costs on the lease liability under IFRS 16. £1.4m (2019: £nil) of insurance receipts that were offset from the related rent payable are reclassified to other income under IFRS 16. These adjustments have been reversed to calculate EBITDA (adjusted)(3). The rent payable has reduced due to CVA rent reductions.

(2) In many of our leases we receive a rent free period at the beginning of the lease term. Under previous IFRS (IAS 17), the benefit of this rent free period is recognised gradually over the life of the lease in our income statement as a deduction to the actual rent expense in each period, on a straight line basis, over the full life of each lease, with the unrecognised balance being held as an accrual on our balance sheet. Similarly, any credit relating to the rent reductions resulting from the CVA is also recognised on a straight line basis over the remaining life of each lease. As a result, our total IFRS rent expense does not reflect our cash payments of rent in any period. EBITDA (adjusted) in each period recognises the portion of the rent free credit attributable to such period as if such credit were applied on a straight line basis until the next rent review, normally five years, which is the measure used for internal management reporting and recognises the credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each period. The rent 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 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.

27 ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

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

(1) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent 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.

(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 generated from operating activities (note 26)

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Net cash flows from operating activities before non-underlying items	(83.0)	121.7
Cash spend on non-underlying items through working capital(1)	(4.3)	(8.7)
Cash flows from operating activities	(87.3)	113.0
Corporate tax	0.8	(1.4)
Net cash (used in) / generated from operating activities	(86.5)	111.6

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

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Total working capital movement (note 26)	(25.8)	(3.6)
Less IFRS 16 impact	78.0	(6.4)
Working capital movement before IFRS 16	52.2	(10.0)
Less non-underlyings before IFRS 16 (cash flow provisions and exceptionals)	18.6	4.9
Less rent phasing adjustment before IFRS 16	(79.8)	(2.3)
Working capital	(9.0)	(7.4)

27 ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Debt
The analysis of funding excluding lease liabilities relating to IAS 17 operating leases has been shown as our APMs deduct rent payable for these leases, and lease liabilities were not reported as debt before IFRS 16:

Memorandum - Analysis of net funding

	Notes	31 December 2020 £m	31 December 2019 £m
Cash at bank		136.2	89.2
External debt redeemable (excluding lease liabilities):			
Fixed Rate Bond	19	(65.0)	-
Floating Rate Bond	19	(440.0)	(440.0)
Revolving credit facility	19	(40.0)	-
Super senior term loan	19	(61.9)	-
Issue costs	19	14.0	7.9
Gross debt		(592.9)	(432.1)
External net debt		(456.7)	(342.9)
Investor loan	19	(166.4)	(111.3)
Net debt		(623.1)	(454.2)

Onerous lease provisions
The Group has provided for operating lease rentals where these were above the market rate or where the Group has subsequently vacated the property and rental income is less than the rental expense, or where it is probable that a previously sublet unit will revert to the Group. The element of the rental which is above market or above any rental cost paid relating to vacated properties is charged against the provision. Provisions are also made for business rates that the Group is liable to on empty sites and on hotels where it is considered improbable that trading profits will be generated. The key estimation judgement in determining the onerous amount is the period over the remaining lease term that the property will remain either rented or vacant. The Directors have estimated these periods after considering both the quality and the location of each of the units provided for. The cash flows are discounted at 2.8% (2019: 4.0%) which represents a risk-free and pre-tax rate based on 25 year government gilt and further adjusted for property risk. In 2019, under IFRS 16 the onerous lease provisions relating to rent are reclassified to right of use assets, leaving only the provisions relating to rates.

27 ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Operating Lease Commitments before IFRS 16(1)

Prior to 1 January 2019 and the adoption of IFRS 16, the Group applied IAS 17 and IFRIC 4 in respect of its leasing arrangements.

