TVL FINANCE PLC

YEAR ENDED 31 DECEMBER 2021

REPORT TO NOTEHOLDERS

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

£65,000,000 9.0% SENIOR SECURED NOTES DUE 2025

(the “Notes”)

CONTENTS

Capitalised terms not otherwise defined in this Interim Report shall have the meanings assigned to such terms in the offering memorandum of TVL Finance PLC relating to the Notes dated 28 June 2019 (the "Offering Memorandum").

PRESENTATION OF FINANCIAL DATA

The report summarises the consolidated financial data and operating data from the consolidated financial statements of Thame and London Limited and its subsidiaries ("the Group") which include TVL Finance PLC. For management reporting purposes we use a 5-4-4 week accounting calendar. This accounting method divides our fiscal year into four quarters, each comprising two periods of four weeks and one period of five weeks. We have adopted this accounting method because it allows us to manage our business on the basis of 52 weekly periods which consistently end on the same weekday and our like-for-like reporting is prepared on this basis. In order to align this method with our quarterly and statutory annual accounting period on the basis of a calendar year from 1 January to 31 December, we make certain adjustments to our results at the end of each quarter to ensure that the reported period aligns with the corresponding calendar quarter. The Group will continue to present its consolidated financial statements going forward on this basis and will apply similar adjustments, in accordance with IFRS, to its interim financial statements.

The summary financial information provided has been derived from our records for the period from 1 January 2021 to 31 December 2021 (prior year from 1 January 2020 to 31 December 2020), which are maintained in accordance with International Financial Reporting Standards ("IFRS").

We continue to present certain non-IFRS information in this quarterly report. This information includes "EBITDA (adjusted)", which represents earnings before interest, tax, depreciation and amortisation, and before rent phasing adjustments, non-underlying items and reflective of the position in line with the accounting principles before IFRS 16. This measure also reflects the rent reductions following the CVA which was completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.

Certain financial information, measures and ratios related thereto in this quarterly report, including the financial information presented on a 'before IFRS 16' basis and EBITDA (adjusted) (the "Non-IFRS Measures") are not specifically defined under IFRS or any other generally accepted accounting principles. In order to facilitate the comparability of the underlying business and clarify the calculation of non-IFRS Alternative Performance Measures, including EBITDA (adjusted), additional columns have been added in some areas of the document to reflect the position in line with previous accounting principles ("Before IFRS 16").

Management believe that EBITDA (adjusted) is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because EBITDA (adjusted) is used by the management of the Group to track our business performance, establish operational and strategic targets and make business decisions.

DISCLAIMER

This report is for information purposes only and does not constitute an offer to sell or the solicitation of an offer to buy securities. This report does not contain all of the information that is material to an investor.

FORWARD LOOKING STATEMENTS

This report contains "forward-looking statements" as that term is defined by the U.S. federal securities laws and within the meaning of the securities laws of certain other jurisdictions. These forward looking statements include, without limitation, those regarding our intentions, beliefs or current expectations concerning our future financial condition or performance, result of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; future developments in the markets in which we participate or are seeking to participate; and anticipated regulatory changes in the industry in which we operate.

These statements often include words such as "anticipate", " believe", "could", "estimates", expect", "forecast", "intend", "may", "plan", "projects", "should", "suggests", "targets", "would", "will" and other similar expressions. These statements are not guarantees of performance or results. Many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking forward looking statements and projections.

We undertake no obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward looking statements to reflect events or circumstances after the date of this report.

