Company Registration No. 08170768

THAME AND LONDON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

OUR PURPOSE AND CONTENTS

At Travelodge, our purpose is to provide affordable travel for everyone, 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 592 hotels and 44,984 guest bedrooms, right across the UK as well as in Ireland and Spain.

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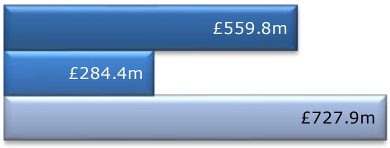
Highlights

Total underlying revenue

£559.8m

(2020: £284.4m)

(2019: £727.9m)



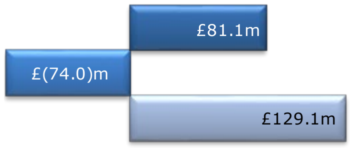
down (23.1)% from 2019

EBITDA (adjusted) [(3)]

£81.1m

(2020: £(74.0)m loss)

(2019: £129.1m profit)

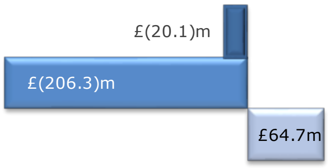


Underlying operating (loss) / profit before IFRS 16 [(4)]

£(20.1)m loss

(2020: £(206.3)m loss)

(2019: £64.7m profit)



Statutory loss before tax

£(102.2)m

(2020: £(307.0)m)

(2019: £(72.5)m)

2021 Performance Headlines

- Total underlying revenue down 23.1% against 2019 to £559.8m (2019: £727.9m, 2020: £284.4m)
- RevPAR[(1)] down 21.5% against 2019 to £33.05 (2019: £42.09, 2020: £16.61)
- RevPAR performance 10.8pts ahead of the competitive segment[(2)]
- Occupancy[(1)] down 18.0pts against 2019 to 62.6% (2019: 80.6%, 2020: 40.8%)
- Average room rate[(1)] up 1.1% against 2019 at £52.77 (2019: £52.20, 2020: £40.70)
- EBITDA (adjusted)[(3)] profit of £81.1m (2019: profit of £129.1m, 2020: loss of £74.0m)
- Cash of £142.8m at 31 December 2021 (2019: £89.2m, 2020: £136.2m)
- 17 new hotels opened in the year
- Total network now 592 hotels and 44,984 rooms as at 31 December 2021

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(1) Underlying revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 31 Dec 2020 to 29 Dec 2021.
(2) Our competitive segment is the Midscale and Economy Sector of the UK hotel market as reported by Smith Travel Research (STR), an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance
(3) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustment[(5)], 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. Refer to glossary for Alternative Performance measure definitions.
(4) Underlying operating (loss) / profit before IFRS 16[(6)] = Earnings before interest, tax and non-underlying items and reflective of the position in line with historic accounting principles (before IFRS 16[(6)]). Non-underlying items have been removed as they relate to non-recurring, one-off items.
(5) Rent phasing adjustment = In many of our leases we receive a rent free period at the beginning of the lease term. According to the straight lining of leases principle under previous IFRS, 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 year, 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 year. EBITDA (adjusted) in each year recognises the portion of the rent free credit attributable to such year as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the reductions resulting from the CVA in line with the actual rent paid in respect of each year. EBITDA (adjusted) is the measure used for internal management reporting. The rent phasing adjustment reflects the timing difference between the rent charge for the year in our internal management reporting measure EBITDA (adjusted) and the rent charge for the year under previous IFRS.
(6) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.

Chairman's Statement

Overview

Travelodge reinforced its position as a resilient business with a powerful brand throughout a challenging 2021. When I joined the business in the Spring, many hotels were closed or trading only partially but the team steered the business through the rapid opening and closure of hotels at remarkable pace, kept employees and customers safe, navigated test and trace and the 'pingdemic' with remarkable efficiency and emerged in stronger shape than ever. Trading throughout the period when the business was trading relatively unimpeded - from July until the onset of Omicron before Christmas, was remarkably buoyant. The business continued to out-perform the market for the seventh year in a row and enjoyed a record-breaking Summer.

On top of all that, Travelodge became the first major hotel chain to roll-out robotic vacuum cleaners across its entire estate. The team also undertook a significant customer research program, to understand guest requirements in a post-Covid world. The learning from this work will be incorporated into a major hotel refit program, which will include a new-look standard room, refreshed reception areas and a new style bar cafe. This refit program began in January 2022.

Trading so far in 2022 has been extremely encouraging, despite a slow start amidst the Omicron restrictions in January, and I remain optimistic that the business will once again prove resilient to all the challenges that are thrown at it and will enjoy a positive financial performance in 2022.

Governance and the Board

- I joined the Board in March 2021 with the aim of bringing to bear my significant experience as a business leader in the leisure sector.
- I appointed Craig Bonnar, who had been interim CEO since the beginning of 2021, to the role of permanent CEO. Craig hit the ground running and has led the team with skill and courage through a challenging year.
- Ion Dagtoglou joined the Board as the Goldman Sachs nominated non-Executive Director and has made an immediate impact. He replaced Thomas Hilger, who had been a great supporter of the business during his tenure.
- Helen Normoyle also joined the Board in January 2022 as the Avenue Capital nominee and her deep experience in marketing and sustainability has already added value to the team. Jon Ford, the Avenue nominated Director, stood down from the Board on 1 January 2022 but I am delighted to say that he will remain a Board Observer.

Our People

The entire team have been exceptional and made me very proud. 2021 was an unusually difficult year, following a challenging 2020, and it was the whole team's hard work, dedication and flexibility that got us through the year. Every single colleague deserves my sincere thanks for that.

Looking Ahead

Travelodge remains the best performing brand in the most buoyant sector of the UK hotel market, and I am confident that the encouraging trading that the business has enjoyed in recent weeks will continue through 2022. This year will also mark the launch of the Travelodge Sustainability Report, which lays out a 'Better Future' for the business, valuing our colleagues, customers and planet under the three pillars of Inclusive, Caring and Conscious.

New challenges await the business, of course: in particular the increasingly dramatic inflationary environment, but our domestically focussed value positioning will serve us well to withstand and thrive amidst the challenges ahead.

Martin Robinson
Chairman

22 April 2022

Chief Executive's Review

Travelodge recovered strongly during 2021 following the lifting of restrictions, with good leisure demand over an extended period and recovery in 'blue collar' business demand. Our unrivalled track record of outperformance continued, and we opened a further 17 new hotels. Costs were well controlled and whilst we have been impacted by some of the supply chain challenges facing the industry, these have been well managed.

Trading in the first weeks of 2022 was impacted by Omicron, particularly during mid-week and in central London, but recovered quickly once the work from home guidance was lifted, returning to 2019 revenue levels by early February, supported by the lower VAT rate. Travelodge also continued its unrivalled seven-year track record of outperformance against the market segment. We expect 2022 full year RevPAR to at least return to 2019 levels on average, driven by continued leisure and 'blue collar' business demand offsetting a slower recovery in 'white collar' corporate demand as people gradually return to work now the work from home guidance has been lifted and we expect continued inflationary pressures on costs. While forecasting remains a challenge and we face a range of possible outcomes, with our large network of hotels, value proposition and focus on domestic travel we are well positioned to benefit in the anticipated recovery.

Performance Overview

2021 was significantly impacted by Covid-19 with restrictions in place for most of the first half of the year. We started the year with around 300 hotels open for essential business travel, with a gradual re-opening of the estate in line with demand over the following months, before restrictions on leisure travel were partially lifted on 17 May 2021. Since then and following the lifting of all Covid-19 restrictions on 19 July we saw increasing demand, with high leisure demand in the summer period and strong recovery in "blue collar" demand offsetting the slower recover in "white collar" demand, until Omicron started to impact performance at the end of December.

The UK budget hotel market remains resilient, with revenue as a percentage of 2019 levels ahead of the total UK hotel market, driven by these strong levels of domestic leisure demand and a strong recovery in 'blue collar' business demand.

UK like-for-like RevPAR for the year ended 31 December was down 21.5% on 2019 levels, impacted by the restrictions in the first half, with the second half up 9.3%. Travelodge continued to outperform during the whole year, with like-for-like RevPAR approximately 10.8pts ahead of the Smith Travel Research (STR) Midscale and Economy (MSE) benchmark competitive segment.

Total underlying revenues for the year ended 31 December 2021 were down 23.1% on 2019 levels.

Costs remained well controlled and whilst Travelodge is not immune to the supply chain pressures affecting the wider hospitality industry, these were well managed, supported by our in-sourced housekeeping model and strong supplier relationships. We also benefited from the temporary reductions in rent under the terms of the CVA and from the government support available (mainly in the first half).

EBITDA (adjusted) for the year ended 31 December 2021 was a profit of £81.1m (2019: profit of £129.1m, 2020: loss of £74.0m).

Outlook

Forecasting remains a challenge and we expect the pace of the recovery will depend on several factors including the continued effectiveness of the vaccines, consumer and business behaviour and more broadly the general economic and political environment.

The MSE segment continues to recover fastest, benefiting from its domestic focus, business/leisure mix and value proposition, and this trend is expected to continue through 2022. We expect 2022 to benefit from sustained 'blue-collar' business demand, and strong leisure demand, offsetting a more gradual recovery in 'white collar' corporate demand.

As such we are forecasting 2022 full year RevPAR to at least return to 2019 levels on average, although there is a range of potential outcomes. As a reminder VAT went back to 20% from 1 April 2022 and each 1 percentage point change up or down in RevPAR compared to 2019 levels would be expected to impact Travelodge revenues by approximately £6m over a year.

We do however face a number of cost headwinds, including the significant inflationary pressures facing the wider UK economy.

Our single largest cost, rent, benefited from temporary reductions of approximately £55m during 2021 and monthly rent payments under the CVA. The temporary rent reductions have now ended and we have returned to quarterly in advance payments on the majority of our leases. As a reminder the majority of our leases are either RPI or CPI based 5-yearly upwards only rent reviews with no caps or collars, although most newer leases do contain caps and collars, and the review pattern across all leases is spread broadly evenly over a 5 year period.

The Government has announced a 6.6% increase in the National Living Wage from 1 April 2022 and a 1.25% increase in employer National Insurance Contributions.

Operating costs will also be impacted by general inflationary increases, energy prices (although the majority of our forecast 2022 energy volumes are hedged) and some specific supplier price increases.

The situation in Ukraine may also affect cost pressures in the short-term and the total impact will depend on the duration of the crisis. However, with our domestic focus we are relatively less exposed in terms of demand.

So, while we expect to at least return to 2019 RevPAR levels in 2022, we are also conscious of these cost pressures.

In 2021, we took the opportunity to conduct extensive customer research, which combined with our own learnings from the successful Travelodge PLUS hotels, has informed a new look standard room. This new look room is being rolled out as part of our refit programme, which recommenced in early 2022, and which also includes an improved reception offering customers a warm welcome and a new style bar café. We are also continuing our ongoing investment in hotel maintenance, IT, health & safety, development and projects, including energy efficiency.

We expect to open six new UK leased hotels in 2022, with two opened so far, as well as one Irish franchise. This is lower than our long run averages, as new deals were impacted by the pandemic, and we expect to return to more normal levels.

Overall Position

Whilst the macro-economic environment remains uncertain, the budget hotel segment has proven resilience and continues to recover ahead of the rest of the UK hotel market. 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 as demand builds and we are confident in the long-term prospects for budget hotels.

Craig Bonnar
Chief Executive Officer

22 April 2022

Our Business Model

Who We Are

- UK's second largest hotel brand based on number of hotels and rooms
- Positioned in the attractive value segment with 592 hotels and c. 45,000 rooms
- Multiple room formats offering customer choice
- Well balanced approximately even business / leisure customer split
- Almost 90% booking direct, with c. 80% through own websites
- Low upfront capex leasehold 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 592 hotels and c. 45,000 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 pace of recovery will be impacted by consumer and business behaviour. The UK hotel industry is also not immune to the current wider macro-economic environment, including the well documented inflationary pressures, and the risks associated with the situation in Ukraine.

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 historically 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 and this has again been demonstrated through the pandemic.

We operate multiple room formats across our hotels, namely our core standard rooms, twin, family and accessible rooms as well as our "premium economy" SuperRooms.

We estimate that we attracted approximately 16 million customers in 2021, compared to over 19 million in 2019 pre-pandemic and approximately 90% of our bookings were made through our direct channels, including our own website.

In 2021, we employed over 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 to some degree during the early months of 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 2021), we operated 43,530 rooms (or 99% of total rooms) in 577 hotels, with c. 21% of our rooms located in London and c. 77% 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 94% of our UK revenue for the year ended 31 December 2021 was generated from accommodation, with the remainder from food and beverage and retail and other sales (including WiFi and car parking). 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 over a number of years 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 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. We also led the industry with the launch of our "premium economy" room type, SuperRooms, adding that little bit more choice for customers, including a coffee machine, rain shower, choice of pillow and in-room hairdryer, iron and ironing board. As of 31 December 2021, we operated 2,108 SuperRooms in 60 hotels across the United Kingdom.

With our well invested estate, we chose to temporarily pause our refit cycle following the onset of Covid-19. During 2021, we took the opportunity to undertake significant customer research to further inform our customer proposition. We recommenced our refit programme in early 2022 with a new look standard room, an improved reception offering a warmer welcome and a new style bar café.

The investments in our estate are supported by a consistently implemented standardised and disciplined approach to operations. We operate our hotels with a standardised room cleaning process, we have processes in place to monitor our customers' experience, we provide in-person and online training modules for our colleagues, and we rigorously benchmark our performance by using internal customer surveys and external benchmarking, such as TripAdvisor surveys. At the start of the Covid-19 pandemic, we created TravelodgeProtect+, a programme of cleaning and social distancing measures, designed to keep our guests and colleagues safe and give everyone peace of mind.

Our strong physical assets and standardised operational processes have allowed us to continue to deliver high levels of customer satisfaction. As of December 2021, our UK hotels had an average TripAdvisor score of four dots out of five and in 2021 we received 324 TripAdvisor Traveller's Choice Awards, almost 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 seven 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 budget hotels in the United Kingdom.

Strategic Progress

Our purpose is to provide affordable travel for everyone. We aim to offer our customers the right balance of location, price and quality to suit their travel needs.

Our strategy is to make Travelodge better for our key stakeholders – customers, colleagues and investors including shareholders, lenders, landlords and other creditors including key operational suppliers, local authorities and communities; and for the future, underpinned by our new "Better Future" sustainability strategy.

Customers

Location
We successfully opened 17 new hotels in 2021 further enhancing our network with a mix of both leisure and business focused locations.

At the end of 2021 our network stood at 592 hotels across the UK, Ireland and Spain.

We expect to open six new UK leased hotels in 2022, as well as one franchise in Ireland, with new deals impacted by Covid-19 in 2020, but we expect to return to more normal levels.

Price
We continue to invest in our revenue management systems and process and completed a major revenue management system upgrade in 2019, helping to support our track record of outperformance against the MSE segment. 2021 was significantly impacted by the pandemic, with restrictions in place for most of the first half of the year, followed by significant leisure demand in the second half, particularly over the summer and early autumn. We maintained highly competitive pricing throughout the year, which in conjunction with our revenue management capabilities enabled us to deliver LFL RevPAR performance ahead of both 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, that has since been reintroduced.

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.

During 2021 we took the opportunity to undertake significant customer research to further inform our customer proposition. Following this, we recommenced our refit programme in early 2022 with a new look standard room, an improved reception offering a warmer welcome and a new style bar café. Our new look standard room includes additional features such as blackout curtains, USB charging points by the bed, a comfortable armchair to relax in and an upgraded bathroom. This forms part of the refit programme going forwards, alongside a new welcoming reception and for our bar café hotels, a new style format offering a more flexible environment in which to eat, relax or work.

Our number one priority is the safety and security of our customers and colleagues. We aim to create an environment where everyone has peace of mind, so in 2020 we created TravelodgeProtect+, a programme of cleaning and social distancing measures, designed to keep our guests and colleagues safe. The programme was developed by a dedicated cross functional hygiene strategy team and has become the basis for our new way of working. We also continued our investments in cleaning with the roll-out of robot vacuums across the estate, helping to reduce the physical demands of the job for our colleagues, reducing our energy consumption and delivering cost efficiencies.

Supported by these initiatives and the work of over 10,000 colleagues across the country, our average TripAdvisor rating sits at 4 dots and we received 324 TripAdvisor Traveller's Choice Awards, a decrease on the record 385 in 2020, we believe impacted by temporary changes to customer review patterns and the hotel closures as a result of Covid-19.

Colleagues

We want to create an inclusive workplace providing our colleagues with career opportunities, to learn skills for life and promoting health and wellbeing.

We employ over 10,000 colleagues and are proud that our focus on equality and diversity has helped us to a leading position where the majority of our hotel managers are female. We are also ahead of the target of 33% female representation for diversity in senior leadership roles, as set out by the Hampton-Alexander review for FTSE 350 companies.

Investors

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

We 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.

In addition to our normal day to day contact with our landlords, every six months we hold a call for our landlords, developers and key contacts from the property industry. This provides an update on the business as a whole and our progress on key property and development activity relevant to this stakeholder group.

Future

We have developed a comprehensive sustainability plan “Better Future” in conjunction with a wide range of stakeholders, that is designed to mark a step change in our sustainability agenda. Valuing our colleagues, customers and planet is the vision that underpins the three pillars of our sustainability plan:

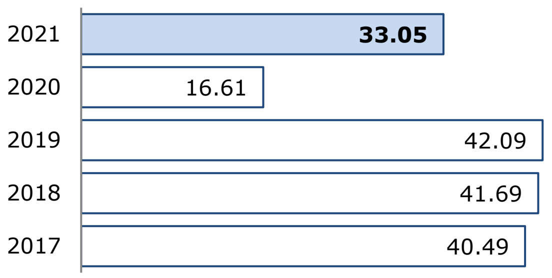
- Inclusive: Ensuring Travelodge is accessible, inclusive, and affordable to its colleagues and customers
- Caring: Creating a safe and healthy environment for our colleagues and customers, and ensuring their wellbeing
- Conscious: Being conscious of the waste we produce, the energy and resources we consume, and our carbon emissions

We have now introduced a Sustainability Committee that meets every quarter and is chaired by the Chief Financial Officer.

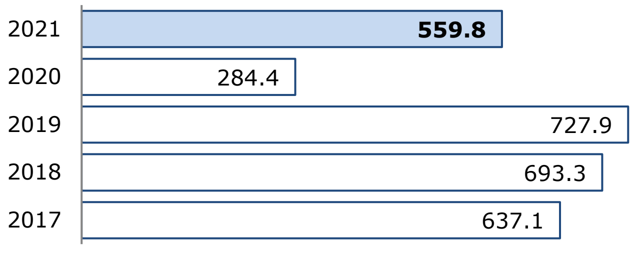
This is the first year we have published a separate sustainability report, with further details on our “Better Future” sustainability plan also set out in the Sustainability section of this report.

Key Performance Indicators

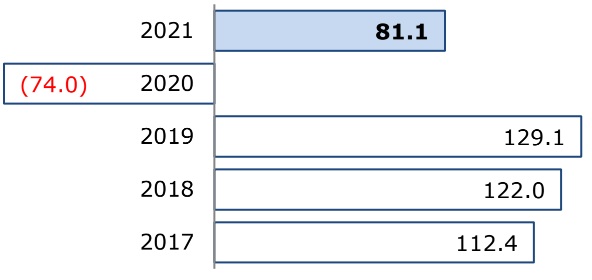
RevPAR



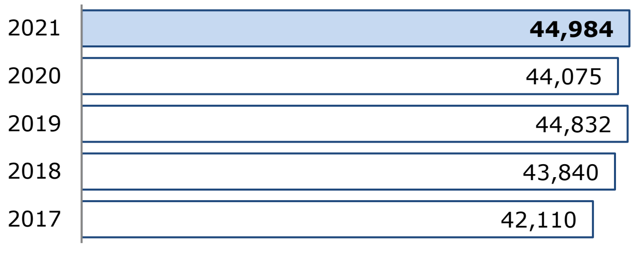
Total underlying revenue



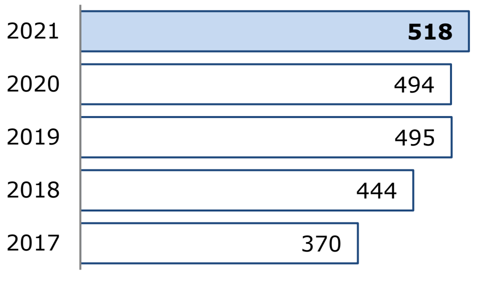
EBITDA (adjusted) [(1)]



Network size



TripAdvisor 4 star ratings



(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 2021, with comparatives for the full year ended 31 December 2020.

In addition to the statutory results which are presented under IFRS, we have also provided Alternative Performance Measures results ("APMs"), some of which exclude 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") to align with measurement required under our financing arrangements which all contain 'Frozen GAAP'[(1)] provisions. Please refer to the Glossary on pages 104-112 for reconciliations of the APMs to the statutory results.

Statutory Results
All of the figures in the commentary below are quoted on a statutory basis.

Revenue
Revenue increased by £282.3m, or 99.3%, from £284.4m for the year ended 31 December 2020 to £566.7m for the year ended 31 December 2021 (including £6.9m of non-underlying revenue (2020: nil)). Revenue was heavily impacted by the effects of the Covid-19 pandemic in both 2020 and 2021.