Total commitments under operating leases before IFRS 16 amounted to:

	Before IFRS 16(1) Year ended 31 December 2020			Before IFRS 16(1) Year ended 31 December 2019		
	UK £m	**International £m**	**Total £m**	**UK £m**	**International £m**	**Total £m**
Due within one year	170.6	4.6	175.2	215.2	4.4	219.6
Due between two and five years	899.4	18.4	917.8	864.4	17.8	882.2
Due beyond five years	3,393.0	36.2	3,429.2	3,038.3	39.1	3,077.4
Total	4,463.0	59.2	4,522.2	4,117.9	61.3	4,179.2
	UK Years	**International Years**	**Total Years**	**UK Years**	**International Years**	**Total Years**
Average lease term remaining	17.5	10.9	17.4	16.4	11.9	16.4

(1) Before IFRS 16 - This reflects the performance under accounting principles prior to the adoption of IFRS 16.

The leases are standard operating leases with normal commercial terms, typically 25 years (though a number of city centre and London properties have 35 year terms), subject to standard upward only rent reviews, with the majority based on RPI indices (though some with caps and collars, some at open market value and others based on CPI), with Group only renewal rights at the end of the lease. The figures above exclude landlord options to extend leases (which are included in the lease liability under IFRS 16 per note 18).

27 ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Obligations under finance leases
The Group has 4 properties (2019: 5 properties) which have been classified as finance leases with a weighted average lease term remaining of 43 years (2019: 45 years).

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Amounts payable under finance leases		
Due within one year	1.3	4.8
Due between two and five years	6.1	20.4
Due beyond five years	58.8	336.4
	66.2	361.6
Less future finance charges	(51.7)	(328.1)
Amounts due after settlement after 12 months (capital liability)	14.5	33.5

Contractual undiscounted lease payments - maturity analysis

Year ended 31 December 2020	Property 2020 £m	Total 2020 £m
Within one year	176.5	176.5
Greater than one year but less than five years	923.9	923.9
Greater than five years but less than ten years	1,133.6	1,133.6
Greater than ten years but less than fifteen years	983.0	983.0
Greater than fifteen years	1,371.5	1,371.5
Total undiscounted lease payments at 31 December 2020	4,588.5	4,588.5

Year ended 31 December 2019	Property 2019 £m	Total 2019 £m
Within one year	216.5	216.5
Greater than one year but less than five years	902.4	902.4
Greater than five years but less than ten years	1,125.9	1,125.9
Greater than ten years but less than fifteen years	1,093.2	1,093.2
Greater than fifteen years	1,875.7	1,875.7
Total undiscounted lease payments at 31 December 2019	5,213.7	5,213.7

27 ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Finance costs

	Year ended 31 December 2020			Year ended 31 December 2019		
	Paid	**Accrued**	**Total**	**Paid**	**Accrued**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Finance fees[1]	0.5	2.0	2.5	0.2	1.9	2.1
Interest on bank loans	3.3	0.7	4.0	1.3	(0.3)	1.0
Interest on fixed and floating rate bonds	26.2	(0.5)	25.7	27.4	1.7	29.1
Interest on obligations under finance leases[1]	1.5	1.6	3.1	4.5	0.8	5.3
Unwinding of discount on provisions[1]	-	0.4	0.4	-	0.5	0.5
Finance costs before interest on investor loan and IFRS 16 - underlying	31.5	4.2	35.7	33.4	4.6	38.0
Interest on investor loan	-	15.1	15.1	-	14.3	14.3
Finance costs (before IFRS 16) - underlying	31.5	19.3	50.8	33.4	18.9	52.3
Non-underlying items						
Fees in relation to restructuring of debt	0.5	-	0.5	18.5	(3.2)	15.3
Finance costs (before IFRS 16)	32.0	19.3	51.3	51.9	15.7	67.6
IFRS 16 adjustment[1]	104.1	68.4	172.5	164.6	(1.3)	163.3
Finance costs	136.1	87.7	223.8	216.5	14.4	230.9

(1) The total IFRS 16 notional interest charge on lease liabilities is £176.2m (2019: £169.1m). The IFRS 16 adjustment excludes the following items already included within finance costs (before IFRS 16): £3.1m (2019: £5.3m) in respect of interest on finance leases, £0.2m (2019: £nil) in respect of interest on overdue rent and £0.4m (2019: £0.5m) in respect of unwinding of discount on provisions.