TVL Finance plc

Update for the year ended 31 December 2021

Strong recovery in 2021, well positioned to benefit in the expected recovery

Headlines (quarter ended 31 December 2021, comparison vs 2019)

- Total underlying revenue up 1.8% to £185.1m (2019: £181.8m, 2020: £53.5m)
- RevPAR[(1)] up 5.9% to £43.24 (2019: £40.82, 2020: £12.78)
- RevPAR performance 10.3pts ahead of the competitive segment[(2)] vs 2019
- Occupancy[(1)] down 4.5pts to 76.3% (2019: 80.8%, 2020: 38.1%)
- Average room rate[(1)] up 12.3% at £56.71 (2019: £50.52, 2020: £33.51)
- EBITDA (adjusted)[(3)] profit of £37.4m (2019: profit of £26.9m, 2020: loss of £25.8m)

Headlines (year ended 31 December 2021, comparison vs 2019)

- Total underlying revenue down 23.1% to £559.8m (2019: £727.9m, 2020: £284.4m)
- RevPAR[(1)] down 21.5% to £33.05 (2019: £42.09, 2020: £16.61)
- RevPAR performance 10.8pts ahead of the competitive segment[(2)] vs 2019
- Occupancy[(1)] down 18.0pts to 62.6% (2019: 80.6%, 2020: 40.8%)
- Average room rate[(1)] up 1.1% 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
- 17 new hotels opened in the year
- Total network now 592 hotels and 44,984 rooms as at 31 December 2021

Summary

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,

[1] Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 30 Sep 2021 to 29 Dec 2021 and 3 Oct 2019 to 25 Dec 2019 for the quarter. 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 21 and 3 Jan 2019 to 25 Dec 2019 for the year.

[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 adjustment and non-underlying items, and in line with historic accounting principles (before IFRS 16). This measure reflects the cash benefit of rent reductions following the CVA which completed on 17 June 2020. Non-underlying items have been removed as they relate to non-recurring, one-off items.

and was almost immediately ahead of 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 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. We expect continued inflationary pressures on costs and therefore do not anticipate EBITDA will recover to 2019 levels in 2022. 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.

Overall UK like-for-like RevPAR for the fourth quarter was up 5.9% on 2019 levels, approximately 10.3pts ahead of the Smith Travel Research (STR) MSE benchmark competitive segment.

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 STR MSE benchmark competitive segment.

Total underlying revenues for the fourth quarter were up 1.8% on 2019 levels driven mainly by extended leisure demand, particularly over the October half-term, offsetting the slower recovery in "white collar" demand and the impact of Omicron and the introduction of work from home measures from mid-December. Total underlying revenues for the year ended 31 December 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 fourth quarter was a profit of £37.4m (2019: profit of £26.9m, 2020: loss of £25.8m) and EBITDA (adjusted) for the year ended 31 December was a profit of £81.1m (2019: profit of £129.1m, 2020: loss of £74.0m).

We ended the year with cash of £142.8m (2020: £136.2m).

Financial Performance

For the fourth quarter ended 31 December 2021:

Travelodge delivered a strong performance in quarter 4. At the start of the quarter, demand began to seasonally transition from the high leisure demand periods to traditionally more business demand driven weeks, and net ADR was impacted by the increase in the VAT rate from 5% to 12.5% from 1 October. However, RevPAR remained above 2019 levels, driven by extended leisure demand, until Omicron started to impact performance around the end of December. For the quarter, compared to 2019, UK like-for-like RevPAR was up 5.9% to £43.24 (2019: £40.82), with UK like-for-like occupancy down 4.5pts to 76.3%, and UK like-for-like average room rate up 12.3% to £56.71, benefiting from the 12.5% VAT rate.

Travelodge has continued to outperform, with UK like-for-like RevPAR performance 10.3pts ahead of the competitive segment vs 2019, with outperformance in both London and the Regions.

Food & beverage revenues were impacted by changes in customer mix.

Spain was also impacted by the pandemic, with revenue down £1.4m (38%), driven by the international travel restrictions and lower Spanish domestic demand.

Total underlying revenue for the fourth quarter of £185.1m, was up £3.3m (1.8%) vs 2019 and up £131.6m vs 2020.

Operational costs continued to be well-controlled and rent benefited from the temporary reductions in rents (approximately £14m benefit in the fourth quarter) under the terms of the CVA.

EBITDA (adjusted) was a profit of £37.4m, ahead of 2019 by £10.5m (2019: profit £26.9m) and up £63.2m vs 2020 (2020: loss £25.8m).