At the start of 2021 restrictions throughout the UK meant guests were only allowed to stay in hotels for work, education or other legally permitted reasons, but not for leisure purposes. We started the year with 354 UK hotels open and trading, with closures in the first couple of weeks reducing this to 293 by 15 January, ending the calendar month at 31 January with 295 open hotels. Batches were opened through February, March, April and May with all available hotels open by 17 May. Following the partial lifting of restrictions on 17 May 2021, with all restrictions lifted by 19 July 2021, demand and revenue improved through the year. Trading dipped in the festive period at the end of the year, with cancellations increasing on the news of the Omicron variant and the work from home guidance in the UK.

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

Revenue included £6.9m (2020: £nil) of non-underlying income relating to the release of expired vouchers issued in relation to cancelled stays during periods of lockdown.

Operating expenses (excluding depreciation, amortisation and impairment)
Operating expenses increased by £53.3m, or 21.9%, from £243.6m for the year ended 31 December 2020 to £296.9m for the year ended 31 December 2021. We continued to manage costs tightly as the impact of the pandemic continued, resulting in a lower ratio of operating expenses relative to revenue compared to 2020.

Increases in cost of sales were mainly due to higher laundry costs driven by occupancy levels.

Employee costs increases of £37.0m from £113.5m for the year ended 31 December 2020 to £150.5m for the year ended 31 December 2021 reflect a reduction in the use of the government's job retention scheme, the impact of the National Living Wage increase in the like-for-like estate and the additional staff in our new and maturing hotels. Claims of c. £21m (2020 c. £45m) were made in respect of the government's job retention scheme in the year.

Other operating expenses (before non-underlying items) increased by £25.8m from £97.0m for the year ended 31 December 2020 to £122.8m for the year ended 31 December 2021. This was driven by improved trading from hotel re-openings, increased costs from new and maturing hotels and reduced hospitality business rates benefits of c. £21m (2020: c. £29m), partially offset by savings from cost efficiency programmes and business grants of c. £10m (2020 c. £1m).

In addition, non-underlying items[(1)] relating to operating expenses were a £3.3m credit for the year ended 31 December 2021 compared to charges of £(15.6)m for the year ended 31 December 2020. The £3.3m credit for 2021 related to a provision reassessment. The £(15.6)m 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.

(1) Refer to definition under the Alternative Performance Measures section.

Other income
Other income decreased by £1.2m, or 66.7%, from £1.8m for the year ended 31 December 2020 to £0.6m for the year ended 31 December 2021, primarily due to insurance receipts in 2020.

Rent
Net rent receivable increased by £1.3m, from £2.9m for the year ended 31 December 2020 to £4.2m for the year ended 31 December 2021, mainly reflecting a reduction in rent concessions offered to sub-tenants during the pandemic compared to 2020.

Depreciation, amortisation and impairment
Depreciation decreased by £2.4m from £146.9m for the year ended 31 December 2020 to £144.5m for the year ended 31 December 2021, due to the 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 2020. In addition, in response to the onset of Covid-19 we deferred our normal capital refit programme and limited non-essential capital expenditure. Amortisation of IT software increased by £0.4m to £5.1m for the year ended 31 December 2021, due to the increased investment in IT systems assets.

Impairment charges reflect a £0.3m impairment of right of use assets, intangible assets and property, plant and equipment compared with a charge of £8.7m for the year ended 31 December 2020.

Finance costs
Finance costs (after investor loan interest) increased by £23.6m, or 10.5%, from £223.8m for the year ended 31 December 2020 to £247.4m for the year ended 31 December 2021.

Interest on lease liabilities was a cost of £184.8m for the year ended 31 December 2021, up £8.6m, or 4.9%, from £176.2m for the year ended 31 December 2020. The increase was mainly due to the CVA related reassessment of leases, together with new leases over the year. 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 increased by £4.1m from £25.7m for the year ended 31 December 2020 to £29.8m for the year ended 31 December 2021 following the new £65m bond issue in December 2020, less the impact of the decrease in LIBOR. Bank interest costs also increased, from £4.0m for the year ended 31 December 2020 to £8.8m for the year ended 31 December 2021, following the full drawdown of £40m under the pre-existing revolving credit facility on 17 March 2020 and the term loan facility of £60m in December 2020, which replaced the £60m super senior revolving credit facility issued in April 2020 which was drawn down by £30m in June 2020 and repaid in December 2020.

Finance fees 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 £5.1m, or 33.8%, from £15.1m for the year ended 31 December 2020 to £20.2m for the year ended 31 December 2021. 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 £0.2m for the year ended 31 December 2021 and £0.3m for the year ended 31 December 2020 was a combination of interest on loans to related parties and bank interest received.

Loss Before Tax
Statutory loss before tax was £102.2m for the year ended 31 December 2021, £204.8m better than the loss of £307.0m for the year ended 31 December 2020, benefiting mainly from the improvement in revenue as a result of relaxing of Covid-19 restrictions and reduced hospitality VAT rates.

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 underlying income tax credit of £0.2m for the year ended 31 December 2021 (current tax charge: £nil; deferred tax credit: £0.2m). There was an overall income tax charge of £(0.3)m for the year ended 31 December 2020 (current tax charge: £nil; deferred tax charge: £(0.3)m).

There was a non-underlying tax charge of £4.0m in the year ended 31 December 2021 in respect of a provision set up for the estimated liability arising from settlement of an ongoing HMRC enquiry into prior periods.

No cash tax payments were made during the year (2020: £nil). Corporation tax repayments of £0.4m (£nil UK, £0.4m Spain) were received in the year ended 31 December 2021 compared to repayments of £0.8m (£0.6m UK, £0.2m Spain) in the year ended 31 December 2020.

Cash flow
As at 31 December 2021, we had cash of £142.8m, an increase of £6.6m compared to £136.2m as at 31 December 2020.

For the year ended 31 December 2021, net cash generated from operating activities of £277.0m was partially offset by net cash used in financing activities of £236.0m and net cash used in investing activities of £34.4m, which relates to the purchase of intangible and tangible fixed assets.

Net cash generated from operating activities increased by £256.5m, from £20.5m for the year ended 31 December 2020 to £277.0m for the year ended 31 December 2021. This was due to a £228.5m improvement in operating profit (after non-underlying items), £27.8m favourable working capital movement and £11.0m lower profit on disposal of assets, partially offset by a £8.4m reduction in impairment of fixed assets, £2.0m lower depreciation and amortisation and a decrease of £0.4m in corporation tax refunds.

Statutory working capital inflow of £2.0m for the year ended 31 December 2021 compared to an outflow of £25.8m for the year ended 31 December 2020. This was primarily due to higher inflows from prepaid rooms benefiting from the trading recovery, the receipt of furlough scheme claims, a lower December net VAT reclaim position (due to improved trading and rise in hospitality VAT rate) and the movement in trade payables and other trading related accruals due to improved trading levels. These were partially offset by the repayment of VAT payments deferred last year under the government's Covid-19 support measures and higher business rates prepayments due to reduced hospitality business rates benefits.

Net cash used in financing activities of £236.0m was primarily lease rental capital and interest payments of £198.8m, bank and bond interest payments of £35.6m, finance fees of £0.2m and costs associated with the refinancing in 2021 of £1.4m.

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:

	2021			2020			Variance 2021 vs 2020 before IFRS 16(1)	
	Before IFRS 16(1) £m	IFRS 16 impact £m	Total £m	Before IFRS 16(1) £m	IFRS 16 impact £m	Total £m	£m	Var %
Revenue by geographical region								
Revenue	**559.8**	**-**	**559.8**	**284.4**	**-**	**284.4**	**275.4**	**96.8%**
Revenue UK	553.6	-	553.6	280.4	-	280.4	273.2	97.4%
Revenue International	6.2	-	6.2	4.0	-	4.0	2.2	55.0%
Key income statement items								
Revenue	**559.8**	**-**	**559.8**	**284.4**	**-**	**284.4**	**275.4**	**96.8%**
Operating expenses	(300.2)	-	(300.2)	(228.0)	-	(228.0)	(72.2)	(31.7)%
Of which cost of goods sold	*(26.9)*	-	*(26.9)*	*(17.5)*	-	*(17.5)*	*(9.4)*	*(53.7)%*
Of which employee costs	*(150.5)*	-	*(150.5)*	*(113.5)*	-	*(113.5)*	*(37.0)*	*(32.6)%*
Of which other operating expenses	*(122.8)*	-	*(122.8)*	*(97.0)*	-	*(97.0)*	*(25.8)*	*(26.6)%*
Net external rent (payable) / receivable	(179.0)	183.2	4.2	(130.8)	133.7	2.9	(48.2)	(36.9)%
Other income	0.5	0.1	0.6	0.4	1.4	1.8	(1.3)	(72.2)%
EBITDA (adjusted)(2)	**81.1** (2)	**183.3**	**264.4** (3)	**(74.0)** (2)	**135.1**	**61.1** (3)	**155.1**	**209.6%**
Rent phasing adjustment(4)	(44.0)	44.0	-	(79.8)	79.8	-	35.8	44.9%
Depreciation	(41.1)	(103.4)	(144.5)	(36.5)	(110.4)	(146.9)	(4.6)	(12.6)%
Amortisation	(16.1)	11.0	(5.1)	(16.0)	11.3	(4.7)	(0.1)	(0.6)%
Operating profit / (loss) (before non-underlying items)	**(20.1)**	**134.9**	**114.8**	**(206.3)**	**115.8**	**(90.5)**	**186.2**	**90.3%**
Finance costs before investor loan interest	(44.2)	(183.0)	(227.2)	(35.7)	(172.5)	(208.2)	(8.5)	(23.8)%
Investor loan interest	(20.2)	-	(20.2)	(15.1)	-	(15.1)	(5.1)	(33.8)%
Finance income	0.2	-	0.2	0.3	-	0.3	(0.1)	(33.3)%
Loss for the year (before non-underlying items)	**(84.3)**	**(48.1)**	**(132.4)**	**(256.8)**	**(56.7)**	**(313.5)**	**172.5**	**67.2%**

(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) Formerly "EBITDA (statutory)" = Earnings before interest, tax, depreciation, amortisation and non-underlying items and after variable lease payments and rental income. As shown on the Income Statement on page 57.

(4) Rent phasing adjustment = The rent phasing adjustment reflects the timing difference between the rent charge for the year in our internal management reporting measure EBITDA (adjusted) and the rent charge for the year under previous IFRS. In many of our leases we receive a rent free period at the beginning of the lease term. According to the straight lining of leases principle under previous IFRS, before IFRS 16, 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 year, 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 before IFRS 16 rent expense does not reflect our cash payments of rent in any year. EBITDA (adjusted) in each year recognises the portion of the rent free credit attributable to such year as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the reductions resulting from the CVA in line with the actual rent paid in respect of each year. EBITDA (adjusted) is the measure used for internal management reporting.

The commentary below on pages 15 to 20 is on an Alternative Performance measure basis. The Glossary on pages 102 to 110 provides full definitions and reconciliations to the IFRS measures.

Revenue before non-underlying items
Revenue before non-underlying items increased by £275.4m, or 96.8%, from £284.4m for the year ended 31 December 2020 to £559.8m for the year ended 31 December 2021. Revenue was heavily impacted by the effects of the Covid-19 pandemic in both 2020 and 2021.

At the start of 2021 restrictions throughout the UK meant guests were only allowed to stay in hotels for work, education or other legally permitted reasons, but not for leisure purposes. We started the year with 354 UK hotels open and trading, with closures in the first couple of weeks reducing this to 293 by 15 January, ending the calendar month at 31 January with 295 open hotels. Batches were opened through February, March, April and May with all available hotels open by 17 May. Following the partial lifting of restrictions on 17 May 2021, with all restrictions lifted by 19 July 2021, demand and revenue improved through the year. Trading dipped in the festive period at the end of the year, with cancellations increasing on the news of the Omicron variant and the work from home guidance in the UK.

Conversely, in the comparative year Travelodge started 2020 strongly, delivering good revenue growth before Covid-19 began to impact the business from March 2020, with the first closure of our UK hotels mandated from 24 March, which eventually came to an end on 15 July 2020. While 51 hotels remained open during the first lockdown period as part of our commitment to support NHS workers, key workers and vulnerable groups, these contributed negligible net income and overall revenues throughout the second quarter of 2020 were virtually eliminated. 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, with the effects of the pandemic continuing to heavily impact the third quarter of 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(2) for the year improved by 99.0% compared to 2020 (down 21.5% against 2019), like-for-like occupancy(2) increased by 21.8pts compared to 2020 (down 18.0pts against 2019) and like-for-like average room rates(2) were 29.7% higher compared to 2020 (1.1% higher than 2019).

Operating expenses before non-underlying items (excluding depreciation, amortisation and non-underlying items)
Operating expenses before non-underlying items increased by £72.2m, or 31.7%, from £228.0m for the year ended 31 December 2020 to £300.2m for the year ended 31 December 2021. We continued to manage costs tightly as the impact of the pandemic continued, resulting in a lower ratio of operating expenses relative to revenue compared to 2020.

Increases in cost of sales were mainly due to higher laundry costs driven by occupancy levels.

Employee costs increases of £37.0m from £113.5m for the year ended 31 December 2020 to £150.5m for the year ended 31 December 2021 reflect a reduction in the use of the government's job retention scheme, the impact of the National Living Wage increase in the like-for-like estate and the additional staff in our new and maturing hotels. Claims of c. £21m (2020 c. £45m) were made in respect of the government's job retention scheme in the year.

Other operating expenses increased by £25.8m from £97.0m for the year ended 31 December 2020 to £122.8m for the year ended 31 December 2021. This was driven by improved trading, increased costs from new and maturing hotels and reduced hospitality business rates benefits c. £21m (2020: c. £29m), partially offset by savings from cost efficiency programmes and business grants of c. £10m (2020 c. £1m).

Net external rent payable(3)
External rent payable(3) (before rent phasing adjustment and before IFRS 16(1)) reflects the rental amounts due for the period, adjusted to spread the benefit of rent free periods over the period to the next rent review date and recognises the reductions resulting from the CVA in line with the actual rent paid in respect of each year.

Net external rent payable(3) (before rent phasing adjustment and before IFRS 16(1)) increased by £48.2m, or 36.9%, from £130.8m for the year ended 31 December 2020 to £179.0m for the year ended 31 December 2021. In 2020 rent was paid in full for the first quarter before the impact of the Covid-19 pandemic. Significant rent reductions were agreed for the remainder of 2020 (c. £85m) and 2021 (full year c. £55m) as part of the CVA in June 2020. Whilst we continued to benefit from the rent reductions in 2021, these reductions were lower than those in 2020. The impact of new hotels, together with upwards only rent reviews predominantly linked to RPI in the like-for-like estate, also contributed to the increase in rent payable.

(1) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.
(2) Revenue per available room (RevPAR), Occupancy and Average Room rate on a UK like-for-like(3) basis for the management accounting period 31 December 2020 to 29 December 2021. (2020 comparatives for the period 2 January 2020 to 30 December 2020, 2019 comparatives for the period from 3 January 2019 to 1 January 2020).
(3) Refer to definition under the Alternative Performance Measures glossary, from page 102.

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 year 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 year. EBITDA (adjusted) is the measure which is used for internal management reporting.

According to the straight lining of leases principle under previous IFRS, the benefit of a rent free period is recognised on a straight line basis over the full life of the 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 year in our internal management reporting measure EBITDA (adjusted) and the rent charge for the year under previous IFRS.

Depreciation / amortisation before IFRS 16[(1)]
Depreciation before IFRS 16[(1)] increased by £4.6m, or 12.6%, from £36.5m for the year ended 31 December 2020 to £41.1m for the year ended 31 December 2021. Depreciation is driven mainly by ongoing investment in the refurbishment of our estate including health and safety measures, energy efficiency projects, IT hardware and new hotel openings.

Amortisation before IFRS 16[(1)] is driven mainly by historic lease premiums, investment in IT systems (where this results in an intangible asset) and new openings, and increased by £0.1m, or 0.6%, from £16.0m for the year ended 31 December 2020 to £16.1m for the year ended 31 December 2021. Increases from the amortisation of investments in IT systems were partially offset by reductions due to the impairment of historic lease premiums for a small number of assets at the end of 2020.

Finance costs before IFRS 16[(1)] and investor loan interest
Finance costs before IFRS 16[(1)] and investor loan interest increased by £8.5m, or 23.8%, from £35.7m for the year ended 31 December 2020 to £44.2m for the year ended 31 December 2021. Bond interest costs increased by £4.1m following the new £65m bond issue in December 2020, less the impact of the decrease in LIBOR. Bank interest costs also increased following the full drawdown of £40m under the pre-existing revolving credit facility in March 2020 and the new term loan facility of £60m which was part of the refinancing in December 2020, replacing the £60m super senior revolving credit facility issued in April 2020 which was drawn down by £30m in June 2020. There was additional amortisation of capitalised bond issue costs and other capitalised costs related to the refinancing in December 2020, partially offset by lower interest on finance leases following the surrender of a property lease in June 2020.

Investor loan interest increased by £5.1m, or 33.8%, from £15.1m for the year ended 31 December 2020 to £20.2m for the year ended 31 December 2021. 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 £0.2m for the year ended 31 December 2021 and £0.3m for the year ended 31 December 2020 was a combination of interest on loans to related parties and bank interest received.

Cash flow
As at 31 December 2021, we had cash of £142.8m, an increase of £6.6m compared to £136.2m as at 31 December 2020.

For the year ended 31 December 2021, net cash generated from operating activities before IFRS 16[(1)] of £79.4m (which is after rent paid of £197.6m) was partially offset by net cash used in investing activities of £34.4m, which relates to the purchase of intangible and tangible fixed assets and net used in financing activities of £38.4m, mainly relating to interest payments.

Free Cash Flow[(2)] was an inflow of £47.9m for the year ended 31 December 2021, £166.9m better than the outflow of £119.0m for the year ended 31 December 2020. This was mainly due to the significant year on year increase of £155.1m in EBITDA (adjusted) and £10.2m year on year working capital benefit largely as a result of higher inflows from prepaid rooms benefiting from the trading recovery, the receipt of furlough scheme claims, a lower December net VAT reclaim position (due to improved trading and rise in hospitality VAT rate) and the movement in trade payables and other trading related accruals due to improved trading levels. These were partially offset by higher current year rent prepayments (due to both the end of the reduced rents and move back to quarterly from monthly payments for most hotels as the CVA ended), the repayment of VAT payments deferred last year under the government's Covid-19 support measures and higher business rates prepayments due to reduced hospitality business rates benefits.

(1) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.
(2) Refer to definition under the Alternative Performance Measures glossary, from page 102

	2021 £m	2020 £m
EBITDA (adjusted)(1)	81.1	(74.0)
Working capital(2)	1.2	(9.0)
Net cash flows from operating activities	82.3	(83.0)
Capital expenditure	(34.4)	(36.0)
Free Cash Flow(4)	47.9	(119.0)

(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 year in our internal management reporting measure EBITDA (adjusted) and the rent charge for the year under previous IFRS. Refer to definition under the Alternative Performance Measures section.

(4) Refer to definition under the Alternative Performance Measures glossary, from page 102.

Our cash cycle reflects the monthly payment of creditors and staff and fluctuates throughout the quarter with rent typically due quarterly in advance around the end of each quarter, although the CVA resulted in 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, covering rent for the period to the end of 2021. We have low trade receivables as most of our customers pay at the time of booking, however, business customers taking advantage of our business account card benefit from interest free credit.

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

Statutory working capital movements are described on page 13.

	2021 Before IFRS 16(1) £m	2020 Before IFRS 16(1) £m	Variance 2021 vs 2020 Before IFRS 16(1) £m
(Increase) / decrease in inventory	(0.5)	0.4	(0.9)
(Increase) / decrease in receivables	(19.4)	15.1	(34.5)
Increase in payables(2)	65.1	55.3	9.8
Total working capital movement (before non-underlying items)	45.2	70.8	(25.6)
Provisions and non-underlying items	(17.0)	(18.6)	1.6
Total working capital movement	28.2	52.2	(24.0)
Less provisions and non-underlying items	17.0	18.6	(1.6)
Less rent phasing adjustment(2)	(44.0)	(79.8)	35.8
Working capital movement per cash flow	1.2	(9.0)	10.2

(1) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.
(2) Payables includes a movement in the rent phasing adjustment of £35.8m. Refer to definition of rent phasing adjustment under the Alternative Performance Measures glossary, from page 102.

Working capital inflow before non-underlying items was £45.2m for the year ended 31 December 2021, £25.6m lower than the inflow of £70.8m, for the year ended 31 December 2020. This was predominantly due to higher current year rent prepayments (due to both the end of the reduced rents and move back to quarterly from monthly payments for most hotels as the CVA ended), the repayment of VAT payments deferred last year under the government's Covid-19 support measures, the 'payable' resulting from spreading the CVA benefit over the life of lease (under previous IFRS) and higher business rates prepayments due to reduced hospitality business rates benefits. These were partially offset by higher inflows from prepaid rooms benefiting from the trading recovery, the receipt of furlough scheme claims, a lower December net VAT reclaim position (due to improved trading and rise in hospitality VAT rate) and the movement in trade payables and other trading related accruals due to improved trading levels.

Working capital outflow for provisions and non-underlying items of £17.0m for the year ended 31 December 2021 compared to an outflow of £18.6m for the year ended 31 December 2020, 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, cash spend on provisions and provision reassessments.

Capital expenditure
Capital expenditure decreased by £1.6m, or 4.4%, from £36.0m for the year ended 31 December 2020 to £34.4m for the year ended 31 December 2021. Spend has mainly been in relation to on-going maintenance, health & safety works and IT, as well as spend on energy efficiency projects, robotic vacuum cleaners and development pipeline spending. We deferred our normal capital refit programme and reduced non-essential capital expenditure in response to the Covid-19 impact.