27 ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Analysis of results by geographical region

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Revenue		
UK	280.4	713.1
International	4.0	14.8
Revenue	284.4	727.9
EBITDA - Underlying		
UK EBITDA (adjusted)(1)	(70.3)	126.4
Rent phasing adjustment	(79.8)	(2.3)
UK EBITDA after rent phasing adjustment	(150.1)	124.1
International EBITDA after rent phasing adjustment	(3.7)	2.7
EBITDA after rent phasing adjustment before IFRS 16(2)	(153.8)	126.8
UK IFRS 16 EBITDA adjustment	211.2	210.2
International IFRS 16 EBITDA adjustment	3.7	4.3
EBITDA (statutory)(3)	61.1	341.3
Non-underlying items – Total (note 7)	(15.6)	(0.8)
EBITDA	45.5	340.5
Operating (loss) /profit - Underlying		
UK	(202.5)	62.2
International	(3.8)	2.5
Operating (loss) / profit before IFRS 16 - Underlying	(206.3)	64.7
UK IFRS 16 Operating profit adjustment	114.7	106.9
International IFRS 16 Operating profit adjustment	1.1	1.7
Operating (loss) /profit- Underlying	(90.5)	173.3
Non-underlying items – Total (note 7)	7.0	(15.6)
Operating (loss) /profit	(83.5)	157.7
Profit/ (loss) before tax – Underlying		
UK	(308.0)	(43.1)
International	(5.5)	1.5
Profit/(loss) before tax - Underlying	(313.5)	(41.6)
Non-underlying items	6.5	(30.9)
Loss before tax	(307.0)	(72.5)

There is only one operating segment, which is the provision of budget hotel accommodation and related sales.

(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 historic accounting principles (before IFRS 16). This measure also reflects the cash benefit of rent reductions following the CVA which completed on 19 June 2020. Non-underlying items have been removed as they relate to non-recurring, one-off items.

(2) Before IFRS 16 - The additional columns added reflect performance under accounting principles prior to the adoption of IFRS 16, referred to elsewhere in this report as Alternative Performance Measures, which include EBITDA (adjusted) and clarify the adjustments required under IFRS 16.

(3) EBITDA (statutory) = Earnings before interest, tax, depreciation, amortisation and non-underlying items.

27 ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Non-underlying items (before taxation)

	Year ended 31 December 2020			Year ended 31 December 2019		
	Before IFRS 16	IFRS 16 impact	Statutory	Before IFRS 16	IFRS 16 impact	Statutory
	£m	£m	£m	£m	£m	£m
Legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities and reassessment of provisions	15.6	-	15.6	0.8	-	0.8
Operating expenses	15.6	-	15.6	0.8	-	0.8
Impairment of intangible assets, property plant & equipment and right of use assets	10.2	(1.5)	8.7	15.0	(0.2)	14.8
Depreciation & amortisation	10.2	(1.5)	8.7	15.0	(0.2)	14.8
Profit on disposal of assets	(16.3)	(15.0)	(31.3)	-	-	-
Profit on disposal of assets	(16.3)	(15.0)	(31.3)	-	-	-
Break costs in relation to repayment of bonds	-	-	-	9.9	-	9.9
Write off of unamortised loan issue costs on repayment of bonds	-	-	-	5.4	-	5.4
Write off of unamortised 'take and hold' fee on repayment of revolving credit facility	0.5	-	0.5	-	-	-
Finance costs	0.5	-	0.5	15.3	-	15.3
Total non-underlying items	10.0	(16.5)	(6.5)	31.1	(0.2)	30.9

THAME AND LONDON LIMITED

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Deficit £m
Balance at 1 January 2020	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2020	-	(3.0)	(3.0)

For the year ended 31 December 2019

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Deficit £m
Balance at 1 January 2019	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2019	-	(3.0)	(3.0)

THAME AND LONDON LIMITED

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	31 December 2020 £m	31 December 2019 £m
FIXED ASSETS			
Investments	3	-	-
CURRENT ASSETS			
Debtors	4	166.4	111.3
TOTAL CURRENT ASSETS		166.4	111.3
TOTAL ASSETS		166.4	111.3
Creditors: Amounts falling due within one year	5	(3.0)	(3.0)
TOTAL ASSETS LESS CURRENT LIABILITIES		163.4	108.3
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Investor loan	9	(166.4)	(111.3)
NET LIABILITIES		(3.0)	(3.0)
CAPITAL AND RESERVES			
Called up share capital	6	-	-
Profit and Loss account	8	(3.0)	(3.0)
TOTAL SHAREHOLDERS' DEFICIT		(3.0)	(3.0)

The Company made a result in the year of £nil (2019: £nil).