For the year ended 31 December 2021:

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

Since the restrictions on leisure travel were partially lifted on 17 May and the lifting of all restrictions from 19 July we saw trading improvements driven by increased leisure demand and a strong recovery in “blue collar” business demand.

For the year, compared to 2019, UK like-for-like RevPAR was down 21.5% to £33.05 (2019: £42.09), with UK like-for-like occupancy down 18.0pts to 62.6%, and UK like-for-like average room rate up 1.1% to £52.77.

Travelodge continued to outperform, with UK like-for-like RevPAR performance 10.8pts ahead of the competitive segment vs 2019, with outperformance in both London and the Regions.

Food & beverages revenues were impacted by the closures and restrictions in place for most of the first half and changes in customer mix.

Spain was impacted by the pandemic, with revenue down £8.7m (59%), as a result of the international travel restrictions and Spanish domestic demand.

Total underlying revenue for the year of £559.8m was down £168.1m (23.1%) vs 2019 and up £275.4m vs 2020.

Costs were well-controlled and rent benefited from the temporary reductions in rents (approximately £55m annual benefit in 2021) under the terms of the CVA. We also benefited from government support including the business rates holiday from April 2020 to June 2021 (approximately £21m in 2021), utilisation of the job retention scheme (furlough claims of approximately £21m in the period) and from business support grants (approximately £10m recognised in the year). Variable costs were also reduced as result of hotel closures and lower levels of occupancy in the first half.

EBITDA (adjusted) was a profit of £81.1m compared to a profit of £129.1m for 2019 and a loss of £74.0m for 2020.

During the year there was free cash inflow of £47.9m predominantly driven by the EBITDA (adjusted) profit partially offset by capital investment. Working capital contributed an overall small inflow to free cashflow, with the benefit of an increase in prepaid rooms due to the trading recovery offset by the return to full rent payments quarterly in advance.

Liquidity Update

Travelodge generated a cash inflow of £6.6m in the 12 months to 31 December and ended the year with cash of £142.8m.

As at 23 March, 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.

As at 23 March the group held cash reserves of approximately £192m.

Recent Trading

The first weeks of 2022 were impacted by the Omicron variant including the related work from home guidance, particularly during mid-week and in Central London, with revenues in January overall down around 10% on 2019 levels.

Following the lifting of the work from home guidance on 26 January, demand improved and by early February accommodation revenue was almost immediately ahead of 2019 levels, supported by strong leisure trading, particularly over the half-term weeks, and the continued recovery in "blue collar" demand. We also continued to benefit from the reduced 12.5% VAT rate, which is in place until 1 April 2022. Revenue for the period from 1 January to 23 March 2022 was up approximately 3% on 2019 levels, with trading approximately 14% ahead of 2019 levels in the weeks following the lifting of the work from home guidance.

The MSE segment continues to recover ahead of the UK market, trading ahead of 2019 levels in recent weeks, with recovery vs 2019 levels around 20% points higher than the total hotel market, driven mainly by domestic leisure demand. There are also early indications that rate increases are being realised, in response to the current inflationary environment, although it's still early days.

We have continued to outperform the STR MSE benchmark segment with UK like-for-like RevPAR approximately 7pts[(4)] ahead of the competitive segment in the first 11 weeks of 2022, with London and the Regions both outperforming.

The cash position remains strong.

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 return to 2019 RevPAR levels on average, although there is a range of potential outcomes. As a reminder VAT goes 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 the 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. 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 the majority of 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 increase the impact of these cost pressures in the short-term and 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 return to 2019 RevPAR levels in 2022, these cost pressures mean we do not expect to return to 2019 EBITDA levels in 2022.

We took the opportunity in 2021 to conduct extensive customer research, which combined with our own learnings from the successful Travelodge PLUS hotels, has informed a new look

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[4] 30 Dec 2021 to 17 Mar 2022

standard room. This new look room is being rolled out as part of our refit programme which recommenced in early 2022 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. Capital expenditure in 2022 is expected to be approximately £70m, but will be reviewed in light of trading conditions.