Net cash used in / generated from financing activities before IFRS 16(1)
Net cash used in financing activities before IFRS 16(1) of £38.4m for the year ended 31 December 2021 was interest payments and finance fees of £35.8m, finance lease interest payments of £1.2m and costs associated with the refinancing in December 2020 of £1.4m.

Net cash used in financing activities before IFRS 16(1) was £38.4m for the year ended 31 December 2021, compared to net cash generated of £169.2m for the year ended 31 December 2020. 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 and the issue of new senior secured 9.0% fixed rate sterling denominated notes of £65m in December 2020. In addition, there was a £6.1m increase in interest paid primarily due to the revolving credit facility drawdown, the super senior term loan and fixed rate bonds issued in December 2020, partially offset by lower floating rate bond interest payments due to the decrease in LIBOR, lower costs associated with refinancing of £2.9m, lower finance lease interest payments of £0.3m due to the surrender of a lease in 2020 and lower finance fees of £0.3m.

Corporation tax
Corporation tax repayments of £0.4m (£nil UK, £0.4m Spain) were received in the year ended 31 December 2021 compared to repayments of £0.8m (£0.6m UK, £0.2m Spain) in the year ended 31 December 2020.

Funding, Covenant Compliance & Going Concern

Net Debt

	2021 £m	**2020 £m**
External debt redeemable:		
- Senior secured fixed rate bond	(65.0)	(65.0)
- Senior secured floating rate bond	(440.0)	(440.0)
- Issue costs	7.9	10.2
Senior secured bond related debt	(497.1)	(494.8)
- Super senior term loan	(63.1)	(61.9)
- Issue costs	2.7	3.8
Super senior term loan related debt	(60.4)	(58.1)
Revolving credit facility	(40.0)	(40.0)
Secured debt	(597.5)	(592.9)
Cash	142.8	136.2
External net debt	**(454.7)**	**(456.7)**
Investor loan notes (unsecured)	(186.6)	(166.4)
Net funding (excluding lease liabilities)	(641.3)	(623.1)
Lease liabilities	(2,402.7)	(2,347.8)
	(3,044.0)	(2,970.9)

(1) Before IFRS 16 = The performance under accounting principles prior to the adoption of IFRS 16.

Senior secured notes
Senior secured floating rate sterling denominated notes of £440m were issued on 5 July 2019 with a termination date of 15 July 2025. Interest was 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. As a result of the Bank of England's discontinuation of LIBOR from 2022, certain amendments have been agreed with all relevant counterparties to effectuate a reference rate transition from LIBOR to Sterling Overnight Index Average (SONIA) including margin adjustments in respect of the period from the commencement date of the first interest period commencing on or after 31 December 2021 to the maturity date.

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. This was extended on 29 September 2021 to provide a financial covenant holiday until 31 December 2021 and extend the liquidity testing period until 30 June 2022. The minimum liquidity covenant requires that available liquidity is not lower than £10m for any period of five (5) consecutive business days. Covenants were further amended after the year end as noted below.

At 31 December 2021, letters of credit were in issue to the value of £27.7m (2020: £24.3m), 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 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 accordance with IFRS.

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. This was paid in January 2022. This fee has been capitalised and was deemed to form a new loan under the facility and is being amortised over the life of the facility in accordance with IFRS.

Loan issue costs of approximately £2.0m will be amortised over the life of the facility in accordance with IFRS.

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.

Going concern
In assessing the appropriateness of the going concern assumption, the Board has considered the possible cash requirements of the Group and Company to the end of 2023, taking into account the impact of the pandemic, current economic and political pressures, the range of trading outcomes and mitigating actions which could be taken.

Availability of funding
As at 22 April, drawings under the Group's existing £40m revolving credit facility ("RCF") were £32m and revised covenant terms have been agreed with its banking partners.

Under the revised covenant terms, the Group's existing springing covenant requirements, which apply if drawings under the RCF are £32m or more, are not tested and have been replaced with maintenance covenants from 31 March 2022 to 30 June 2023, comprising stepped quarterly net leverage tests and minimum liquidity covenants, after which the business returns back to the previous quarterly net leverage covenant tests, the first of which would be on 30 September 2023.

Base case scenario
The base case assumes that our hotels remain open for trading and continue to experience RevPAR recovery broadly in line with the latest available external forecasts, with RevPAR across 2022 assumed to be on average back to 2019 levels, and total revenue up 2% driven by new openings since 2019. Revenue for 2023 is modelled to grow by a further 5%.

We consider the base case to be a conservative assessment in light of current trading performance and there are a number of potential upsides and mitigations that have not been included, such as the potential for additional demand from our predominantly domestic customer base, in particular leisure demand and price increases to mitigate the impact of inflation on costs.

Under this base case scenario, the Group is expected to continue to have significant headroom relative to the total funding available to it and to comply with banking covenants where applicable.

Severe but plausible downside scenarios
Our performance will be closely linked to the recovery, the potential future impact of Covid-19 on customer behaviour and the current economic and political uncertainty. The Board has therefore considered various other severe but plausible downside scenarios, including the possibility that inflation is significantly higher than the base case and that corporate demand is slower to recover.

These downsides scenarios have the following impacts:

- Higher inflation – in the event that RPI and CPI were 8% and 7% respectively for 2022, then reducing to 5% and 4% in 2023, the Group would still maintain significant headroom. Our base forecast includes contractually agreed costs for the key cost of sales categories, laundry and food, it also includes the impact of the current available forecasts for National Living Wage increases. Our energy costs are fully hedged to March 2023 and rent increases are driven predominantly by inflation linked reviews. Each lease reviewed on a five-yearly cycle and this review cycle for the estate is broadly spread evenly over a five-year period, the impact against the base case to the end of 2023 is therefore limited.

- Slower corporate recovery – in the event that the assumed recovery in 'white collar' demand, serviced predominantly through our corporate sales channels, is slower than our base forecast the Group would still maintain significant headroom. This scenario assumes corporate revenue is c. 18% further below 2019 levels compared to the base scenario, with RevPAR back c. 2% on 2019 levels in 2022.

In these severe but plausible downside scenarios, either individually or in combination, and before potential mitigation which could reasonably be expected to be available, the group retains sufficient liquidity and would not breach covenants.

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.

Jo Boydell
Chief Financial Officer

22 April 2022

Section 172 Statement

In accordance with section 172 of the UK Companies Act 2006, in its decision making the Board considers the interests of the Group's employees and other stakeholders.

Some examples of how the Board considers these groups during Board meetings and discussions include the following:

- As part of the monthly Key Performance Indicators (KPI) pack, the Board considers data relating to customer feedback and team retention and stability.
- The CFO report gives details on recent lender discussions.
- There have been regular updates as our Better Future strategy has been developed, including development of the targets and KPIs and ongoing progress will be reported regularly.
- The CEO report gives details of any relevant employee related matters, and landlord and other supplier interaction.

The Board also takes into consideration the long-term consequences for both the Company and its stakeholders when making key decisions, making sure the Company conducts its business in a fair way, protecting its reputation and external relationships.

This section provides some examples of decisions taken by the Board this year, and how stakeholder views and interests, as well as other section 172 considerations, have been taken into account in its decision making.

Read more about our stakeholder engagement on pages 22 and 23.

Colleagues

Health and safety measures
The Board was fully briefed on and supportive of the hygiene, cleaning and social distancing measures taken, both at hotels and the Support Centre, to ensure the safety of our employees.

Your Voice, the Travelodge Shadow Board and our Equality and Diversity Group
We use an employee engagement survey, the Travelodge Shadow Board consisting of 12 team members from across the business who have discussions with senior leaders, including the CEO, about shaping business plans and influencing decisions, as well as our Equality and Diversity Group which considers a wide range of topics relating to initiatives and policy.

For more information, see pages 27 to 32.

Customers

Health and safety measures
The Board was fully briefed on and supportive of the hygiene, cleaning and social distancing measures taken, to ensure the safety of our customers when they visited our hotels and bar cafes.

Refit
During 2021 we took the opportunity to undertake significant customer research to further inform our customer proposition, the results of which have informed our new look standard room, improved reception and new style bar café.

Landlords and Other Suppliers

The Board was mindful of the support from our landlords and other suppliers and made payments in line with agreements and credit terms.

Lenders

The Board was fully updated on the negotiations and the support that it received from our lenders in reaching agreements around the covenant amendments.

Better Future

During the year, the Board approved our new sustainability strategy, including PIs and targets.

For more information see pages 32 to 36.

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, colleagues and investors including shareholders, lenders, landlords and other creditors including key operational suppliers, local authorities and communities.

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 42 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 reopened our hotels in line with changing regulation from each of the devolved UK governments. We also needed to ensure that our hotels, when 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 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 Colleagues
We employ over 10,000 colleagues and gather extensive feedback from them throughout the year from a range of sources.

We carry out an engagement survey annually covering a range of topics from opportunities to develop skills and a career at Travelodge to confidence in the Group's senior leadership. The results, which include thousands of verbatim comments and ideas, help to inform our agenda for the long term as well as highlighting any immediate issues that might require our focus. The Board considers the results of our employee survey a good barometer of the team's confidence in the Group's strategic direction.

The Travelodge Shadow Board meets twice during the year. Comprising twelve members, from the numerous roles within hotels and a representation from our head office teams, it is chaired by the Chief Executive. The Shadow Board is a forum for the Chief Executive to gather direct input from all levels and roles in the organisation on key strategic and operational topics under discussion by him and his operating board team.

We communicate regularly with our teams through a series of leadership meetings, Head Office 'Town Halls', and regional and district operational meetings. Our Chief Operating Officer personally leads feedback sessions with members of her District Manager team to ensure she is close to the feedback on any change initiative impacting our hotels.

This management communication is augmented with a communication App accessible to all colleagues across the business. It is used to highlight key messages and news from the management team as well as content and news created by any of our colleagues through posts, pictures, videos, comments and questions. The site can receive hundreds of updates each day and is a vibrant representation of our teams and what they are thinking, feeling and doing.

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. In 2021 we initiated conversations on LGBTQ+, the menopause, and women and career progression at Travelodge. All of these conversations remain live and current.

If any employee wishes to raise concerns concerning the alleged 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.

Our Investors
Our investors include our shareholders, lenders, landlords and other creditors including key operational suppliers, local authorities and communities.

We 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.

In addition to our normal day to day contact with our landlords, every 6 months we host a call for our landlords, developers, and key contacts from the property industry. Normally following on from the bond call, this provides an update on the business as a whole and our progress on key property & development initiatives relevant to this stakeholder group.

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.

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 have always placed a strong emphasis on safety and security, the environment, and our social responsibilities. However, we know that there is more we need to do. We also know that, until now, we haven't routinely shared what we are doing with our stakeholders.

Following extensive consultation with a wide range of stakeholders, we have developed a comprehensive sustainability plan 'Better Future' designed to mark a step-change in our sustainability agenda. The plan will help us to both improve focus and performance, and to share that progress transparently with our stakeholders.

We firmly believe that sustainability has a critically important role to play in shaping the future of our business. For that reason, our sustainability plan 'Better Future' is closely aligned with our Purpose, to provide affordable travel for everyone and integrated with our wider business strategy. This is the first year we have published a separate sustainability report which contains more detailed information.

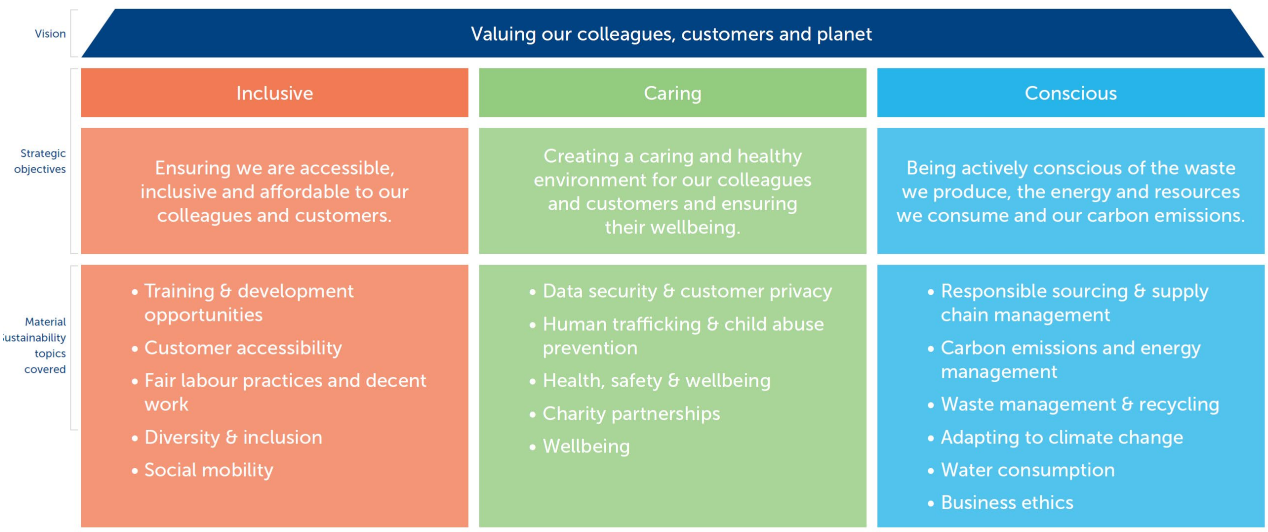
Our sustainability plan 'Better Future'
Valuing our colleagues, customers and planet is the vision that underpins the three pillars of our sustainability plan.

1. **Inclusive:** Ensuring Travelodge is accessible, inclusive, and affordable to its colleagues and customers.

2. **Caring:** Creating a safe and healthy environment for our colleagues and customers, and ensuring their wellbeing.

3. **Conscious:** Being conscious of the waste we produce, the energy and resources we consume, and our carbon emissions.

Our Better Future overview



Priorities
While we have already made good progress in a number of areas, there is still a lot to do. We appreciate that no organisation can do everything at once, so initially we will be focusing on the following priorities over the next 12 months. We intend to refresh this report at least annually and include its content within our Annual Report & Financial Statements:

Inclusive
- Diversity & inclusion - everyone should feel welcome and part of the Travelodge team.
- Social mobility - allow people to learn more, earn more, and belong.

Caring
- Wellbeing - improve the physical, emotional, financial and work wellbeing of our colleagues.
- Charity - support our charity partners, Pennies and the British Heart Foundation.

Conscious

- Net zero - reduce our energy consumption through projects, migrate our residual supply to green sources and/or find ways to offset any remainder.
- New builds and our refit programme - build our new hotels and refurbish our existing hotels with sustainability as a key consideration.

Measuring our progress
In order to stretch and challenge ourselves, the plan includes KPIs (Key Performance Indicators) and targets. We will measure our performance against these KPIs on a quarterly basis. We will report that performance internally on a quarterly basis and externally.

Better Future
We appreciate that the language of sustainability can be complex, and that not everyone has the time, or the inclination, to read detailed reports on the subject. However, that doesn't mean that they don't care about the environment, people, or local communities.

It doesn't help that the terminology changes. Sustainability, ESG, CSR and sometimes CR are all used interchangeably by companies. In essence, they all refer to doing business in an ethical and responsible way that takes into account the needs of a wide range of stakeholders, including society and the environment.

In order to make sure that we share our progress in a way that's quick and easy to understand, we developed 'Better Future', as a way of setting out everything we're doing. While we will continue to report on our performance, in this Sustainability Report and our Annual Report & Financial Statements, we will also include sustainability updates under 'Better Future' in any communications to colleagues, customers and other stakeholders.

Glossary

- **Sustainability:** In a corporate context, sustainability refers to the effect a business has on the environment, and on society, with the goal of having a positive impact in at least one of those areas.
- **ESG** - Environment, Social & Governance
- **CSR** - Corporate Social Responsibility
- **CR** - Corporate Responsibility
- **Governance:** The system by which a company is directed or controlled.
- **KPI:** Key Performance Indicators (KPIs) refer to a set of quantifiable measurements used to gauge a company's overall long-term performance.

Listening to our stakeholders

Sustainability is a broad topic. In developing strategies, all organisations need to choose where to focus their efforts for maximum positive effect.

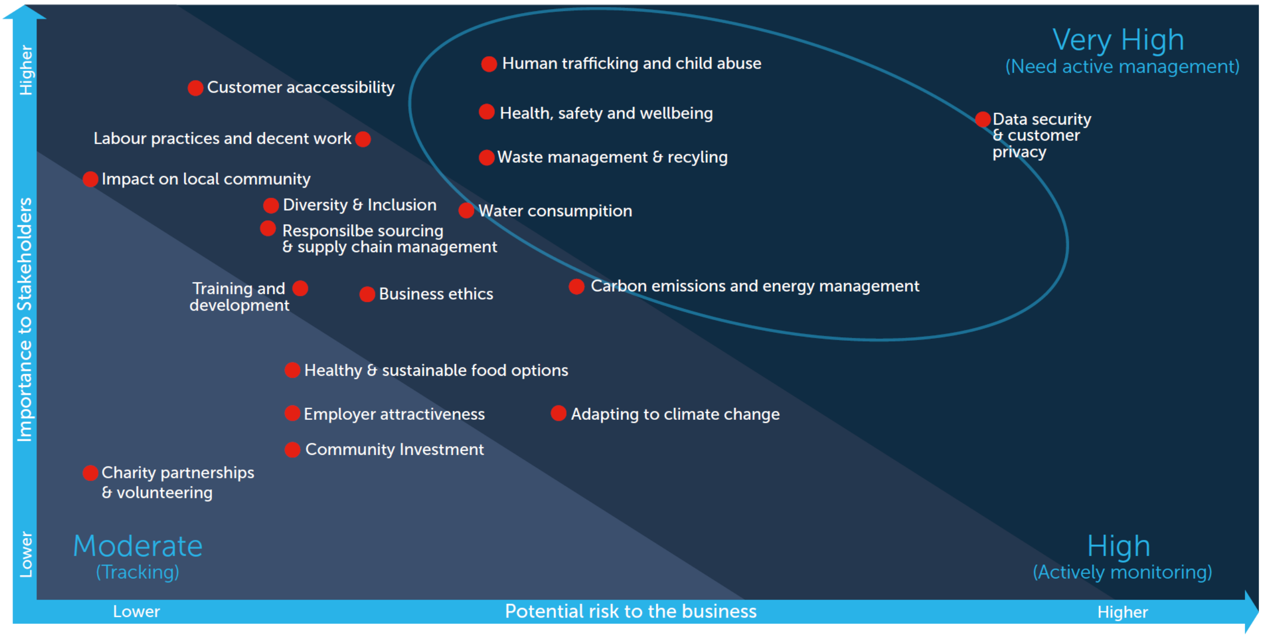
We asked stakeholders about the key issues they really care about. This process is called a materiality assessment and it helped us to identify and prioritise our most material issues.

Consulting our stakeholders
We used an independent sustainability specialist, Simply Sustainable, to conduct our materiality assessment. Simply Sustainable analysed ESG rating agencies, peer and comparators' reports, and conducted a detailed PESTEL analysis to identify 18 material issues for the business.

Through surveys and discussions, these 18 material issues were ranked by level of importance by over 40,000 users of our website, hundreds of our colleagues and a selection of key individual stakeholders including landlords, key suppliers, lenders, corporate customers, charity partners and a local council. To understand the risk posed by each material issue, the consultancy applied the Travelodge business risk assessment methodology, using both a 3 and a 10-year horizon.

The results were plotted on a materiality matrix below (which reflects the 3-year horizon view). Those areas on the top right of the diagram indicate the priority issues for Travelodge to be addressing as part of its sustainability plan.

A wide spread of sustainability issues are material to Travelodge's business, ranging from operational, environmental and security, to inclusivity, wellbeing, and safety for its customers and employees (3-year view)



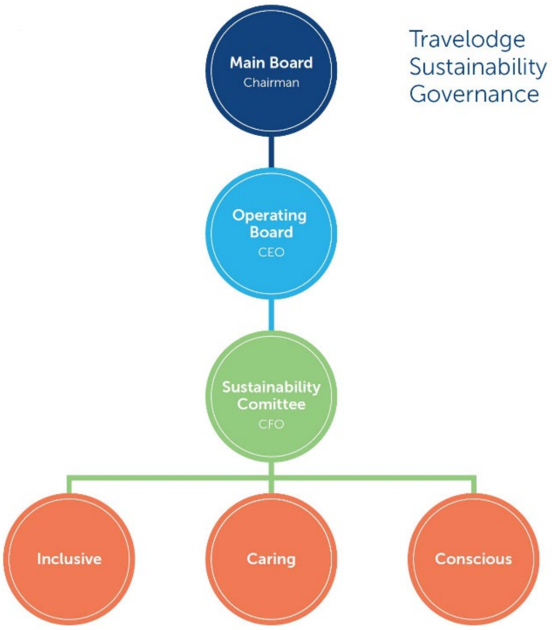
The materiality analysis and resultant Better Future plan are aligned to our wider business strategy. In concluding our Better Future plan, it was clear that there were no material areas absent from our existing business strategy or major changes of directions required, but the plan allowed us to ensure those areas were appropriately covered with sustainability underpinning our wider approach.

Glossary

- **PESTEL:** An analysis tool that helps a company understand what Political, Economic, Social, Technological, Legal and Environmental factors may be affecting the business either now, or in the future.
- **ESG Rating Agency:** Research organisations that use publicly available information to assess the ESG risks of companies. This information is used by investors to help manage the risks in their portfolios.