These financial statements on pages 109 to 113 were approved by the Board of Directors and signed on its behalf by:

Joanna Boydell
Director

23 April 2021

Thame and London Limited Company registration number 08170768

1 GENERAL INFORMATION

The Company's legal form, country of incorporation, registered office, operations and principal activities are disclosed in Note 1 of the Group's financial statements.

Basis of preparation
These financial statements have been prepared in accordance with the Companies Act 2006 and with sections 11 and 12 of Financial Reporting Standard 102 (FRS102) with certain exemptions of the reduced disclosure framework applied as detailed below.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted have been consistently applied throughout the year and are set out in note 2.

2 SIGNIFICANT ACCOUNTING POLICIES

Related party transactions

As permitted by FRS102 (section 33) 'Related party disclosure' the Company has not disclosed related party transactions with wholly-owned subsidiaries, which are disclosed in the financial statements of the Group.

Employees

The Company has no employees (2019: nil).

Cash flow statement

Under FRS102 (section 1), the Company is exempt from the requirement to prepare a cash flow statement as it has included the Company's cash flows in its own published consolidated financial statements.

Investor and intercompany loans

Loans are initially recognised at fair value, net of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Loans are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Loans are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3 INVESTMENTS

	Shares in subsidiaries £
Cost and net book value	
At 1 January 2020	1
At 31 December 2020	1

The Parent Company has investments in the subsidiary undertakings, as listed in the Subsidiary Undertakings note (consolidated financial statements note 13), which principally affect the profits or net assets of the Company. The Directors consider the value of the investments to be supported by the value of the underlying assets.

All subsidiary undertakings were acquired on 12 October 2012. The investment of £1 represents investment in Full Moon Holdco 4 Limited, the only directly owned subsidiary.

4 DEBTORS

	2020 £m	2019 £m
Amounts owed by Group undertakings	166.4	111.3

Amounts owed by Group undertakings are repayable on demand.

Interest accrued in the year is £15.1m (2019: £14.3m) and the total balance including accrued interest was £166.4m (2019: £111.3m). Interest is accrued at 15% (2019: 15%).

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.

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £m	2019 £m
Amounts owed to Group undertakings	(3.0)	(3.0)

Amounts owed to Group undertakings are unsecured and repayable on demand.

6 CALLED UP SHARE CAPITAL

	2020 & 2019 Number of shares	2020 & 2019 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1

	2020 & 2019 Number of shares	2020 & 2019 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1

7 PROFIT AND LOSS

As permitted by Section 408(4) of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year.

The Company made a result in the year of £nil (2019: result of £nil).

8 PROFIT AND LOSS ACCOUNT

	2020 £m	2019 £m
At 1 January 2020	(3.0)	(3.0)
Result for the financial year	-	-
At 31 December 2020	(3.0)	(3.0)

9 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the Directors regard Anchor Holdings SCA as the ultimate parent undertaking and controlling party, a company incorporated in Luxembourg.

Thame and London Limited is the parent undertaking of the largest and smallest Group of undertakings to consolidate these financial statements at 31 December 2020. The consolidated financial statements of Thame and London Limited are available from Sleepy Hollow, Aylesbury Road, Thame, Oxfordshire, OX9 3AT.

Anchor Holdings SCA has provided the Company with investor loans totalling £135.0m (2019: £95.0m). The original investor loan note of £95m has a termination date of January 2026. On 24 August 2020 and 2 December 2020, the Group entered into additional investor loan note agreements of £10.0m and £30.0m respectively, with a termination date of 2033. None of the accrued interest relating to these loans was repaid during 2020 (2019: £nil). The loan accrues interest at 15.0% (2019: 15.0%) per annum.

Interest accrued in the year is £15.1m (2019: £14.3m) and the total balance including accrued interest was £166.4m (2019: £111.3m).