We expect to open six new UK leased hotels and one Irish franchise in 2022, with two opened so far. 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 thereafter.

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 from any recovery as demand builds and we are confident in the long-term prospects for budget hotels.

Accounting Note on Liquidity 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 group prepares numerous liquidity scenarios and has 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.

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.

Further details are provided in our 2021 Annual Report.

About Travelodge

In 1985, Travelodge became Britain's first value hotel brand when it launched in the UK, opening its first hotel at Barton under Needwood in the heart of England. Since those early days, we have welcomed millions of customers to Travelodge and we now have 592 hotels[(1)] and 44,984 guest bedrooms[(1)], right across the UK as well as in Ireland and Spain. Almost 10,000 colleagues worked across the business at the end of 2021.

(1) As at 31 December 2021

Notes:

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

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

For further information, please contact:

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

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

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the year ended 31 December 2021

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

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

	Year ended 31 December 2021			Year ended 31 December 2020			Year ended 31 December 2019		
	Before IFRS 16[1] £m	**IFRS 16 impact** £m	**Statutory** £m	**Before IFRS 16[1]** £m	**IFRS 16 impact** £m	**Statutory** £m	**Before IFRS 16[1]** £m	**IFRS 16 impact** £m	**Statutory** £m
Revenue by geographical region									
Revenue	**559.8**	**-**	**559.8**	**284.4**	**-**	**284.4**	**727.9**	**-**	**727.9**
Revenue UK	553.6	-	553.6	280.4	-	280.4	713.1	-	713.1
Revenue International	6.2	-	6.2	4.0	-	4.0	14.8	-	14.8
Revenue	**559.8**	**-**	**559.8**	**284.4**	**-**	**284.4**	**727.9**	**-**	**727.9**
Operating expenses	(300.2)	-	(300.2)	(228.0)	-	(228.0)	(390.0)	-	(390.0)
Of which cost of goods sold	*(26.9)*	-	*(26.9)*	*(17.5)*	-	*(17.5)*	*(43.1)*	-	*(43.1)*
Of which employee costs	*(150.5)*	-	*(150.5)*	*(113.5)*	-	*(113.5)*	*(174.5)*	-	*(174.5)*
Of which other operating expenses	*(122.8)*	-	*(122.8)*	*(97.0)*	-	*(97.0)*	*(172.4)*	-	*(172.4)*
Net external rent (payable) / receivable	(179.0)	183.2	4.2	(130.8)	133.7	2.9	(208.8)	212.2	3.4
Other income	0.5	0.1	0.6	0.4	1.4	1.8	-	-	-
EBITDA (adjusted)[2] / EBITDA	**81.1** [2]	**183.3**	**264.4**	**(74.0)** [2]	**135.1**	**61.1**	**129.1** [2]	**212.2**	**341.3**
Rent phasing adjustment[3]	(44.0)	44.0	-	(79.8)	79.8	-	(2.3)	2.3	-
Depreciation	(41.1)	(103.4)	(144.5)	(36.5)	(110.4)	(146.9)	(44.6)	(117.7)	(162.3)
Amortisation	(16.1)	11.0	(5.1)	(16.0)	11.3	(4.7)	(17.5)	11.8	(5.7)
Operating (loss) / profit (before non-underlying items)	**(20.1)**	**134.9**	**114.8**	**(206.3)**	**115.8**	**(90.5)**	**64.7**	**108.6**	**173.3**
Finance costs before investor loan interest	(44.2)	(183.0)	(227.2)	(35.7)	(172.5)	(208.2)	(38.0)	(163.3)	(201.3)
Investor loan interest	(20.2)	-	(20.2)	(15.1)	-	(15.1)	(14.3)	-	(14.3)
Finance income	0.2	-	0.2	0.3	-	0.3	0.7	-	0.7
(Loss) / profit for the year before tax and non-underlying items	**(84.3)**	**(48.1)**	**(132.4)**	**(256.8)**	**(56.7)**	**(313.5)**	**13.1**	**(54.7)**	**(41.6)**
Non-underlying items (before tax)			30.2			6.5			(30.9)
Loss for the year before tax			**(102.2)**			**(307.0)**			**(72.5)**
Income tax			(3.8)			(0.3)			4.8
Loss for the year			**(106.0)**			**(307.3)**			**(67.7)**

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

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

(3) In 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. 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.