Better Future governance

In order to effectively monitor the implementation and results from our sustainability initiatives we have put into place a governance model. This model ensures that we are effectively monitoring and directing the implementation of our Better Future plan in a way that builds trust.



The Better Future Committee meets every quarter and is chaired by the Chief Financial Officer who sits on both our Operating Board (the highest executive board) and is a main board member (a director under the Companies Act).

The Committee meets to review targets and KPIs that have been set, and performance against these targets, alongside on-going work and progress under each of the three pillars.

The output of the Committee is reported to the Operating Board, which is chaired by the Chief Executive Officer, at least twice a year and to the Travelodge Main Board, which is chaired by the Group's Chairman, at least annually.

The Chairman has asked our new non-executive director, Helen Normoyle, to be the Board lead for ESG.

Our performance: Inclusive

We plan to improve both our gender and ethnicity splits of colleagues across the business and move to improve social mobility - allowing our colleagues to learn more, earn more and belong. We also plan to further develop our customer accessibility procedures in conjunction with a third party external expert, the charity Disability Positive. All of this will make Travelodge a more inclusive place for our colleagues and customers.

Our Colleagues

Diversity and Inclusion
We believe that all colleagues must feel welcome and are part of the Travelodge team. Being inclusive with diverse representation throughout all areas of our business is important to us.

We monitor the diversity of our existing workforce in order to support a culture of equality, diversity and inclusion. We have both an Equality and Diversity Policy and a Trans Inclusion Policy in place.

We recognise the benefits of having a diverse workforce with different backgrounds, solely employed on ability. In previous years we have held discussions on this topic by way of an equality & diversity governance group which met quarterly. In 2021 we changed our approach, creating listening groups with different colleagues, to focus on specific topics such as gender diversity and our LGBTQ+ community. So far, we have seen greater action as a result of these groups and therefore our aim is to continue this approach in the coming years.

Our focus on equality and diversity has helped us to a leading position where the majority of our hotel managers are female. We are also ahead of the target of 33% female representation for diversity in senior leadership roles, as set out by the Hampton-Alexander review for FTSE 350 companies.

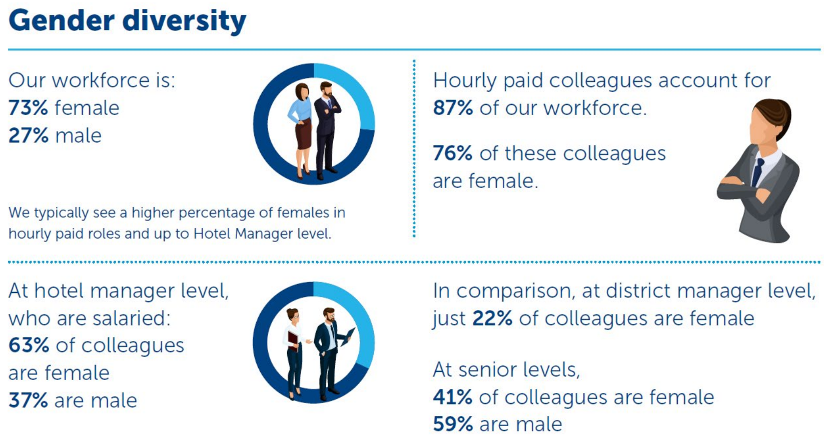
However, we have more work to do, especially on gender. Despite our workforce being 73% female overall, at district manager level, just 22% of our colleagues are female. At Senior Levels (which is the Operating Board, Directors and heads of department), 41% of colleagues are female and 59% are male. Our operating board is 50/50 male to female.

Gender diversity

Our workforce is 73% female and 27% male.

We typically see a higher percentage of females in hourly paid roles and up to Hotel Manager level.

- Hourly paid colleagues account for 87% of our workforce, 76% of these colleagues are female.
- At hotel manager level, who are salaried, 63% of colleagues are female and 37% male.
- In comparison, at district manager level, just 22% of colleagues are female.
- At senior levels, 41% of colleagues are female and 59% are male.



Throughout 2021, our focus has been on gender diversity with balanced shortlists for district manager and senior level roles.

10 District Manager roles were filled in 2021. At the second interview stage our candidate split was 50% male and 50% female. 33% of roles were subsequently secured by females.

There were 11 senior level head office roles (Level 1 & 2) filled in 2021. At the interview stage, 33% of candidates were female and 67% were male. 55% of roles were secured by females.

Ethnic diversity

In the UK, around 13.8% of the population identify as being from an ethnic minority background. In London this number increases to around 40%.

- 69.0% of our workforce identify as white
- 20.5% from ethnic minority backgrounds
- 10.5% prefer not to say

At senior levels (Board, Level 1 & 2) there is minimal representation from ethnic minorities:

- 79% identify as white
- 3% identify from ethnic minority backgrounds
- 18% prefer not to say

London hotels

- 49% of colleagues identify from ethnic minority groups

We have a lot of work to do to champion diversity, especially within Senior Level roles.

Key Performance Indicator

For 2022, we will continue to focus on balanced shortlists for gender and follow the same approach for ethnicity across our senior teams.

As part of our Better Future plan, our aspiration is that, by the end of 2025, 10% of our Senior Level colleagues will come from an ethnic minority background.

Fair labour practices and decent work

Travelodge pays the national living wage to all hourly paid Team Members as a minimum, irrespective of age.

Case Study

In 2016 Travelodge made the step to remove all zero hour contracts, giving our colleagues more certainty to the hours they would work.

All hotels are expected to operate to a Blueprint which enables hotels to recruit the optimum number of colleagues on greater contractual hours. During the pandemic, with resulting levels of uncertainty, we saw an increase in the number of lower contractual hours contracts being issued. In 2022 and beyond we need to reverse this trend to recover our core stable team. Our data shows us that colleagues recruited on an 8 hour contract are much more likely to leave within 12 months compared to colleagues recruited on a 24 hour+ contract.

We are currently trialling pay for productivity schemes, one of which we expect to launch in early 2022. The schemes will give hourly paid colleagues the opportunity to earn more for doing more, therefore increasing their overall earning potential.

Key Performance Indicator
We are targeting hotels to achieve 90% compliance for 24 hour+ contracts according to Blueprint requirements by the end of 2025.

Training and skills development
We have a strong record of developing a diverse team of people, raising their average incomes and improving their career prospects. The vast majority of our hotel managers began their careers at entry-level and have successfully been promoted internally.

In our head office, a larger percentage of females work in the lower paid roles compared to senior roles, however 80% of hotel management role vacancies were filled internally in 2021. Developing colleagues to enable them to progress into more senior roles will in turn support our gender diversity targets. Coupled with that, we are heading into an "applicants' market" meaning it may become more difficult to recruit externally, particularly for more senior roles.

As we move forward the importance of housekeeping becomes paramount, combined with the capability to assist customers when needed. Therefore, having multi-skilled colleagues is critical. Being multiskilled may also mean colleagues have higher earning opportunities as they can work in more than one department meaning more shifts may be available to them.

Our People Pledge is "We are committed to creating an inclusive workplace, providing decent work with opportunities to learn more and earn more, where everyone can be their true self and belong". It is therefore essential our colleagues know what is available to them if they want to develop and progress, with the most beneficial way of doing this being through career conversations with their line manager.

Glossary
Your Voice: Our annual engagement survey, used to understand levels of satisfaction from all of our colleagues throughout our business, with the aim of informing future initiatives for improvement.

Key Performance Indicator
In our head office roles we plan to increase the number of internal promotions from 35% to 40% by the end of 2025.

In hotel operations we aspire to have 35% of hourly paid colleagues skilled in more than 1 role by the end of 2025 and maintain the current high levels of internal promotions at 75%.

As a company, we want to increase the Your Voice score for the question "If I want to, I know how to develop my career at Travelodge" from 7.6 to 8.5 out of 10 by 2025.

Our Customers

At Travelodge, our purpose is to provide affordable travel for everyone. We offer our customers the best balance of location, price and quality to suit their travel needs.

We use many tools to collate customer feedback on their experience with us and we plan to continue to engage with them to understand how we are responding to the sustainability issues that are important to them.

Customer accessibility
At Travelodge, we believe everyone should be treated fairly. In the UK, there are around 14.1m people with a disability. We recognise the wide range of customers that use our premises and aim to make our hotels accessible and welcoming to everyone. There are currently 2,391 accessible rooms (5% of all rooms) within our portfolio.

We hold research groups to hear first-hand from our customers what their needs are, so these can be incorporated into both our service offering and our policies. We also retain a specialist accessibility consultant to help us consider accessibility in all product development.

Travelodge is committed to making our website 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.

Key Performance Indicator
We want to do more to make our hotels accessible for everyone. This year, we appointed a dedicated charity, Disability Positive, to advise on policy, training programmes and product development to support customers with lived experience of disability and long term health conditions.

Glossary
Disability Positive: A charity based in Cheshire and providing services, opportunities and a voice to people living with disability and long-term health conditions, and their families.

Our performance: Caring

We plan to improve the wellbeing of our colleagues by encouraging an inclusive culture that promotes a positive approach to health, safety, wellbeing and security. We will continue to develop our relationships with our charity partners.

Health & Safety
Our number one priority is the safety and security of our customers and colleagues. We consider the safety of our customers and colleagues in all business decisions. We do this by having a comprehensive and proactive approach to risk assessment, clear policies and procedures and controls.

We regularly train our colleagues on our comprehensive range of safety and security policies and procedures. In addition, we have a nominated Safety Champion in every operational district to support hotel teams.

We have a nominated Safety Champion in every operational district to support hotel teams. Our Safety Champions are operational colleagues, usually a member of the management team or an experienced senior colleague from within the operational district they represent, who can provide support and coaching on health and safety matters to others within the district. The Safety Champions regularly meet throughout the year to discuss any issues or concerns or provide input and feedback on safety related processes or procedural changes being considered or in the process of being implemented.

Our internal team actively monitors our audit, enforcement and accident and incident data, ensuring that all information is analysed and improvements are made where possible. This helps us to prevent any recurrence and reduces risk to our customers and colleagues.

Our hotels are subject to routine inspections from local authority Environmental Health Officers, Fire Safety Officers and officers from other various enforcement agencies. In addition, we use an independent expert company to carry out unannounced safety audits at all our hotels.

As described in the governance section of this plan, one or more Board Directors who are also Operating Board members as well as at least one additional Operating Board member attend the monthly Safety, Security & Risk committee. The committee ensures the risks we face are understood, managed and monitored into the future.

Case Study – working safely during the COVID-19 pandemic
At the start of the pandemic, we created TravelodgeProtect+, a programme of cleaning and social distancing measures, designed to keep our guests and teams safe and give everyone peace of mind. The programme was developed by a dedicated cross functional hygiene strategy team in discussion with our peers and bodies, such as the UK Hospitality Association.

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.

Wellbeing
The physical, emotional, financial and work wellbeing of our colleagues is important to us. In 2021 we launched our wellbeing platform Better Me, creating resources available to all colleagues to support 4 pillars of wellbeing:

- **Financial** - Understanding your benefits including pension, and the recent introduction of our salary finance scheme
- **Emotional** - Resources to support our colleagues' mental health including our Employee Assistance program
- **Physical** - Discounted gym membership and resources to support physical health
  Work - How to progress your career with Travelodge including CV & interview tips and how to join the Aspire programme

We will continue to evolve Better Me during 2022 and in future years.

Our annual 'Your Voice' survey also monitors whether colleagues feel that there are resources available to them at Travelodge to support their wellbeing.

Our Employee Assistance Programme provides an online and 24 hour telephone helpline for any colleague and members of their family needing support. The service covers 3 core areas of wellbeing - financial, emotional and physical. Legal professionals can provide support on a range of financial issues. Colleagues and their family members can benefit from up to 6 free face to face counselling sessions to support mental health issues from depression to relationship problems, and registered nurses can assist with physical wellbeing.

Key Performance Indicator
We want to increase 'Your Voice' survey score for the question "There are resources available to me at Travelodge to support my wellbeing" from 7.4 to 8.5 by 2025.

Charity partnerships
We work closely with its charity partners the British Heart Foundation and Pennies. We became the first hotel brand to join Pennies in 2011, allowing customers the opportunity to add a few pennies to their hotel room bookings for charity. Customers have raised over a million pounds so far using the digital charity box. For the first two years, customers' online micro-donations supported KidsOut and Cancer Research UK. From 2013 to early 2017, donations benefited Macmillan Cancer Support. Since March 2017, donations are supporting the British Heart Foundation, as they fight for every heartbeat.

Key Performance Indicator
We want to encourage a further 1,000 colleagues to train in CPR by 2023.

Case Study – British Heart Foundation
We have partnered with the British Heart Foundation since 2017 and plan to continue the relationship during 2022. We expect to train a further 1,000 colleagues in CPR during the year using a new phone app that teaches CPR using only the app and a pillow, removing the need for a traditional CPR dummy. This will help keep both our colleagues and customers safe.

Human trafficking and child abuse prevention

Human trafficking is a modern form of slavery. It occurs when men, women, children and young people are forced, tricked, or persuaded to leave their homes and then exploited, forced to work or even sold.

Worldwide, 40.3 million men, women and children were victims of modern slavery on any day in 2016. Children account for 1 in 4 victims – a total of 10.1million. In the UK, Home Office statistics reveal that 10,613 potential victims of human trafficking were identified in 2020.

The use of hotels for child trafficking and use associated with criminal activity is a recognised issue throughout the hotel industry. Police and children's charities advise us that criminal groups will often move vulnerable children to locations outside of their known local area to minimise the child's ability to access help.

All our hotel teams are trained according to national guidelines supported by the NSPCC, which have also been approved by the National Working Group on child sexual exploitation, South Yorkshire Police and the MET Police. Training is delivered via eLearning every 6 months.

Key Performance Indicator
We want to maintain 100% of hotel colleagues to undergo child trafficking and human rights training during 2022.

Data security and customer privacy
We are committed to ensuring that all personal data, relating to both our customers and colleagues is held in a safe and secure manner and is used in an ethical manner.

It is our policy to manage and store personal information of both its colleagues 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).

We implement "privacy by design" into everything we do, as evidenced by ongoing privacy impact assessments and the translation of these into development plans and actions. We contract our key supply chain to stringent auditable standards (predominantly ISO27001) which cover all aspects of privacy including subject rights, transfer legality, information security controls, sub-processing and applicable standards. We also have appointed an independent Data Protection Officer to arbitrate on behalf of our customers and colleagues.

We only collect and maintain sensitive personal information data which is strictly necessary for protection of life such as for Health and Safety reasons or consistent with maintaining good employment practices. Such usages are subject to mandatory privacy assessment.

We assess our cyber security maturity using the CIS control framework. During 2022 we plan to review whether this framework continues to be appropriate based on our size and complexity and will review whether there are alternatives that would be more suitable moving forward. We also conduct a wide array of scheduled and ad hoc technical security testing using a range of security tooling and independent third party specialists alongside a Responsible Disclosure programme.

Training is the single most effective way to ensure we are not vulnerable. All of our colleagues receive training at least annually and upon induction not just on information security but also GDPR and credit card handling.

The training is supported by a company-wide awareness campaign. We raise awareness of the dangers of phishing through an ongoing phishing simulation programme that educates employees in real time based on their actions against simulated phishing tests. We maintain, train and support data privacy champions in each of our business functions whose role is to ensure ongoing compliance with ethical business practices with regard to our customer and colleague data.

Case Study – Phishing attacks and awareness training
In 2020 we introduced a third party tool to measure the phishing susceptibility of our colleagues through a programme of testing and a means to provide education and guidance to any colleague who falls victim to the phishing test.

Key Performance Indicator
We plan to maintain a phishing susceptibility rate of less than 10% across the business.

Our performance: Conscious

Our long-term goal is to become a net-zero business. In the coming year, we will set out the roadmap towards achieving this target, ensuring that our new build and refurbishment specifications are redesigned to reflect the strategic importance of sustainably.

Every organisation, in fact, every human being, has an impact on the world. For us, being actively conscious means being aware of those impacts and working to minimise the negative, while increasing the positive.

Climate change and carbon emissions
Described as the existential challenge of our time, the effects of our changing climate are already in evidence around the world. Despite the global efforts at COP26 to keep global temperature rises below 1.5C by the end of the century, recent analysis[1] shows that, based on the short term goals already set out by countries, the temperature rise will top 2.4C.

Carbon emissions reduction
We recognise that we have a part to play in reducing carbon emissions. In 2019, we set up an Energy Governance Group with responsibility for monitoring the changing energy landscape and providing guidance and recommendations to the business.

Key Performance Indicator
We also expect to have reduced our carbon emissions from electricity by 14% compared with 2017 levels by the end of 2022.

Recognising the importance of our impact on 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 both our annual strategic report and annual sustainability report.

Our GHG reporting year is the same as our financial year from 31 December 2020 to 31 December 2021. Our net carbon footprint for the 2021 financial year was 39,922 tonnes of carbon dioxide and equivalent gases (CO_2e), with an intensity of 70.6 tonnes of CO_2e per £million turnover. Although we used 21% more energy overall for 2021 vs 2020, the tonnes per £million metric reduced because during 2020 our hotels were all open during the first quarter, when typically we consume the most electricity to heat our hotels but generate relatively lower sales than in the summer season. At this time in 2021, the majority of our hotels were closed due to the covid-19 pandemic. Historically we would have consumed the least electricity and generated a larger proportion of our sales. In 2021 all of our hotels were fully reopened from May 2021.

[1] https://www.theguardian.com/environment/2021/nov/09/cop26-sets-course-for-disastrous-heating-of-more-than-24c-says-key-report

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 operations control and financial boundaries and include emissions from manufacturing, retail and distribution sites and the operation of our distribution fleet.

		Current reporting Year 2021	**Current reporting Year 2020**	**% change 2021 v 2020**
	Energy consumption used to calculate emissions: kWh	196.3 GWh	162.7 GWh	(20.6)%
		Current reporting year 2021 (tonnes of CO2e)	**Current reporting year 2020 (tonnes of CO2e)**	**% change 2021 v 2020**
Scope 1	Emissions from combustion of gas	12,336	9,981	(23.6)%
Scope 1	Emissions from combustion of fuel for transport purposes	1,010	1,128	10.5%
Scope 2	Emissions from purchased electricity	26,277	24,024	(9.4)%
Scope 3	Emissions from business travel in rental cars or employee-owned vehicles where company purchases the fuel	298	208	(43.1)%
Gross Emissions	Total scope 1 + 2 CO2e emissions	39,922	35,341	(13.0%)
Intensity measure	Tonnes of CO2e per £m turnover	70.6	124.3	43.2%

The methodology used to calculate our emissions is based on the UK Governments Environmental Reporting Guidance (2013) and is in line with the methods used previously for reporting under ESOS and the CRC Energy Efficiency Scheme. Emissions factors are taken from the UK Governments GHG Conversion Factors for Company Reporting (2021 & 2020).

Energy management
During 2021 we progressed our 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 facilitate the reduction of energy consumption.

Case Study – Energy Efficiency

Lighting
Our energy efficiency programme was set up in 2017, with the first project being to install LED bulbs in hotel common areas along with motion sensors that automatically switch off lights when they're not needed. We have now converted the majority of our hotels and have reduced our annual electricity consumption by 20.2 GWh or 4,283 tonnes of CO2e.

Our next focus during 2022 will be on installing LEDs into customer rooms as part of our ongoing refurbishment programme.

Heating and cooling
This is the major energy project delivered throughout the year, having started in 2019 which is focussed on installing new controls to hotel heating, cooling and ventilation systems. The new units can be controlled centrally, allowing for max. and min. temperatures to be set at different times of the day. This prevents rooms from being overheated or the heating being left on when the room isn't occupied. The new control system can be applied to our in-room air-conditioning and common area air-conditioning ventilation systems.

The pace of this project has been slowed due to the impacts of the pandemic, but installations were completed at 44 hotels in 2021. At the end of 2021 we had installed these systems in 124 hotels or about a quarter of the estate, saving 6.7 GWh annually, which equates to 1,428 tonnes of CO2e. Once rolled out to the whole estate, we expect the project will save about 23 GWh annually of energy equating to 5,170 tCO2e.

Quick wins
Energy saving needn't be complex. Sometimes simple changes can make a big difference. In 2019, we changed our policy of room set up, which previously asked our housekeepers to set up a room with the bed lights on between September and May.

This often meant that lights were left on from set up at 10am until guests checked in sometime after 3pm. Flagged as a potential issue by our colleagues, changing our policy to remove this requirement was a quick and straightforward way of avoiding energy waste. This saves about 70MWh annually, which equates to 16 tonnes of CO2e.

During 2020, we engaged an energy specialist to conduct audits of c.80 hotels each year to identify inefficient usage and make recommendations to remedy these. We are also reviewing other more significant capital works such as air source heat pumps to replace traditional boilers

Key Performance Indicator
During 2022 we will finalise our route to becoming a net zero operator of our hotels and consider how this can be aligned to Science Based Targets ("SBTi").

Building new hotels and refurbishing our existing hotels
Growth through new hotels is key to our strategy and in 2021, we opened 17 new hotels and plan to open a further 6 hotels during 2022 before returning to more normal levels of 15 to 20 hotels thereafter.

We already develop new hotels considering our impact and include the following features:

- Low energy lighting and motion sensing controls
- Aerated showers and taps
- Full insulation
- Windows and external fixtures fitted accurately for minimum energy leakage
- Smart automatic utility meters installed
- Variable Refrigerant Flow (VRF) heating and cooling system
- Dual flush toilets

Case study - new hotel build at London Docklands
Due to open later this year, our new hotel at London Dockland is designed to an 'Excellent' BREEAM rating and will have an Energy Performance Certificate ("EPC") rating of A. The hotel will minimise fossil fuel usage with the introduction of Air Source Heat Pumps to heat water and with gas only used as a top up. It will also have 40m2 of solar panels on the roof equating to over 3,000kg of carbon saving per year. To provide customers the opportunity to reach the sites in more sustainable ways, 50% of all car parking spaces will offer electric vehicle charging and there will also be space for 26 bicycle stands.

Glossary
BREEAM stands for 'Building Research Establishment Environmental Assessment Method'. It is an established method of measuring the sustainability of buildings and how the design of a building should be considered. It can form part of the planning requirements local authorities may include.

In addition, some sites may have other features such as combined heat and power boilers.

However, carbon emissions are generated beyond the equipment installed within the building and are impacted by the very fabric of the building itself.

Key Performance Indicator
During 2022 we plan to review how our hotels are built from the ground up and based on the conclusions of the review, adjust our new build specification where possible, and build our hotels in a more sustainable manner.

During 2022 we will ensure all material suppliers that contribute to the refurbishment of our hotels are reviewed for their sustainability credentials including their own progress on reducing carbon emissions, the volume of renewable energy they use and the volume of product recycling they undertake including progress to zero to landfill.

As we develop our sustainable procurement process (see Responsible sourcing and supply chain management), we will ensure contracts with new refurbishment suppliers follow a standardised route to acceptance which formally aligns with our own sustainability agenda.

As part of our refurbishment programme we want to use products that have sustainable credentials, use as little CO_2 as possible to make and that generate as little waste to landfill as possible. We also want to make sure that we reuse or recycle as many of the things we replace in this process as possible.

Case Study - Refurbishment of our hotels
The recycled fishing nets used to produce the yarn in our replacement carpets are part of a project supporting clean ocean initiatives, tackling over 640k tonnes of discarded fishing nets currently impacting marine life. The carpet backing is also made of old plastic bottles. Every 10 of these bottles recycled rather than being sent to landfill saves enough energy to power a laptop for 25 hours.

In addition, Sleepeezee, the provider of our beds, was the first UK bed supplier to be awarded the Planet Mark Accreditation which recognises outstanding achievements and actions in organisations that are committed to reducing their carbon emissions.

Adapting to climate change
Even if the world stopped emitting greenhouse gases ("GHGs") tomorrow, the effects of climate change would be felt for many centuries to come. Efforts today to reduce the amount of GHGs entering the atmosphere will help to limit the impact to future generations. For people alive today, adaptation means learning to live with the changes that are already locked in.

All organisations need to understand how climate change will affect their businesses, customers and supply chains. For example, in the UK, hotter summers, wetter winters and the increased risk of flooding are widely reported risks. The switch to electric vehicles will also change how some of our customers travel. Planning for these changes will be a key focus for the business during 2022.

Key Performance Indicator
In the coming year we intend to conduct a flood risk review on our existing estate and the impact of a future world where temperatures being hotter and colder for longer periods of time,

Conclude a review of the TCFD (Task Force on Climate-related Financial Disclosures) in readiness for future Annual Reports & Financial Statements.

Water management
Water is a vital resource and yet around 40% of the world's population is affected by water scarcity. The challenge isn't just global. The supply of water in the UK is becoming more unpredictable and issues around taking water from surface sources alongside water infrastructure mean that within the next 20 years, demand for water in parts of southern England will probably outstrip supply.

Water consumption is mainly driven by use in bedrooms (showers, sink, toilets) bar cafes and cleaning throughout our hotels.

Our third party specialist energy brokers monitor and report on our water consumption, benchmarking our use against similar sized businesses and advising on measures to reduce our use. These include installing aerated showerheads and taps, which reduce water consumption by up to 50%. We also collect rainwater at certain sites which is used to irrigate green spaces.

Currently our water consumption equates to about 120 litres per customer with about 37% of these customers using less than 100 litres per customer, 55% using between 100 and 120 litres per customer and the balance of 8% using over 150 litres per customer.

Key Performance Indicator
We have set a target to reduce our overall water consumption to 100 litres per customer by 2025. We are extending our maintenance programme, adjusting excessive shower flow rates, repairing leaks and addressing plant room issues. We will also be assessing the opportunities for further water conservation and, where appropriate, water reuse.

Waste management & recycling
Waste comes in many forms and is generated from within our business, within our supply chain, and by our guests. Plastics, e-waste, leftover food – everything no longer needed has to go somewhere. While recycling has its place, the best way of dealing with waste is not to create it in the first place.

We are working with our waste management suppliers to assess how we can set targets to reduce waste across our business. We are also talking to our suppliers about the opportunities to re-think and re-design processes to avoid waste altogether.

Key Performance Indicator
We still have work to do on waste, and in 2022 we intend to conclude our review of the waste Travelodge generates with a view to agreeing a more detailed action plan.

Responsible sourcing & supply chain management
Travelodge, like all organisations, relies on its supply chain. From mattresses to energy, carpets to laundry services, companies within our supply chain are a key part of the Travelodge ecosystem.

Responsible sourcing and supply chain management looks at how the business selects and engages with its suppliers in a fair and ethical way. It also considers what policies and processes the supplier has in place to ensure that its own organisation is well run and driving its own sustainability agenda.

Working together with our suppliers to share best practice on sustainability will be a key part of our plan.

Key Performance Indicator
In 2022, will be reviewing our responsible sourcing criteria and looking at how we can embed them into our procurement processes and procedures.

Case Study - Removing single use plastics
In 2018, Travelodge started working with laundry services provider Elis to eliminate single use plastic from the supply chain. Previously, clean linen was shrink wrapped in plastic before being placed into cages for delivery to our hotels. Annually, this accounted for 60 tonnes of plastic waste. We are working alongside Elis to change the system to allow linen to be collected and returned in reusable and washable fabric cage liners and have completed this project at 2 out of 12 factories so far with a further 2 factories expected to transition during 2022.

Each cage liner can be used for up to 3 years and can be recycled or reclaimed at the end of its life. By the end of 2021 we have reduced our plastic use by 10 tonnes per annum. During 2022 we expect up to 16 tonnes will be removed and the aim is to remove all 60 tonnes per annum over the next three years.

In addition to the benefits of removing single use plastic, the volume of rejected linen has reduced therefore saving water and energy from reducing the need to re-wash products.

Our business ethics
As a large private organisation we aren't subject to the statutory obligations regarding business ethics that apply to publicly listed companies. However, we believe that managing our business to a set of clear moral criteria is the right thing to do for all of our stakeholders. That is why, in 2019, we voluntarily adopted the Wates Governance Principles for Large Private Companies. The principles provide a framework for the Group to demonstrate how the Board makes decisions for the long term success of the company and its stakeholders, while complying with the Companies Act 2016. More information can be found in our Annual Report & Financial Statements.

It is our policy to conduct all business fairly and in an honest and ethical manner. The business takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly, and with integrity in all business dealings and relationships. We implement and enforce effective systems to counter bribery and corruption (e.g. Anti-Corruption and Anti-Bribery Policy, Business and Ethics Policy, and Whistleblowing Policy).

Key Performance Indicator
As part of our plan, we will review the options to provide ethics training to all Operating Board members on induction and at least annually by 2023.

Pensions
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.

Human Rights
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.

Accessibility
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.

Anti-corruption & Anti-Bribery
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.

Principal risks and uncertainties

The Directors have carried out an assessment of the principal risks facing the Group, 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.

Financial risk management is presented within note 20.

	Principal Risk	**Description**	**Key Mitigations**	**Progress**
Regulatory	Covid-19 Impact compared to 2020:	In line with the UK Government's guidance Travelodge reopened all of its hotels from May 2021. Following that time all of hotels have remained open to trade, although our ability to trade was marginally impacted by the varying conditions imposed by the governments of the United Kingdom and also other imposed requirements such as Track & Trace. Following the successful vaccination programme that has been rolled out across the country, alongside it being apparent that current variants of the covid virus in circulation are not sufficiently concerning to impose further severe restrictions, the risk of covid on Travelodge has lowered. Whilst there remains a risk that new variant(s) may arise which do cause further, more severe, restrictions, the likelihood of this is low, and it more likely that covid will now take its place within the usual flu cycles society traditionally lives with. Due to the majority of our central office teams working remotely there is an increased risk of cyber threats including phishing.	During 2021 the Group delivered upon the recovery plan to enable the business to successfully trade through the impact of Covid-19, this involved a number of key components including: - continued action to preserve cash flow with discretionary spend reduced and non-essential capex deferred until appropriate certainty was reached; - 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; and - benefited from the Company Voluntary Arrangement ("CVA") which was agreed in 2020. For further details see the CFO Report. We have reinforced good cyber security practice during the year since the majority of our central support team have been homeworking, including the introduction of phishing training to all central staff, alongside a phishing testing programme.	Travelodge made good progress, developing our corporate and operational plan to adapt to the consequences of the pandemic. Key actions during 2021 were the continuation and subsequent adaptation of our Safe to Operate, Travelodge Protect+ framework.

	Principal Risk	**Description**	**Key Mitigations**	**Progress**
Regulatory	Regulatory Impact compared to 2020: ↑	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. New regulation can impact upon Travelodge's business model and cause us to need to change our ways of working which incur additional cost. As a large private company, we note that the level of regulation continues to increase such as in 2021 with white paper issued by BEIS in relation to audit and internal controls.	Our number one priority is the safety and security of our customers and colleagues. We consider the safety of our customers and colleagues in all business decisions. We do this by having a comprehensive and proactive approach to risk assessment, clear policies and procedures and controls. 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 Travelodge's 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, where required under regulation or where considered supportive to mitigate a specific risk. Via the Safety, Security and Risk committee, new and emerging risks from regulation are considered and assessed.	During 2021, Travelodge remained abreast of new and changing regulation. A dedicated group is in place to review changing fire legislation, particularly following the Grenfell tragedy. This multi departmental group includes an expert panel of internal and external advisors to ensure legislation is appropriately considered. A permanent National Fire Advisor was also appointed during the year. A working group has also been set up to ensure the outcome of the BEIS review is adequately understood.

	Principal Risk	Description	Key Mitigations	Progress
Operational	Liquidity Impact compared to 2020:	The Group 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. A lack of appropriate levels of covenant headroom, cash resources, or inadequate cost controls could impact our financial performance.	Through 2020 and 2021 following the impact of covid-19 the Group implemented a recovery plan including securing additional financing and a waiver for covenants attached to its existing financing. The Group has considered the possible cash requirements to the end of 2023 and modelled severe but plausible downside scenarios against the base case, within which the Group retains sufficient liquidity. For further details see the CFO Report.	This risk has reduced. Please see the Outlook section of the Chief Executive's report and the Going Concern section in the Chief Financial Officer's report for more details on current developments.
	Attraction of people Impact compared to 2020:	The Group employs over 10,000 people, particularly team members, assistant hotel managers and hotel managers. Market forces and other impacts such as the impact of Brexit may result in a shortage of available workforce.	We continue to operate our hotels on minimum manning levels subject to their risk and complexity. We also seek to continue to improve operational efficiency where possible.	During 2021 the impact of Brexit and the developments in the UK labour market have increased the risk of being able to attract sufficient volumes of colleagues. We have made progress in mitigating this risk where possible via operational efficiencies.
	Competition Impact compared to 2020:	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 8.	During 2021 we have continued to monitor competitors' pricing using a variety of tools. This data informs our understanding of how competitor pricing is affecting customer demand for our hotels.

	Principal Risk	**Description**	**Key Mitigations**	**Progress**
Operational	Cyber and data Impact compared to 2020: 	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 and our key system suppliers may also be directly or indirectly impacted through collateral damage, by the Ukraine conflict.	We manage information in compliance with relevant Data Protection regulations including the Data Protection Act (2018). Travelodge 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 data, 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.	We continued to develop our mitigation to cyber risk through 2021, including through the development of phishing training and an on-going series of phishing tests. We have continued to benchmark ourselves to the CIS self assessment benchmark and use the results to inform future activity plans.
	Loss of supplier Impact compared to 2020: 	Travelodge is reliant on third parties for services, and as such, is exposed to their business interruption risks or going concern risks, which may be heightened because of Covid-19 or the Ukraine conflict. This could impact on our ability to trade. During 2021 we saw challenges to certain supplies, including linen and food and beverage.	We maintain regular communications with existing key 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 during 2021. We also redesigned our procurement processes to allow more regular review of those suppliers who Travelodge is more dependent on. During 2022, we expect to formalise a new Business Continuity Management System, which will then start to capture key potential process failures and inherently consider our key suppliers as part of this.

	Principal Risk	Description	Key Mitigations	Progress
Strategic	Macroeconomic Impact compared to 2020:	The wider economy may suffer from adverse events which indirectly reduce the demand for our rooms or increase our costs, including pandemics, terrorism events, conflicts, increases in inflation or interest rates or Brexit. Inflation particularly has grown recently, and there have been notable increases in the unit costs of both electricity and gas. The impact of the Ukraine conflict has contributed to this and could cause wider inflationary pressures if not concluded in the short term.	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. Travelodge uses flexible energy contracts which allow the fixing of electricity and gas prices through the term of the contract. The prices were hedged through to spring 2023 prior to the recent price increases noted.	We continued to monitor, review and mitigate through 2021. The results of these reviews are within the going concern section of these financial statements on page 20 and 61. We note that the risk of inflation growth has increased alongside the consequential risk of increased interest rates. We will monitor these carefully throughout 2022.
	Sustainability and Climate Change Impact compared to 2020:	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.	During 2021 Travelodge completed a sustainability strategy review, which included an initial review of climate change risks. These, and the on-going work to review and mitigate them are further explained on pages 32 to 36.	Our first sustainability report will be published around the time of the Annual Report and Financial Statements, including KPIs and targets, the content of which is included within this report.

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

Jo Boydell
Chief Financial Officer

22 April 2022

Corporate Governance

For the year ended 31 December 2021, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies ("the Wates principles").

The key area of development during the year was the appointment of a new Chairman of the Board and the permanent appointment of a Chief Executive Officer as we begin to leave the challenges of the covid pandemic.

The Wates principles and how Travelodge has applied these are given 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.	At Travelodge, our purpose is to provide affordable travel for everyone, offering our customers the best balance of location, price and quality to suit their travel needs. Our strategy is to make Travelodge better for our key stakeholders - customers, colleagues and investors, and for the future, underpinned by our new Better Future sustainability strategy. 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. We continued our communication during 2021 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. The strategy was further updated in 2021 and communicated to the teams at our 2022 annual conference, which was held as a virtual event in January.

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 25 March 2021, Martin Robinson was appointed as Chairman of the Travelodge Board. On 7 May 2021 Craig Bonnar the interim Chief Executive was appointed as the Group's permanent Chief Executive. Following the Chairman and permanent Chief Executive appointments, the Executive Committee, formed during 2020 to provide governance in the transition period, was disbanded. The Board comprises a Chairman, Chief Executive, Chief Financial Officer and three owner appointed Non-Executive Directors. On 4 January 2022 it was announced that Helen Normoyle had replaced Jonathan Ford as the director nominated by Avenue Capital. One of these Non-Executive Directors works within the owner entity they represent and the other two were appointed by an owner entity, but work externally to their businesses. We are committed to further improving the 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 appointment of Helen Normoyle further strengthens this commitment. The Non-Executive Directors between them bring experience in hospitality, digital, marketing, finance, audit and sustainability, 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 the relevant committees, including the Audit, Safety, Security and Risk, and Investment. During 2022, we expect to also formalise a Sustainability Committee.

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. 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 (Audit, Safety, Security and Risk and Investment) under a formal delegated authority framework approved by the Board. These committees include one or more 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. During 2021 we commenced a programme to expand our internal audit capability and scope to broaden coverage of central functions, in addition to our hotels. We expect this to continue during 2022 in conjunction with understanding the impact of the Department for Business, Energy and Industrial Strategy ("BEIS") proposed reforms to internal controls which is expected to be issued during 2022.
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 one other 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. We note the 'Restoring trust in audit and corporate governance' white paper, which was issued in 2021 by BEIS, seeking responses to the government's proposals to ensure that the UK's audit and corporate reporting framework does all it should to safeguard the interests of investors and other stakeholders. We expect the results of this white paper to be issued during 2022 and will carefully assess any consequences to the company upon issuance.

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's and Chief Executive's remuneration. The Chairman is responsible for other executive director's remuneration, 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 metrics reported to the Board on an annual basis are Gender Pay Gap, pay reviews versus benchmark and CEO pay ratio.
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, colleagues, and investors, including shareholders, lenders, landlords and other creditors including key operational suppliers, local authorities and communities. Please refer to the Stakeholder Engagement section within the Strategic Report on pages 22 to 23 for a discussion of how we engage with each.

Board of Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

Martin Robinson (Chairman)
Martin was appointed as Chairman from 25 March 2021.

Martin is also Chairman of Burger King UK, Parkdean Resorts, Inspiring Learning, and a Director of Majid Al Futtaim Ventures.

He previously chaired Center Parcs in the UK and Europe, as well as Wagamama, Casual Dining Group and Holmes Place Health Clubs. He has sat on the Boards of Disneyland Paris, Regus plc, Perry's, QCNS and Duke Street Capital.

Martin has two children and his interests include keeping fit, skiing, football and music, and holds a Masters degree in Geography from Oxford University.

Craig Bonnar (Chief Executive Officer)
Craig was appointed as permanent Chief Executive Officer from 7 May 2021 having held this position on an interim basis since 1 January 2021.

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 1 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.

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

Ion Dagtoglou (Non-Executive Director, employed by and representing Goldman Sachs)
Ion was appointed on 25 March 2021.

Ionis an Executive Director at Goldman Sachs in the Asset Management Division. He is a director of several companies in which Goldman Sachs has private equity investments and focuses on asset management of other GS private equity investments.

Ion joined Goldman Sachs Special Situations Group in 2002 until 2008. Then he worked as CIO of the Asset Protection Agency, an agency of HM Treasury overseeing the Asset Protection Scheme of RBS' risk portfolio until 2012, and as CIO of Candlewick Asset Management, a JV between Goldman Sachs and TPG managing a portfolio of UK mid-market private equity investment, before returning to Goldman Sachs.

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.

Thomas resigned on 25 March 2021.

Helen Normoyle (Non-Executive Director, representing Avenue Capital Group and Audit Committee member)
Helen was appointed on 1 January 2022.

Helen is a highly experienced marketeer with 30 years' experience in consumer marketing and market research across a range of sectors and geographies. A graduate of the University of Limerick, she started her career with Infratest+GfK, based in Germany. From there she moved to Motorola, where she held a range of roles including Director of Global Consumer Insights and Product Marketing and Director of Marketing. After working in broadcast and telecoms regulation at Ofcom as the Director of Market Research, she held Marketing Director and Chief Marketing Officer roles at the BBC, DFS, Countrywide and Boots, where she was also the Chair and Director of the Boots Charitable Trust. Helen is the co-founder of My Menopause Centre and a non-executive director on the Board of AIB (Allied Irish Banks).

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 LLP (London).

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

Jonathan resigned on 1 January 2022.

Stephen Shurrock (Senior Non-Executive Director, representing GoldenTree Asset Management LP, 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 2021.

Directors
The Directors who served during the year and up to the date of the report are detailed on pages 45 and 46.

Results
Results for the Group are for the full year ended 31 December 2021, with comparatives for the full year ended 31 December 2020.

For 2021, the Group made EBITDA (adjusted)(1) Profit of £81.1m (2020: Loss of £74.0m), Operating Profit of £145.0m (2020: Loss of £83.5m) and a Loss Before Tax of £102.2m (2020: Loss of £307.0m).

Ownership
At 31 December 2021, 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 LP 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, West Palm Beach, London, Singapore, Sydney, Tokyo and Dublin, and manages approximately $47 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 three offices across Europe, four offices throughout Asia, an office in Silicon Valley and an office in Abu Dhabi.

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 46.

Statement of Corporate Governance Arrangements
For the year ended 31 December 2021, 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 Group's corporate governance arrangements in the section "Corporate Governance" on pages 42 to 44.

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 page 22 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 42 to 44.

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 page 22.

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 Group's assessment of the appropriateness of the going concern assumption on page 20.

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 4 and in the assessment of the going concern assumption on page 20.

Taxation
The underlying current tax credit for 2021 of £0.2m (2020: £(0.3)m charge) breaks down between a current tax charge of £nil (2020: £nil) and a deferred tax credit of £0.2m (2020: £(0.3)m charge).

There was a non-underlying tax charge of £4.0m for 2021 (2020: £nil) in respect of a provision set up for the estimated liability arising from settlement of an ongoing HMRC enquiry into prior periods.

Cash tax refunds of £0.4m (2020: £0.8m) were received during the year.

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

22 April 2022

THAME AND LONDON LIMITED

OFFICERS AND PROFESSIONAL ADVISORS
FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS

Craig Bonnar	
Jo Boydell	
Ion Dagtoglou	(Appointed 25 March 2021)
Helen Normoyle	(Appointed 1 January 2022)
Martin Robinson	(Appointed 25 March 2021)
Stephen Shurrock	

COMPANY SECRETARIES

Jo 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

The directors are responsible for preparing the Annual Report and 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 UK-adopted international accounting standards and the 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" Section 1A, 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 UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102 Section 1A 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 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 also 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

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

22 April 2022

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 2021 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 Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- 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 2021; 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

- Changes in right of use assets and lease liability judgements and estimates, and accuracy of lease calculations (group)
- Recoverability of the debtors (company)

Materiality

- Overall group materiality: £2,750,000 (2020: £2,700,000) based on 0.5% (2020: 2.5% - three year absolute average) of consolidated revenue (2020: EBITDA (adjusted)).
- Overall company materiality: £1,800,000 (2020: £1,600,000) based on 1% of total liabilities.
- Performance materiality: £2,060,000 (2020: £2,000,000) (group) and £1,300,000 (2020: £1,200,000) (company).

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

Report on the audit of the financial statements (continued)

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.

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.

This is not a complete list of all risks identified by our audit.

Recoverability of the debtors is a new key audit matter this year. The impact of Covid-19 and the impairment of ROU assets and property, plant and equipment, which were key audit matters last year, are no longer included because of the significant reduction in the forecasted impact of Covid-19 going forward and the assumptions in the ROU asset and property, plant and equipment impairment models are not sensitive to change.. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Changes in right of use assets and lease liability judgements and estimates, and accuracy of lease calculations (group)	
Refer to the accounting policy and the critical accounting estimates notes, 2.8 and 3.1 of the Group financial statements for management's disclosures. The Group has £2.1 billion of Right of Use (ROU) assets and £2.4 billion of Lease Liabilities as at 31 December 2021. During the year, there were a high number of lease adjustments due to the rent reviews as well as adjustments arising due to the time lag involved in agreeing the updated lease terms with the landlords. The audit risk in this area relates mainly to the validity of the judgements and estimates used in the valuation of the assets and liabilities relating to new leases, which may be incorrectly accounted for. The key estimate is considered to be the discount rate (incremental borrowing rate) that is applied to new leases. There is also an additional judgement over the length of the leases due to the nature of the renewal clauses included within the lease contracts, over the date of adjustments due to rent reviews and the date at which the adjustment is confirmed. The discount rate, lease extension or termination options and the lease terms, including the likelihood to renew, are therefore the key areas requiring management's estimate and judgement. In addition to the above, the IFRS 16 system (Reportwise) which the Group uses to record lease data has limitations in terms of inputting the different adjustment scenarios that occurred as a result of the CVA. Therefore, management	In assessing this risk we performed the following procedures: • Reviewed the accuracy and completeness of the data used. The rent amendments were calculated outside of the system using a complex manual spreadsheet; • Tested the inputs and data points for all lease additions and agreed these to the lease documents; • Tested the formulae and reperformed calculations within the spreadsheets used; • Tested the data points for a sample of lease adjustments and terminations and agreed these to the lease documents; • Reperformed the ROU asset and lease liability calculation and compared our results to the IFRS 16 workings and investigated any material differences; • Recalculated the related depreciation and finance costs; • Used our valuations specialists to assess the discount rate used to calculate the lease liabilities arising on new leases and from changes due to lease adjustments; • 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.

has used multiple spreadsheets to manually calculate the impact on the carrying value of assets and associated liabilities during the year for rent amendments through to the year end which may be prone to error.	Based on the evidence obtained, we are satisfied that the key judgements and estimates relating to the right of use assets and lease liabilities and the associated disclosures are appropriate.
Recoverability of the debtors (company) Refer to the accounting policy in note 2 of the Company financial statements for management's disclosure. At the balance sheet date, the Company has amounts recoverable of £186.6m from other group undertakings (2020: £166.4m). We have focused our testing on the recoverability of this balance given this is a significant balance in the parent company financial statements. The carrying amount of the Company's debtors represents 100% of the Company's total assets (2020: 100%). We do not consider the recoverability of this debtor to be subject to a significant level of estimation or judgement due to the headroom available. However, in the context of materiality, this is considered to be the area in which the most audit effort is spent.	Our audit procedures performed included: Reviewed and compared the net asset position of the subsidiary to the value of the receivable . Assessed management's view of the recoverability of these amounts owed by group undertakings to understand the impairment risk of the receivables in line with FRS 102. Based on the work performed, we are comfortable that the future value of the business is significantly above the amount required to recover the debtors and therefore the debtors as at the balance sheet date are not misstated.

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.

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:

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

Report on the audit of the financial statements (continued)

	Financial statements - group	Financial statements - company
Overall materiality	£2,750,000 (2020: £2,700,000).	£1,800,000 (2020: £1,600,000).
How we determined it	0.5% (2020: 2.5% - three year absolute average) of consolidated revenue (2020: EBITDA (adjusted))	1% of total liabilities
Rationale for benchmark applied	Revenue is considered to be a key measure in the current year as the group looks to rebuild its revenue levels to pre-Covid levels. We have therefore reconsidered the benchmark and deem 0.5% of revenue to be appropriate for the current year. In the prior year, EBITDA (adjusted) was used as the benchmark. 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 were removed as they related to non-recurring, one-off items.	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 £100,000 and £2,610,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

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% (2020: 75%) of overall materiality, amounting to £2,060,000 (2020: £2,000,000) for the group financial statements and £1,300,000 (2020: £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 £137,000 (group audit) (2020: £135,000) and £93,000 (company audit) (2020: £83,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the 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;
- reviewing the letter of support from the Parent Company to confirm that this financial support applies for a period of at least a year from the date of signing these financial statements; and
- evaluating the directors' assessment of the recovery of demand for hotel accommodation, the potential impact of further government restrictions and the ability of the Group to manage costs, agreeing to evidence where available and ensuring they align to our understanding of the business.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

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

Report on the audit of the financial statements (continued)

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

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 2021 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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.

Report on the audit of the financial statements (continued)

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health and Safety regulations, Anti Money Laundering and Data Protection regulations, 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 financial statements such as UK Income and Value Added Tax legislation, the Companies Act, Employment Law and the implementation of government support schemes (Coronavirus Job Retention Scheme). 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 performed by the engagement team included:

- 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;
- 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.

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
22 April 2022

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

		2021			2020		
		Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
	Note(s)	£m	£m	£m	£m	£m	£m
Revenue	4	559.8	6.9	566.7	284.4	-	284.4
Operating Expenses	6, 8	(300.2)	3.3	(296.9)	(228.0)	(15.6)	(243.6)
Rent	6	4.2	-	4.2	2.9	-	2.9
Other Income	7	0.6	-	0.6	1.8	-	1.8
Depreciation, Amortisation & Impairment	6, 8	(149.6)	(0.3)	(149.9)	(151.6)	(8.7)	(160.3)
Profit on disposal of fixed assets	8	-	20.3	20.3	-	31.3	31.3
Operating Profit / (Loss)	4	114.8	30.2	145.0	(90.5)	7.0	(83.5)
Finance Costs	8, 11	(247.4)	-	(247.4)	(223.3)	(0.5)	(223.8)
Finance Income	10	0.2	-	0.2	0.3	-	0.3
Loss before Tax	4	(132.4)	30.2	(102.2)	(313.5)	6.5	(307.0)
Income Tax	12	0.2	(4.0)	(3.8)	(1.3)	1.0	(0.3)
Loss for the year		(132.2)	26.2	(106.0)	(314.8)	7.5	(307.3)

The Glossary on pages 102 to 110 provides further detailed reconciliation of the above measures to the alternative performance measures.

Memorandum - EBITDA (adjusted)(2)

	2021 £m	2020 £m
Underlying Operating Profit / (Loss)	114.8	(90.5)
Add back underlying depreciation & amortisation	149.6	151.6
Rent payable adjustment(1)	(183.3)	(135.1)
EBITDA (adjusted)(2)	81.1	(74.0)

(1) Since the adoption of IFRS 16, operating lease rent is no longer charged to the statutory profit & loss account. Rent payable adjustment reflects 'Before IFRS 16' rental amounts accrued, adjusted for rent free periods by spreading these over the period to the next rent review date and recognises the reductions resulting from the CVA in line with the actual rent paid in respect of each year.

(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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	£m	£m
Loss for the year	(106.0)	(307.3)
Items that will subsequently be reclassified into profit and loss:		
Currency translation differences	-	0.4
Total other comprehensive income for the year, net of tax	-	0.4
Total comprehensive expense for the year	(106.0)	(306.9)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital	Foreign Exchange Reserve	Accumulated Losses	Total Equity
	£m	£m	£m	£m
At 1 January 2021	-	-	(648.3)	(648.3)
Loss for the year	-	-	(106.0)	(106.0)
Other comprehensive expense				
Currency translation differences	-	-	-	-
Total comprehensive expense	**-**	-	(106.0)	(106.0)
At 31 December 2021	**-**	-	(754.3)	(754.3)

For the year ended 31 December 2020

	Share Capital	Foreign Exchange Reserve	Accumulated Losses	Total Equity
	£m	£m	£m	£m
At 1 January 2020	-	(0.4)	(341.0)	(341.4)
Loss for the year	-	-	(307.3)	(307.3)
Other comprehensive income				
Currency translation differences	-	0.4	-	0.4
Total comprehensive income / (expense)	-	0.4	(307.3)	(306.9)
At 31 December 2020	-	-	(648.3)	(648.3)

THAME AND LONDON LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £m	2020 £m
NON CURRENT ASSETS			
Intangible assets	14	154.2	157.4
Property, plant and equipment	15	102.5	120.7
Right of use assets	16	2,117.0	2,122.9
Net deferred tax asset	21	3.7	3.7
		2,377.4	2,404.7
CURRENT ASSETS			
Financial derivative asset		0.1	-
Inventory		1.3	0.8
Trade and other receivables	17	24.7	22.2
Corporation tax debtor		-	0.5
Cash and cash equivalents		142.8	136.2
		168.9	159.7
TOTAL ASSETS		2,546.3	2,564.4
CURRENT LIABILITIES			
Trade and other payables	18	(105.8)	(98.5)
Lease liabilities	19	(46.9)	(15.7)
Provisions	22	(5.6)	-
Super senior term loan	20	(1.9)	-
		(160.2)	(114.2)
NON- CURRENT LIABILITIES			
Senior secured bond related debt	20	(497.1)	(494.8)
Revolving credit facility	20	(40.0)	(40.0)
Super senior term loan	20	(58.5)	(58.1)
Investor loan	20	(186.6)	(166.4)
Lease liabilities	19	(2,355.8)	(2,332.1)
Net deferred tax liability	21	-	-
Provisions	22	(2.4)	(7.1)
		(3,140.4)	(3,098.5)
TOTAL LIABILITIES		(3,300.6)	(3,212.7)
NET LIABILITIES		(754.3)	(648.3)
EQUITY			
Share capital	23	-	-
Foreign exchange reserve		-	-
Accumulated losses		(754.3)	(648.3)
TOTAL EQUITY		(754.3)	(648.3)

These financial statements on pages 57 to 96 were approved by the Board of Directors and signed on their behalf by:

Joanna Boydell
Director

22 April 2022

Thame and London Limited — Company registration number 08170768

THAME AND LONDON LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £m	2020 £m
CASH GENERATED FROM OPERATING ACTIVITIES (Note 27)	276.6	19.7
Corporate tax	0.4	0.8
Net cash generated from operating activities	277.0	20.5
INVESTING ACTIVITIES		
Interest received	-	0.3
Proceeds on disposal of assets	-	12.6
Purchases of property, plant and equipment and intangible assets	(34.4)	(36.0)
Net cash used in investing activities	(34.4)	(23.1)
FINANCING ACTIVITIES		
Finance fees paid	(0.2)	(0.3)
Interest paid	(35.6)	(29.5)
IFRS 16 lease rental capital payments	(25.7)	(15.5)
IFRS 16 lease rental interest payments	(173.1)	(105.8)
Issue of fixed and floating rate bonds	-	65.0
Exceptional refinancing costs	(1.4)	(4.3)
Investor loan proceeds	-	40.0
Drawdown of revolving credit facility	-	40.0
Super Senior Term Loan proceeds	-	60.0
Net cash (used in) / generated from financing activities	(236.0)	49.6
Net increase in aggregate cash and cash equivalents	6.6	47.0
Cash and cash equivalents at beginning of the year	136.2	89.2
Cash and cash equivalents at end of the year	142.8	136.2

The Glossary on pages 102 to 110 demonstrates the reconciliation of the above measures to the alternative performance measures.

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 Officers and Professional Advisors page on page 49. 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 the going concern assumption, the Board has considered the possible cash requirements of the Group and Company to the end of 2023, taking into account the impact of the pandemic, current economic and political pressures, the range of trading outcomes and mitigating actions which could be taken.

Availability of funding

As at 22 April, drawings under the Group's existing £40m revolving credit facility ("RCF") were £32m and revised covenant terms have been agreed with its banking partners.

Under the revised covenant terms, the Group's existing springing covenant requirements, which apply if drawings under the RCF are £32m or more, are not tested and have been replaced with maintenance covenants from 31 March 2022 to 30 June 2023, comprising stepped quarterly net leverage tests and minimum liquidity covenants, after which the business returns back to the previous quarterly net leverage covenant tests, the first of which would be on 30 September 2023.

Base case scenario

The base case assumes that our hotels remain open for trading and continue to experience RevPAR recovery broadly in line with the latest available external forecasts, with RevPAR across 2022 assumed to be on average back to 2019 levels, and total revenue up 3% driven by new openings since 2019. Revenue for 2023 is modelled to grow by a further 5%.

We consider the base case to be a conservative assessment in light of current trading performance and there are a number of potential upsides and mitigations that have not been included, such as the potential for additional demand from our predominantly domestic customer base, in particular leisure demand and price increases to mitigate the impact of inflation on costs.

Under this base case scenario, the Group is expected to continue to have significant headroom relative to the total funding available to it and to comply with banking covenants where applicable.

Severe but plausible downside scenarios

Our performance will be closely linked to the recovery, the potential future impact of Covid-19 on customer behaviour and the current economic and political uncertainty. The Board has therefore considered various other severe but plausible downside scenarios, including the possibility that inflation is significantly higher than the base case and that corporate demand is slower to recover.

These downsides scenarios have the following impacts:

Higher inflation – in the event that RPI and CPI were 8% and 7% respectively for 2022, then reducing to 5% and 4% in 2023, the Group would still maintain significant headroom. Our base forecast includes contractually agreed costs for the key cost of sales categories, laundry and food, it also includes the impact of the current available forecasts for National Living Wage increases. Our energy costs are fully hedged to March 2023 and rent increases are driven predominantly by inflation linked reviews. Each lease reviewed on a five-yearly cycle and this review cycle for the estate is broadly spread evenly over a five-year period, the impact against the base case to the end of 2023 is therefore limited.

Slower corporate recovery – in the event that the assumed recovery in 'white collar' demand, serviced predominantly through our corporate sales channels, is slower than our base forecast the Group would still maintain significant headroom. This scenario assumes revenue from the corporate sales channels are c. 18% further below 2019 levels compared to the base scenario, resulting in total RevPAR back c. 2% on 2019 levels in 2022.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In these severe but plausible downside scenarios, either individually or in combination, and before potential mitigation which could reasonably be expected to be available, the group retains sufficient liquidity and does not breach covenants.

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.

2.2 Basis of Accounting

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Thame and London Limited transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the year reported as a result of the change in framework.

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to the Group reporting under those standards as at 31 December 2021.

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 20.

2.3 New and Amended standards that are not yet effective

The Group has applied the following standard and amendment for the first time for their annual reporting year commencing 1 January 2021:
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16

An impact assessment was performed and the amendment listed above did not have any impact on the amounts recognised in the current or prior years and is not expected to significantly affect future years (see note 20 for further details).

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting years 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 years.

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 2021. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Uniform accounting policies are adopted across the Group.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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.

Franchise fees are made up of a percentage of total hotel revenues, which are recognised as the underlying hotel revenues occur, and a fixed fee per reservation, recognised at booking date.

2.6 Non-underlying items

Non-underlying items relate to non-recurring, one-off items. In order to understand the underlying performance of the business, non-recurring items are separately disclosed as non-underlying items in note 8.

2.7 Coronavirus Job Retention Scheme (CJRS) grants

Coronavirus Job Retention Scheme (CJRS) grants were received in 2021 and 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 wages and salaries in the profit or loss in the same year in which the expense was incurred.

2.8 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 financial 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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 by the contractual terms of the leases, taking into account break clauses and lease extension options as set out above. 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 has elected not to recognise 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Foreign currencies

Transactions and balances
The presentational and functional currency of the Company is sterling. Foreign currency transactions are translated into sterling using average exchange rates over the financial year.

Group companies
The presentational and functional 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.

2.10 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.

2.11 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)

2.12 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.

2.13 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 under construction are not depreciated.

2.14 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.

2.15 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)

2.16 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.

2.17 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 Lease liabilities and Right of use assets

Lease term

Management use judgement in determining the appropriate lease terms to apply upon inception or when lease modifications are calculated.

Travelodge considers it reasonably certain that Landlords will exercise the options granted to them under the 2012 and 2020 CVA agreements to extend leases, e.g., for a further 3, 5 or 7 years. For affected leases the extension period has been added to the non-cancellable period of the lease term in calculating the Lease liability and Right of use asset.

In leases where Travelodge, as Tenant, has the option to renew for a further 25 or 35 years upon expiry of the lease, management do not believe a such a determination can be made at this time with reasonable certainty, and for such leases this extension period has not been added to the non-cancellable period of the lease term in calculating the Lease liability and Right of use asset.

If a 3-year extension or deduction was applied across the Travelodge estate the total value of Right of use assets and Lease liabilities will increase by £82.6m or reduce by £107.5m respectively.

Discount rate

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

If a 1% increase or deduction in discount rate was applied across the Travelodge estate the total value of Right of use assets and Lease liabilities will decrease by £178.0m or increase by £201.9m respectively.

4 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	2021			2020		
	UK	**International**	**Total**	**UK**	**International**	**Total**
Revenue(1)	560.5	6.2	566.7	280.4	4.0	284.4
Operating profit / (loss)(2)	145.7	(0.7)	145.0	(80.8)	(2.7)	(83.5)
Loss before tax(3)	(98.9)	(3.3)	(102.2)	(301.5)	(5.5)	(307.0)

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

(1) UK Revenue includes £6.9m (2020: £nil) of non-underlying revenue relating to the release of expired vouchers issued in relation to cancelled stays during periods of lockdown.

(2) UK Operating result includes a £30.2m (2020: £7.0m) profit on non-underlying items.

(3) UK Loss before tax includes a £30.2m (2020: £6.5m) profit on non-underlying items.

5 ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

	2021				2020			
	UK	International	Unallocated	Total	UK	International	Unallocated	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Property, plant and equipment	102.1	0.4	-	102.5	120.2	0.5	-	120.7
Right of use assets	2,089.2	27.8	-	2,117.0	2,090.4	32.5	-	2,122.9
Intangible assets	-	-	154.2	154.2	-	-	157.4	157.4
Deferred tax asset	-	-	3.7	3.7	-	-	3.7	3.7
Financial derivative asset	-	-	0.1	0.1	-	-	-	-
Inventory	-	-	1.3	1.3	-	-	0.8	0.8
Trade and other receivables	-	-	24.7	24.7	-	-	22.2	22.2
Corporation tax debtor	-	-	-	-	-	-	0.5	0.5
Cash and cash equivalents	-	-	142.8	142.8	-	-	136.2	136.2
Total assets	2,191.3	28.2	326.8	2,546.3	2,210.6	33.0	320.8	2,564.4
Liabilities								
Lease liabilities	(2,370.7)	(32.0)	-	(2,402.7)	(2,311.0)	(36.8)	-	(2,347.8)
Trade and other payables	-	-	(105.8)	(105.8)	-	-	(98.5)	(98.5)
Senior secured bond related debt	-	-	(497.1)	(497.1)	-	-	(494.8)	(494.8)
Revolving credit facility	-	-	(40.0)	(40.0)	-	-	(40.0)	(40.0)
Super senior term loan	-	-	(60.4)	(60.4)	-	-	(58.1)	(58.1)
Investor loan	-	-	(186.6)	(186.6)	-	-	(166.4)	(166.4)
Provisions	-	-	(8.0)	(8.0)	-	-	(7.1)	(7.1)
Total liabilities	(2,370.7)	(32.0)	(897.9)	(3,300.6)	(2,311.0)	(36.8)	(864.9)	(3,212.7)

6 NET OPERATING EXPENSES

	2021 £m	2020 £m
Cost of goods sold	26.9	17.5
Employee costs (note 9)	150.5	113.5
Fees payable to the Company auditors(1)		
- audit for the parent company and consolidated financial statements	0.3	0.2
- audit fee for subsidiaries	0.2	0.2
- non-audit services	-	-
Operating expenses(3)	119.0	112.2
Net operating expenses before rent, depreciation, amortisation, impairment and profit on disposal	296.9	243.6
Rent payable (third party landlords)(2)	-	0.4
Rent receivable	(4.2)	(3.3)
Net rent	(4.2)	(2.9)
Other income (note 7)	(0.6)	(1.8)
Net operating expenses before depreciation, amortisation, impairment and profit on disposal	292.1	238.9
Net operating expenses before depreciation, amortisation, impairment and profit on disposal	292.1	238.9
Depreciation	144.5	146.9
Amortisation	5.1	4.7
Impairment of intangible assets, property plant & equipment and right of use assets(3)	0.3	8.7
Net depreciation, amortisation and impairment	149.9	160.3
Profit on disposal of fixed assets(3)	(20.3)	(31.3)
Total net operating expenses	421.7	367.9

(1) In the year ended 31 December 2021, remuneration for non-audit fees was £nil (2020: £27k) primarily relating to advisory services in relation to Gender Pay Gap reporting and tax compliance services.

(2) Statutory rent payable of £nil (2020: £0.4m) relates to £0.2m (2020: £0.6m) of variable lease payments that are not included within right of use assets, partially offset by a £0.2m credit (2020: £0.2m credit) relating to temporary rent reductions in Spain (note 16).

(3) Includes non-underlying items (note 8).

The Group benefited approximately £21m (2020: £29m) from the hospitality paying business rates holiday and received business grants of c. £10m (2020: c. £1m) due to Covid-19 relief from the government.

7 OTHER INCOME

	2021 £m	2020 £m
Other income(1)	0.5	0.4
Insurance claims receivable	0.1	1.4
Total Other Income	0.6	1.8

(1) Other income mainly consists of compensation for room damage and smoking fines.

8 NON-UNDERLYING ITEMS

	2021 £m	2020 £m
Release of expired vouchers issued in relation to cancelled stays during periods of lockdown	6.9	-
Revenue	6.9	-
Reassessment of provisions and Legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities	3.3	(15.6)
Operating income / (expenses)	3.3	(15.6)
Impairment of intangible assets, property plant & equipment and right of use assets	(0.3)	(8.7)
Depreciation & amortisation	(0.3)	(8.7)
Profit on disposal of assets	20.3	31.3
Profit on disposal of assets	20.3	31.3
Total non-underlying operating credit	30.2	7.0
Write off of unamortised 'take and hold' fee on repayment of revolving credit facility	-	(0.5)
Finance costs	-	(0.5)
Total non-underlying credit (before taxation)	30.2	6.5
Provision for estimated tax liability	(4.0)	-
Total non-underlying credit	26.2	6.5

Non-underlying items (before taxation) were a net credit of £30.2m for the year ended 31 December 2021, being a £20.3m profit on disposal of assets where break clauses were instigated as a direct result of the CVA, a £6.9m revenue credit from the release of expired vouchers issued in relation to cancelled stays during periods of lockdown and a £3.3m credit from other provision reassessments, partially offset by a £0.3m charge for the impairment of fixed assets.

In addition, there was a non-underlying tax charge of £(4.0)m in the year ended 31 December 2021 in respect of a provision set up for the estimated liability arising from settlement of an ongoing HMRC enquiry into prior periods.

Non-underlying items (before taxation) were a net 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 and the surrender of a property lease (which was a finance lease under previous IFRS), partially offset by £15.0m of charges from legal and professional fees and management incentives in connection with the initial landlord consensual proposal, subsequent CVA and other corporate activity, a £8.7m charge 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.

9 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	2021 £m	2020 £m
Directors' emoluments		
Directors' emoluments	3.4	1.5
Fees	-	-
Pension costs	-	-
Compensation for loss of office	-	-
Total	3.4	1.5
Remuneration of the Chairman	0.5	0.1
Remuneration of the highest paid Director	1.5	1.0

	2021 Number	2020 Number
Number of Directors accruing benefits under the defined contribution scheme	-	-

	2021 £m	2020 £m
Employees costs during the year (including Directors)		
Wages and salaries	137.1	102.7
Social security costs	9.3	7.3
Other pension costs	4.1	3.5
Total employee costs	150.5	113.5

There were non-underlying charges of £nil (2020: £0.6m) for directors' emoluments (which exclude employer's national insurance) in respect of incentives payable in relation to the refinancing and other exceptional corporate activities.

In 2021, a grant of £20.9m (2020: £45.3m) was received in respect of the UK Government's Coronavirus Job Retention Scheme (CJRS), which has been offset against employee costs.

In 2021, £2.8m (2020: £3.2m) employee costs were capitalised during the year in respect of employees working on IT and hotel refit capital projects.

9 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

		2021 Number	2020 Number
Average FTE number of persons employed(1)			
Monthly			
	- UK	1,429	1,321
	- International	60	67
		1,489	1,388
Weekly			
	- UK	3,916	2,974
	- International	-	-
		3,916	2,974
		5,405	4,362

		2021 Number	2020 Number
Total number of persons employed(2)	- UK	10,458	10,712
	- International	71	66
		10,529	10,778

The total number of employees at the year ended 31 December 2021 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.

10 FINANCE INCOME

	2021			2020		
	Received	**Accrued**	**Total**	**Received**	**Accrued**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Interest on bank deposits	-	-	-	0.3	(0.1)	0.2
Interest on related party loans (note 26)	-	0.2	0.2	-	0.1	0.1
Finance income	-	0.2	0.2	0.3	-	0.3

11 FINANCE COSTS

	2021			2020		
	Paid	**Balance sheet movement**	**Total**	**Paid**	**Balance sheet movement**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Finance fees	0.2	3.5	3.7	0.3	2.0	2.3
Unwinding of discount on provisions	-	0.1	0.1	-	-	-
Interest on bank loans	5.9	2.9	8.8	3.3	0.7	4.0
Interest on fixed and floating rate bonds	29.7	0.1	29.8	26.2	-0.5	25.7
Interest on lease liabilities	173.1	11.7	184.8	105.8	70.4	176.2
Finance costs before interest on investor loan - underlying	208.9	18.3	227.2	135.6	72.6	208.2
Interest on investor loan	-	20.2	20.2	-	15.1	15.1
Finance costs - underlying	208.9	38.5	247.4	135.6	87.7	223.3
Non-underlying items						
Fees in relation to restructuring of debt	-	-	-	0.5	-	0.5
Finance costs	208.9	38.5	247.4	136.1	87.7	223.8

12 INCOME TAX

	2021	**2020**
	£m	**£m**
Current tax		
Adjustment in respect of prior years	-	-
Provision for uncertain tax position	4.0	-
UK Corporation tax	-	-
Foreign tax	-	-
Total current tax (credit) / charge	4.0	-
Deferred tax		

Current year (credit) / charge	(0.2)	0.3
Adjustment in respect of previous years	-	-
Effect of change in tax rate	-	-
Total deferred tax (credit) / charge (note 21)	(0.2)	0.3
Income tax (credit) / charge	3.8	0.3

The main rate of UK corporation tax was 19.0% (2020: 19.0%).

Deferred tax balances have been measured at a rate of 25.0% (2020: 19.0%), being the rate substantively enacted at the balance sheet date.

Current corporation tax is calculated at 19.0% (2020: 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:

	2021 **£m**	**2020** **£m**
Loss before tax	(102.2)	(307.0)
Tax at the UK corporation rate of 19.0% (2020: 19.0%)	(19.4)	(58.3)
Tax effect of:		
Items not deductible for tax purposes	4.5	3.1
Non-qualifying depreciation, amortisation and impairment	-	-
Losses where no DTA is recognised	14.6	55.7
Effect of overseas tax rates	0.1	(0.1)
Provision for uncertain tax position	4.0	-
Other	-	(0.1)
Income tax charge for the year	3.8	0.3

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

	Intangible assets	**Tax losses and hold-over relief**	**Accelerated tax depreciation**	**Total**
	£m	**£m**	**£m**	**£m**
(Credit)/ charge due to movement in the year (note 21)	-	-	(0.2)	(0.2)
(Credit)/ charge to income statement	-	-	(0.2)	(0.2)

There was a non-underlying tax charge of £4.0m in the year ended 31 December 2021 in respect of a provision set up for the estimated liability arising from settlement of an ongoing HMRC enquiry into prior periods.

13 SUBSIDIARIES

The subsidiaries of the Group are listed below.

	2021 & 2020			
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

14 INTANGIBLE ASSETS

An analysis of intangible assets for 2021 is given below:

	Brand[1] £m	Assets under construction[2] £m	IT Software[3] £m	Total £m
Cost				
At 1 January 2021	145.0	3.0	15.3	163.3
Additions - Capital expenditure	-	5.1	-	5.1
Movement on capital creditors[4]	-	0.1	-	0.1
Transfers between categories[5]	-	(5.6)	2.3	(3.3)
Write off fully depreciated assets	-	-	(3.5)	(3.5)
At 31 December 2021	145.0	2.6	14.1	161.7
Accumulated amortisation				
At 1 January 2021	-	-	(5.9)	(5.9)
Charge for the year	-	-	(5.1)	(5.1)
Write off fully depreciated assets	-	-	3.5	3.5
At 31 December 2021	-	-	(7.5)	(7.5)
Carrying amount				
At 31 December 2021	145.0	2.6	6.6	154.2
At 31 December 2020	145.0	3.0	9.4	157.4

14 INTANGIBLE ASSETS (CONTINUED)

An analysis of intangible assets for 2020 is given below:

	Brand(1) £m	Assets under construction(2) £m	IT Software(3) £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(5)	-	(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

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

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

(5) Transfers between categories include £3.3m (2020: £1.6m) of leasehold premiums reclassified to right of use assets.

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 2022 - 26 and an estimated long term growth rate of 2.0% (2020: 2.0%). 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 7.1% (2020: 10.6%) 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 0.7% (2020: 1.6%) or the discount factor rate would need to increase to 26.0% (2020: 23.1%) before an impairment is triggered.

15 PROPERTY, PLANT AND EQUIPMENT

An analysis of property, plant and equipment for 2021 is given below:

	Assets under construction[(1)] £m	Freehold land, freehold and long leasehold buildings[(2)] £m	Fixtures and fittings[(3)] £m	Total £m
Cost				
At 1 January 2021	1.5	1.8	206.5	209.8
Additions - Capital expenditure	29.3	-	-	29.3
Movement on capital creditors[(4)]	-	-	(1.5)	(1.5)
Transfers	(28.6)	-	28.6	-
Write off fully depreciated assets	-	-	(25.4)	(25.4)
Disposals	-	-	(4.4)	(4.4)
At 31 December 2021	2.2	1.8	203.8	207.8
Accumulated depreciation				
At 1 January 2021	-	(0.2)	(88.9)	(89.1)
Charge for the year	-	-	(45.0)	(45.0)
Write off depreciation on fully depreciated assets	-	-	25.4	25.4
Disposals	-	-	3.5	3.5
Impairment	-	-	(0.1)	(0.1)
At 31 December 2021	-	(0.2)	(105.1)	(105.3)
Carrying amount				
At 31 December 2021	2.2	1.6	98.7	102.5
At 31 December 2020	1.5	1.6	117.6	120.7

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

An analysis of property, plant and equipment for 2020 is given below:

	Assets under construction[1] £m	Freehold land, freehold and long leasehold buildings[2] £m	Fixtures and fittings[3] £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[4]	-	-	(1.5)	(1.5)
Transfers	(32.8)	-	32.8	-
Write off 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 off 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

(1) Assets under construction predominantly consists of on-going maintenance and refit projects. 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 (2020: £20,100) which is not depreciated. Freehold land and long leasehold properties are stated at cost. Depreciation is provided on cost in equal annual instalments over the estimated remaining useful lives of the assets.

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

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

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.

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% (2020: 2.0%). 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.

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 7.1% (2020: 10.6%).

The availability of comparable market data has improved over time since the introduction of IFRS16 and this has allowed the Group to refine the inputs for each source of capital based on market participant data compared to flexed Travelodge weighted average cost of capital previously used as a basis, resulting in the decrease in pre-tax discount rate year on year.

As a result of this review, an impairment charge of £0.1m (2020: £0.5m) has been made in the year.

16 RIGHT OF USE ASSETS

An analysis of Right of use assets for 2021 is given below:

	Property £m	**Total £m**
Cost		
At 1 January 2021	2,780.1	2,780.1
New leases	75.7	75.7
Transfers [(1)]	3.3	3.3
Rent reviews and adjustments	38.7	38.7
Disposals	(43.6)	(43.6)
Foreign Exchange Translation Adjustment	(2.8)	(2.8)
At 31 December 2021	2,851.4	2,851.4
Accumulated depreciation		
At 1 January 2021	(657.2)	(657.2)
Depreciation charge for the year	(99.5)	(99.5)
Disposals	21.9	21.9
Foreign Exchange Translation Adjustment	0.6	0.6
Impairment	(0.2)	(0.2)
At 31 December 2021	(734.4)	(734.4)
Carrying amount		
At 31 December 2021	2,117.0	2,117.0
At 31 December 2020	2,122.9	2,122.9

16 RIGHT OF USE ASSETS (CONTINUED)

An analysis of Right of use assets for 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 [(1)]	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

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

As permitted by IFRS 16, the Group 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 £0.2m (2020: £8.2m) has been made in the year.

17 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amount receivable	7.5	8.0
- Expected credit losses	(0.3)	(0.2)
- Net amounts receivable	7.2	7.8
Other amounts receivable	2.5	7.0
Other taxation	3.2	-
Accrued income[2]	1.7	0.6
Prepayments[1]	7.6	4.7
Loans to related parties (note 26)	2.5	2.1
Total	24.7	22.2

(1) Prepayments mainly include prepayments of property costs and system costs.
(2) Accrued income is made up of £0.7m (2020: £0.2m) accrued income, £0.6m (2020: £nil) accrued rent receivable and £0.4m (2020: £0.4m) accrued supplier rebates.

Management has 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

	2021 £m	2020 £m
Current	6.8	4.3
Past due		
30 days	0.1	0.1
60 days	0.1	1.4
90+ days	0.5	2.2
Total	7.5	8.0

18 TRADE AND OTHER PAYABLES

	2021 £m	2020 £m
Trade payables	(8.7)	(6.2)
Other payables[1]	(10.8)	(13.7)
Social security and other taxation	(2.2)	(7.4)
Accruals	(52.6)	(41.8)
Deferred income	(0.7)	(1.1)
Contract liabilities - Prepaid room purchases[2]	(27.9)	(24.0)
Capital payables	(2.9)	(4.3)
Amounts falling due within one year	(105.8)	(98.5)
Total	(105.8)	(98.5)

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

(2) Prepaid room purchases of £27.9m (2020: £24.0m) relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay. 44.4% (2020: 39.5%) would be non-refundable on cancellation of the room booking, with revenue being recognised once the booking is cancelled, the stay date passes or the voucher expires. Customer stays are within 1 year of the booking date so contract liabilities at the start of the year are recognised within revenue in the year. Prepaid room purchases increased in 2021 due to the trading recovery following the relaxation of covid restrictions.

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

19 LEASE LIABILITIES

	2021 £m	2020 £m
Opening Balance	(2,347.8)	(2,597.4)
New leases	(75.7)	(79.1)
Lease Adjustments[1]	(38.7)	305.3
Foreign Exchange Translation Adjustment	2.5	(2.0)
Finance Costs	(184.8)	(176.2)
Payments	198.8	121.3
Disposals[2]	43.0	80.3
Closing Balance	(2,402.7)	(2,347.8)
Amounts falling due within one year	(46.9)	(15.7)
Amounts falling after one year	(2,355.8)	(2,332.1)
	(2,402.7)	(2,347.8)

(1) In 2020 these include the effect of lease modifications following the CVA.

(2) Disposals relate to leases where break clauses were instigated as a direct result of the CVA. In addition, 2020 includes the impact of the surrender of a property lease.

Lease adjustments of £(38.7)m in 2021 mainly consist of rent reviews. Lease adjustments of £305.3m in 2020 include CVA modifications at 20 June 2020 of £394.4m, adjusted for 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 benefited 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 extended beyond 30 June 2021, they did not qualify for the practical expedient as originally set out by the International Accounting Standards Board and were, therefore, assessed as modifications.

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

Lease liabilities are based on discounted future committed lease payments and therefore do not include the impact of variable lease components, short-term and low value leases. Further information regarding these payments is provided below.

Lease liabilities have been discounted at a weighted average discount rate of 8.88% (2020: 8.89%) with a range between 5.0% and 11.0% (2020: 5.0% to 11.0%) and represent leases with a weighted average remaining length, including landlord extension options, from the balance sheet date of 23.3 years (2020: 23.2 years).

19 LEASE LIABILITIES (CONTINUED)

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

Lease payments charged/ (credited) to Income Statement

	Total 2021 £m
Variable lease payments charge not included within right of use assets	0.2
Credit relating to temporary rent reductions in Spain	(0.2)
Income from subleasing right of use assets	(4.2)
	(4.2)

	Total 2020 £m
Variable lease payments charge not included within right of use assets	0.6
Credit relating to temporary rent reductions in Spain	(0.2)
Income from subleasing right of use assets	(3.3)
	(2.9)

The total cash outflow for leases in 2021 was £198.8m (2020: £121.3m).

20 FINANCIAL ASSETS AND LIABILITIES

Net debt	**2021 £m**	**2020 £m**
Cash at bank and in hand	142.8	136.2
External debt redeemable:		
- Senior secured fixed rate bond	(65.0)	(65.0)
- Senior secured floating rate bond	(440.0)	(440.0)
- Issue costs	7.9	10.2
Senior secured bond related debt	(497.1)	(494.8)
- Super senior term loan	(63.1)	(61.9)
- Issue costs	2.7	3.8
Super senior term loan related debt	(60.4)	(58.1)
Revolving credit facility	(40.0)	(40.0)
External debt	(597.5)	(592.9)
Net external debt	(454.7)	(456.7)
Investor loan note	(186.6)	(166.4)
Net debt before leases liabilities	(641.3)	(623.1)
Lease liabilities	(2,402.7)	(2,347.8)
Net funding including lease liabilities	(3,044.0)	(2,970.9)

Senior secured notes
On 5 July 2019, senior secured floating rate sterling denominated notes of £440m were issued with a termination date of 15 July 2025. Interest was 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. As a result of the Bank of England's discontinuation of LIBOR, certain amendments have been agreed with all relevant counterparties to effectuate a reference rate transition from LIBOR to Sterling Overnight Index Average (SONIA) including margin adjustments in respect of the period from the commencement date of the first interest period commencing on or after 31 December 2021 to the maturity date.

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.

The weighted average interest rate paid in the year ended 31 December 2021 was 5.9% (2020: 5.9%), and the weighted average interest rate charged in the year ended 31 December 2021 was 6.1% (2020: 5.8%).

Revolving credit facility and super senior term loan
At the balance sheet date, a sterling denominated revolving credit facility of £40m (2020: £40m) was available to the Group until July 2024 and £40m (2020: £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.

20 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 accordance with IFRS.

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. This was paid in January 2022. 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 accordance with IFRS.

Further loan issue costs of approximately £2.0m will be amortised over the life of the facility accordance with IFRS.

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. This was extended on 29 September 2021 to provide a financial covenant holiday until 31 December 2021 and extend the liquidity testing period until 30 June 2022. The minimum liquidity covenant requires that available liquidity is not lower than £10m for any period of five (5) consecutive business days.

In March 2022 the Group repaid £8m to reduce drawings under the Group's existing £40m revolving credit facility ("RCF") to £32m and revised covenant terms have been agreed with its banking partners.

Under the revised covenant terms, the Group's existing springing covenant requirements, which apply if drawings under the RCF are £32m or more, are not tested and have been replaced with maintenance covenants from 31 March 2022 to 30 June 2023, comprising stepped quarterly net leverage tests and minimum liquidity covenants, after which the business returns back to the previous quarterly net leverage covenant tests, the first of which would be on 30 September 2023.

As a result of the Bank of England's discontinuation of LIBOR, certain amendments have been agreed with all relevant counterparties to effectuate a reference rate transition from LIBOR to Sterling Overnight Index Average (SONIA) including margin adjustments in respect of the period from the commencement date of the first interest period commencing on or after 31 December 2021 to the maturity date.

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 2021, letters of credit were in issue under the RCF/LOC facility to the value of £27.7m (2020: £24.3m), 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 2021, accrued interest for year from 1 January 2021 to 31 December 2021 totalled £20.2m (2020: £15.1m).

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

20 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	Lease liabilities £m	**Senior secured fixed rate bond £m**	**Senior secured floating rate bond £m**	**Revolving credit facility £m**	**Super senior term loan £m**	***Total External debt £m***	**Investor loan note £m**	***Total £m***
Balance at 1 January 2021	(2,347.8)	(65.0)	(440.0)	(40.0)	(61.9)	*(2,954.7)*	(166.4)	*(3,121.1)*
New leases	(75.7)	-	-	-	-	*(75.7)*	-	*(75.7)*
Lease adjustments	(38.7)	-	-	-	-	*(38.7)*	-	*(38.7)*
Foreign exchange translation adjustments	2.5	-	-	-	-	*2.5*	-	*2.5*
Finance lease repayments	1.2	-	-	-	-	*1.2*	-	*1.2*
Operating lease repayments	197.6	-	-	-	-	*197.6*	-	*197.6*
Disposals	43.0	-	-	-	-	*43.0*	-	*43.0*
Interest on lease liabilities	(184.8)	-	-	-	-	*(184.8)*	-	*(184.8)*
Accrued investor loan interest	-	-	-	-	-	-	(20.2)	*(20.2)*
Term loan capitalised interest	-	-	-	-	(1.2)	*(1.2)*	-	*(1.2)*
Net movement in year	(54.9)	-	-	-	(1.2)	*(56.1)*	(20.2)	*(76.3)*
Balance at 31 December 2021	(2,402.7)	(65.0)	(440.0)	(40.0)	(63.1)	*(3,010.8)*	(186.6)	*(3,197.4)*

20 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.

	2021		2020	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial instrument categories				
Cash and cash equivalents	142.8	142.8	136.2	136.2
Financial assets at amortised cost (1)	12.2	12.2	16.9	16.9
Financial derivative asset	0.1	0.1	-	-
Senior secured bond related debt	(505.0)	(488.7)	(505.0)	(455.2)
Revolving credit facility	(40.0)	(40.0)	(40.0)	(40.0)
Super senior term loan	(63.1)	(63.1)	(61.9)	(61.9)
Investor loan note	(186.6)	(186.6)	(166.4)	(166.4)
Financial liabilities(2)	(2,477.7)	(2,477.7)	(2,413.8)	(2,413.8)
	(3,117.3)	(3,101.0)	(3,034.0)	(2,984.2)

(1) Financial assets at amortised cost of £12.2m (2020: £16.9m) are made up of trade receivables £7.2m (2020: £7.8m), other receivables of £2.5m (2020: £7.0m) and loans to related parties of £2.5m (2020: £2.1m).

(2) Financial liabilities of £2,477.7m (2020: £2,413.8m) are made up of lease liabilities of £2,402.7m (2020: £2,347.8m), trade payables £8.7m (2020: £6.2m), capital payables £2.9m (2020: £4.3m), accruals £52.6m (2020: £41.8m) and other payables £10.8m (2020: £13.7m).

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. As a result of the Bank of England's discontinuation of LIBOR, certain amendments have been agreed with all relevant counterparties to effectuate a reference rate transition from LIBOR to Sterling Overnight Index Average (SONIA) including margin adjustments in respect of the period from the commencement date of the first interest period commencing on or after 31 December 2021 to the maturity date.

20 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.

				2021
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets measured at fair value through profit and loss				
Derivatives (interest rate cap)	-	0.1	-	0.1
Total Derivatives	-	0.1	-	0.1

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

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.

As a result of the Bank of England’s discontinuation of LIBOR, certain amendments have been agreed with all relevant counterparties to effectuate a reference rate transition from LIBOR to Sterling Overnight Index Average (SONIA) including margin adjustments in respect of the period from the commencement date of the first interest period commencing on or after 31 December 2021 to the maturity date. Given the Group’s debt facilities position at 31 December 2021 a small movement in SONIA will affect the Group’s interest profile. The Group’s net profit and cash interest payment would increase or decrease by £1.3m (2020: £1.3m) if SONIA 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 2021, the Group had no material currency exposures that would give rise to net currency gains or losses being recognised in the income statement.

21 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 2021:

	Tax losses and hold-over relief	Accelerated tax depreciation and other timing differences	*Deferred tax asset*	Intangible and leasehold interest assets	*Deferred tax liability*	Total
	£m	£m	*£m*	£m	*£m*	£m
At 1 January 2021	2.9	59.4	62.3	(58.6)	(58.6)	3.7
(Charge)/credit to income	-	16.7	16.7	(16.5)	(16.5)	0.2
Foreign exchange movement in year	(0.2)	-	(0.2)	-	-	(0.2)
At 31 December 2021	2.7	76.1	78.8	(75.1)	(75.1)	3.7

Amounts expected to be recovered/(settled) in:	
No more than 12 months after the reporting year	-
More than 12 months after the reporting year	3.7
	3.7

For 2020:

	Tax losses and hold-over relief £m	Accelerated tax depreciation and other timing differences £m	*Deferred tax asset £m*	Intangible and leasehold interest 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

Amounts expected to be recovered/(settled) in:	
No more than 12 months after the reporting year	-
More than 12 months after the reporting year	3.7
	3.7

There is an unprovided deferred tax asset of £151.2m (2020: £91.7m) relating to tax losses and other timing differences. This includes £32.8m in relation to tax losses in Full Moon Holdco 6 that are under enquiry. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The deferred tax liability has been offset against the deferred tax asset, to the extent that a legal right of set-off exists.

22 PROVISIONS

	2021 £m	2020 £m
At 1 January	(7.1)	(7.7)
Cash spend	0.1	0.2
Additional provisions recognised	(4.5)	(0.6)
Release of provisions	3.6	-
Unwinding of discount of provisions	(0.1)	-
Disposals	-	0.8
Transfer to accruals	-	0.2
At 31 December	(8.0)	(7.1)
The balance can be analysed as:		
Due in less than one year	(5.6)	-
Due in greater than one year	(2.4)	(7.1)
Total	(8.0)	(7.1)

Provisions of £8.0m (2020: £7.1m) consist of the establishment of a compromised creditors fund following the CVA of £1.0m (2020: £1.0m), public liability claims of £0.9m (2020: £0.9m), onerous contract provision on sub-leases relating to historic sub-leased restaurant units of £0.5m (2020: £0.4m), a £4.0m (2020: £nil) tax provision in relation to an estimated settlement of an HMRC enquiry and other provisions of £1.6m (2020: £4.8m).

23 SHARE CAPITAL

	2021 & 2020 Number of shares	2021 & 2020 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1

	2021 & 2020 Number of shares	2021 & 2020 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1

24 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 2021 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £7.8m (2020: £3.3m).

25 CONTINGENT LIABILITIES

Under the terms of the CVA, Travelodge Hotels Limited will make additional cash rental payments to Compromised Landlords based on the cumulative performance of the Group during its 2020, 2021 and 2022 financial years (the "Recovery Period"). If the Cumulative Recovery Period EBITDA[(1)] is greater than £200m, THL will distribute 66 2/3% (sixty six and two thirds per cent) of the excess amount to the Compromised Landlords. We do not currently expect to reach this threshold.

(1) EBITDA = EBITDA (adjusted)[(2)].
(2) Refer to definition under the Alternative Performance Measures section.

26 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, 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 2021. 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 (2020: £135.0m). 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 2021 (2020: £nil). The loan accrues interest at 15.0% (2020: 15.0%) per annum.

Interest accrued in the year is £20.2m (2020: £15.1m) and the total balance including accrued interest was £186.6m (2020: £166.4m).

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 £2.2m (2020: £1.5m) and £0.6m (2020: £0.5m) respectively. At the balance sheet date, Anchor Holdings SCA and Anchor Holdings G.P.S.A had utilised £1.4m (2020: £1.3m) and £0.5m (2020: £0.4m) respectively. The loans accrue interest at 8.0% (2020: 8.0%) per annum. Interest accrued in the year was £0.2m (2020: £0.1m), all of which was unpaid. The total interest accrued at the balance sheet date was £0.6m (2020: £0.4m). The interest rate decreases to 5.1% from January 2022.

Of the total fees paid as part of the Group's refinancing (see note 20), an amount of £nil (2020: £0.6m) 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 was between, among others, the Group, the issuer, certain funds managed or advised by GoldenTree Asset Management LP 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. On 1 September 2021 the super senior term loan was transferred at arm's length to an unconnected third party.

An OID fee of £1.9m was incurred in respect to the drawdown of £60m, payable in January 2022. 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.

27 NOTE TO THE CASH FLOW STATEMENT

	2021 £m	2020 £m
Operating profit / (loss)	145.0	(83.5)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	144.5	146.9
Amortisation of other intangible assets	5.1	4.7
Impairment of fixed assets (notes 15 & 16)	0.3	8.7
Profit on disposal of fixed assets	(20.3)	(31.3)
	129.6	129.0
Operating cash flows before movements in working capital	274.6	45.5
(Decrease) / increase in inventory	(0.5)	0.4
(Increase) / decrease in receivables	(2.5)	(4.9)
Increase / (decrease) in payables	8.2	(20.9)
(Decrease) / increase in provisions	(3.2)	(0.4)
Total working capital movement	2.0	(25.8)
CASH FLOWS FROM OPERATING ACTIVITIES	276.6	19.7

28 POST BALANCE SHEET EVENTS

Under the terms of the CVA, within 60 days of the expiry of the Rent Concession Period on 31 December 2021, Travelodge Hotels Limited was required to hold monies on trust in a non-interest bearing account (the "Compromised Creditor Fund Account"). £1m was deposited into to an account on 1 March 2022 and paid to the creditors on 31 March 2022.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Deficit £m
Balance at 1 January 2021	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2021	-	(3.0)	(3.0)

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)

THAME AND LONDON LIMITED

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £m	2020 £m
FIXED ASSETS			
Investments	3	-	-
CURRENT ASSETS			
Debtors	4	186.6	166.4
TOTAL CURRENT ASSETS		186.6	166.4
TOTAL ASSETS		186.6	166.4
Creditors: Amounts falling due within one year	5	(3.0)	(3.0)
TOTAL ASSETS LESS CURRENT LIABILITIES		183.6	163.4
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Investor loan	9	(186.6)	(166.4)
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 (2020: £nil).

These financial statements on pages 97 to 101 were approved by the Board of Directors and signed on its behalf by:

Joanna Boydell
Director

22 April 2022

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 (FRS 102) 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 FRS 102 (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 (2020: nil).

Cash flow statement

Under FRS 102 (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 year.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In this regard, the Directors believe that there are no critical accounting policies where judgements or estimations are necessarily applied.

3 INVESTMENTS

	Shares in subsidiaries £
Cost and net book value	
At 1 January 2021	1
At 31 December 2021	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

	2021 £m	2020 £m
Amounts owed by Group undertakings	186.6	166.4

Amounts owed by Group undertakings are repayable on demand.

Interest accrued in the year is £20.2m (2020: £15.1m) and the total balance including accrued interest was £186.6m (2020: £166.4m). Interest is accrued at 15% (2020: 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

	2021 £m	2020 £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

	2021 & 2020 Number of shares	2021 & 2020 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1

	2021 & 2020 Number of shares	2021 & 2020 £
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 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 (2020: result of £nil).

8 PROFIT AND LOSS ACCOUNT

	2021 £m	2020 £m
At 1 January	(3.0)	(3.0)
Result for the financial year	-	-
At 31 December	(3.0)	(3.0)

9 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, 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 2021. 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 (2020: £135.0m). 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 2021 (2020: £nil). The loan accrues interest at 15.0% (2020: 15.0%) per annum.

Interest accrued in the year is £20.2m (2020: £15.1m) and the total balance including accrued interest was £186.6m (2020: £166.4m).

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 years 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 and rent reductions in profitability with the corresponding cash impact. Management have used the same key performance measure for many years which deducts an annual rental charge from profit, 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.

In line with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority, we have provided additional information on the APMs used by the Group below, including full reconciliations back to the closest equivalent statutory measure.

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Income Statement Measures

Reference	APM	Definition
I	Before IFRS 16	The performance under accounting principles prior to the adoption of IFRS 16.
II	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.
III	Non-underlying items	Non-underlying items relate to non-recurring, one-off items.
IV	Net external rent payable / receivable	Net external rent payable / receivable is the net of rent receivable and rent payable (before IFRS 16) before the rent phasing adjustment. External rent payable (before IFRS 16) before the rent phasing adjustment reflects the rental amounts accrued adjusted for rent free periods by spreading these over the period to the next rent review date and recognises the reductions resulting from the CVA in line with the actual rent paid in respect of each year.
V	Rent phasing adjustment	EBITDA (adjusted) is the measure used for internal management reporting. The rent phasing adjustment reflects the timing difference between the rent charge for the year in our internal management reporting measure EBITDA (adjusted) and the rent charge for the year under previous IFRS. In many of our leases we receive a rent free period at the beginning of the lease term. According to the straight lining of leases principle under previous IFRS, the benefit of this rent free period is recognised in our income statement as a deduction to the actual rent expense in each year, 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 before IFRS 16 rent expense does not reflect our cash payments of rent in any year. EBITDA (adjusted) in each year recognises the portion of the rent free credit attributable to such year as if such credit were applied on a straight line basis until the next rent review, normally five years, and recognises the reductions resulting from the CVA in line with the actual rent paid in respect of each year, which more closely aligns to cash payments.
VI	Like-for-like RevPAR Like-for-like occupancy Like-for-like average room rates	Revenue per available room, occupancy and average room rate (net of VAT) for UK hotels that have been open for at least two years at the end of the current year on a management reporting period basis. For management reporting purposes we use a 5-4-4 week accounting calendar. This accounting method divides our fiscal year into four quarters, each comprising two periods of four weeks and one period of five weeks. We have adopted this accounting method because it allows us to manage our business on the basis of 52 weekly periods which consistently end on the same day of the week and our like-for-like reporting is prepared on this basis for consistency.
VII	Frozen GAAP	The performance under accounting principles prior to the adoption of IFRS 16.

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Reconciliation of Statutory Loss to EBITDA (adjusted)[II]:

	2021 £m	2020 £m
Statutory Loss before tax	(102.2)	(307.0)
Net Finance Costs	247.2	223.5
Operating Profit / (Loss)	145.0	(83.5)
Non-underlying[III] Operating Items (see note 8)	(30.2)	(7.0)
Underlying Operating Profit / (Loss)	114.8	(90.5)
Depreciation, Amortisation – Underlying	149.6	151.6
Rent payable adjustment[(1)]	(183.3)	(135.1)
EBITDA (adjusted)[II]	81.1	(74.0)

(1) Since the adoption of IFRS 16, operating lease rent is no longer charged to the statutory profit & loss account. Rent payable adjustment for operating leases of £183.3m (2020: £133.7m) reflects 'Before IFRS 16[I]' rental amounts accrued adjusted for rent free periods by spreading these over the period to the next rent review date and recognises the reductions resulting from the CVA in line with the actual rent paid in respect of each year.

Finance costs

	2021			2020		
	Paid £m	**Balance sheet movement £m**	**Total £m**	**Paid £m**	**Balance sheet movement £m**	**Total £m**
Finance fees[(1)]	0.2	3.5	3.7	0.5	2.0	2.5
Interest on bank loans	5.9	2.9	8.8	3.3	0.7	4.0
Interest on fixed and floating rate bonds	29.7	0.1	29.8	26.2	(0.5)	25.7
Interest on obligations under finance leases[(1)]	1.2	0.3	1.5	1.5	1.6	3.1
Unwinding of discount on provisions[(1)]	-	0.4	0.4	-	0.4	0.4
Finance costs before interest on investor loan and IFRS 16 – underlying	37.0	7.2	44.2	31.5	4.2	35.7
Interest on investor loan	-	20.2	20.2	-	15.1	15.1
Finance costs (before IFRS 16[I]) – underlying	37.0	27.4	64.4	31.5	19.3	50.8
Non-underlying items[III]						
Fees in relation to restructuring of debt	-	-	-	0.5	-	0.5
Finance costs (before IFRS 16[I])	37.0	27.4	64.4	32.0	19.3	51.3
IFRS 16 adjustment[(1)]	171.9	11.1	183.0	104.1	68.4	172.5
Finance costs	208.9	38.5	247.4	136.1	87.7	223.8

(1) The total IFRS 16 notional interest charge on lease liabilities is £184.8m (2020: £176.2m). The IFRS 16 adjustment excludes the following items already included within finance costs (before IFRS 16): £1.5m (2020: £3.1m) in respect of interest on finance leases, £nil (2020: £0.2m) in respect of interest on overdue rent included in finance fees and £0.3m (2020: £0.4m) in respect of unwinding of discount on provisions.

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Analysis of results by geographical region

	2021			2020		
	UK	**International**	**Total**	**UK**	**International**	**Total**
Revenue – underlying	553.6	6.2	559.8	280.4	4.0	284.4
Revenue – non-underlying[III]	6.9	-	6.9	-	-	-
Revenue	560.5	6.2	566.7	280.4	4.0	284.4
EBITDA (adjusted)[II]	83.1	(2.0)	81.1	(70.3)	(3.7)	(74.0)

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

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Cash Flow Statement Measures

Reference	APM	Definition
I	Before IFRS 16	The performance under accounting principles prior to the adoption of IFRS 16.
II	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.
III	Free Cash Flow	Cash generated before interest, non-underlying costs, spend on provisions and financing.
IV	Working Capital	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:

	2021 Before IFRS 16[I] £m	2020 Before IFRS 16[I] £m
EBITDA (adjusted)[II]	81.1	(74.0)
Working capital[IV]	1.2	(9.0)
Net cash flows from operating activities before non-underlying items	82.3	(83.0)
Cash spend on non-underlying items through working capital[(1)]	(3.3)	(16.9)
Cash flows from operating activities	79.0	(99.9)
Corporate tax	0.4	0.8
Net cash generated from / (used in) operating activities	79.4	(99.1)

(1) In 2021, net cash spend from non-underlying items through working capital of £3.3m included a net £2.8m outflow relating to accrued costs and £0.5m cash spend on provisions. In 2020, net cash spend from non-underlying items through working capital of £16.9m included a net £14.7m outflow relating to accrued costs and £2.2m cash spend on provisions.

	2021 £m	2020 £m
Total working capital movement (note 27)	2.0	(25.8)
Less rent working capital movement	26.2	78.0
Working capital movement before IFRS 16[I]	28.2	52.2
Less non-underlyings before IFRS 16 (provisions and exceptionals)	17.0	18.6
Less rent phasing adjustment before IFRS 16[I]	(44.0)	(79.8)
Working capital[IV]	1.2	(9.0)

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Consolidated Cash Flow Statement Memorandum

Memorandum - Analysis of free cash flow[III]

	2021 £m	2020 £m
EBITDA (adjusted)[II]	81.1	(74.0)
Working capital[IV]	1.2	(9.0)
Net cash flows from operating activities before non-underlying items	82.3	(83.0)
Capital expenditure	(34.4)	(36.0)
Free cash flow[3] generated from / (used in) the year	47.9	(119.0)
Non-trading cash flow		
Finance fees paid	(0.2)	(0.5)
Interest paid	(35.6)	(29.5)
Interest income	-	0.3
Finance lease rental interest payments	(1.2)	(1.5)
Cash spend on provisions and non-underlying items(1)	(3.3)	(4.3)
Corporate tax	0.4	0.8
Non-trading cash flow	(39.9)	(34.7)
Cash generated/ (used)	8.0	(153.7)
Opening Cash	136.2	89.2
Cash generated / (used)	8.0	(153.7)
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	(1.4)	(4.3)
Closing Cash	142.8	136.2
Opening external net debt	(456.7)	(342.9)
Net increase in aggregate cash	6.6	47.0
Drawdown of term loan and OID fee	-	(61.9)
Drawdown of revolving credit facility	-	(40.0)
Net refinancing	-	(61.2)
Net finance issue transaction costs	-	3.9
Net amortised bond transaction costs	(2.3)	(1.5)
Capitalised term loan interest	(1.2)	-
Net amortised revolving credit facility transaction costs	(1.1)	(0.1)
Closing external net debt	(454.7)	(456.7)

(1) In 2021, net cash spend on provisions and non-underlying items of £3.3m 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 contract provision on sub-leases of £0.5m. 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 contract provision on sub-leases of £2.2m, partially offset by a cash inflow relating to the disposal of assets.

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Balance Sheet Measures

Reference	APM	Definition
I	Before IFRS 16	The performance under accounting principles prior to the adoption of IFRS 16.

Debt
The analysis of funding excludes operating lease liabilities under previous IFRS as our APMs deduct rent payable for these leases, and lease liabilities were not reported as debt before IFRS 16[I]:

Memorandum - Analysis of net funding

		2021	2020
	Note	£m	£m
Cash at bank		142.8	136.2
External debt redeemable (excluding lease liabilities):			
Senior secured fixed rate bond	20	(65.0)	(65.0)
Senior secured floating rate bond	20	(440.0)	(440.0)
Revolving credit facility	20	(40.0)	(40.0)
Super senior term loan	20	(63.1)	(61.9)
Issue costs	20	10.6	14.0
Gross debt		(597.5)	(592.9)
External net debt		(454.7)	(456.7)
Finance Leases		(14.7)	(14.5)
Net debt before investor loan		(469.4)	(471.2)
Investor loan	20	(186.6)	(166.4)
Net debt		(656.0)	(637.6)

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Obligations under finance leases (before IFRS 16[I])
The Group has 4 properties (2020: 4 properties) which have been classified as finance leases with a weighted average lease term remaining of 43 years (2020: 44 years), including landlord options to extend leases which haven't yet been exercised.

	2021	2020
	£m	£m
Amounts payable under finance leases		
Due within one year	1.6	1.3
Due between two and five years	6.7	6.1
Due beyond five years	69.2	58.8
	77.5	66.2
Less future finance charges	(62.8)	(51.7)
Amounts due after settlement after 12 months (capital liability)	14.7	14.5

Onerous lease provisions
The Group has provided for operating lease rentals where these were above the market rate, causing the hotel to be loss making or where we consider it improbable that trading profits will be generated, 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, causing the hotel to be loss making or where we consider it improbable that trading profits will be generated, 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 3.3% (2020: 2.8%) which represents a risk-free and pre-tax rate based on 25 year government gilt and further adjusted for property risk. Since 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.

ALTERNATIVE PERFORMANCE MEASURE (APM) (CONTINUED)

Operating Lease Commitments before IFRS 16[I]

Total commitments under operating leases before IFRS 16[I] amounted to:

	Before IFRS 16[I] 2021			Before IFRS 16[I] 2020		
	UK £m	**International £m**	**Total £m**	**UK £m**	**International £m**	**Total £m**
Due within one year	225.4	4.1	229.5	170.6	4.6	175.3
Due between two and five years	913.0	15.9	928.9	889.8	18.4	908.2
Due beyond five years	2,969.2	30.3	2,999.5	3,050.2	36.2	3,086.4
Total	4,107.6	50.3	4,157.9	4,110.6	59.2	4,169.9
	UK Years	**International Years**	**Total Years**	**UK Years**	**International Years**	**Total Years**
Average lease term remaining	14.8	9.9	14.7	15.7	10.9	15.7

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 have not yet been exercised (which are included in the lease liability under IFRS 16 per note 19).

Contractual undiscounted lease payments - maturity analysis

	Property 2021 £m	**Total 2021 £m**
Within one year	231.9	231.9
Greater than one year but less than five years	920.1	920.1
Greater than five years but less than ten years	1,142.5	1,142.5
Greater than ten years but less than fifteen years	1,115.3	1,115.3
Greater than fifteen years	1,747.0	1,747.0
Total undiscounted lease payments at 31 December 2021	5,156.8	5,156.8

	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

The figures above comprise both finance and operating leases and include landlord options to extend leases which have not yet been exercised (which are included in the lease liability under IFRS 16 per note 19).