Revenue

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 period 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(1) for the year improved by 99.0% compared to 2020 (down 21.5% against 2019), like-for-like occupancy(1) increased by 21.8pts compared to 2020 (down 18.0pts against 2019) and like-for-like average room rates(1) were 29.7% higher compared to 2020 (1.1% higher than 2019).

Operating expenses

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.

(1) Revenue per available room (RevPAR), Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 31 December 2020 to 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).

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 of 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

External rent payable (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 credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each period.

Net external rent payable (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.

In many of our leases we receive a rent free period at the beginning of the lease term. Within EBITDA (adjusted) the portion of the rent free credit attributable to each period is recognised as if such credit were applied on a straight line basis until the next rent review, normally five years. The credit attributable to the reductions resulting from the 2020 CVA is recognised in line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure which is used for internal management reporting.

According to the straight lining of leases principles 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 2020 CVA is also recognised on a straight line basis over the remaining life of each lease. The rent phasing adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under previous IFRS.

The rent payable for operating leases reported under previous IFRS, has been replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability.

Depreciation / Amortisation

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. In response to the onset of Covid-19 we deferred our normal capital refit programme and limited non-essential capital expenditure.

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

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.

Statutory 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. Statutory 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.

Finance costs

Finance costs (before IFRS 16[1]) before 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.

In addition, statutory finance costs include a notional additional finance cost of £183.0m for the year ended 31 December 2021, up £10.5m from £172.5m for the year ended 31 December 2020, relating to the lease liabilities. 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.

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.

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

Non-underlying items

Statutory 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 credit to revenue 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 £(0.3)m charge for the impairment of fixed assets.

Statutory 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 £(15.0)m 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 £(8.7)m charge for the impairment of fixed assets, other CVA related costs of £(0.6)m and a £(0.5)m charge relating to the write off of the unamortised 'take and hold' fee following the repayment of the revolving credit facility.

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 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 £(4.0)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.

No cash tax payments were made during the period (2020: £nil). In the year ended 31 December 2021 repayments of £0.4m were received in respect of Spain 2019 tax. In the year ended 31 December 2020 repayments of £0.8m (UK £0.6m, Spain £0.2m) were received in respect of 2018 tax.

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

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, on a 'before IFRS 16[(1)]' basis, net cash generated from operating activities 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.

	Year ended 31 December 2021 £m	**Year ended 31 December 2020 £m**
EBITDA (adjusted)[(1)]	81.1	(74.0)
Working capital[(2)]	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	**47.9**	**(119.0)**

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

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

Free Cash Flow was an inflow of £47.9m for the period 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.

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.

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

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

	Year ended 31 December 2021			Year ended 31 December 2020			Variance 2021 vs 2020 before IFRS 16[(1)]	
	Before IFRS 16[(1)] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[(1)] £m	IFRS 16 impact £m	Statutory £m	£m	Var %
Net cash generated from / (used in) operating activities	79.4	197.6	277.0	(99.1)	119.6	20.5	178.5	180.1%
Net cash used in investing activities	(34.4)	-	(34.4)	(23.1)	-	(23.1)	(11.3)	(48.9)%
Net cash (used in) / generated from financing activities	(38.4)	(197.6)	(236.0)	169.2	(119.6)	49.6	(207.6)	(122.7)%
Net increase in aggregate cash and cash equivalents	6.6	-	6.6	47.0	-	47.0	(40.4)	(86.0)%
Cash and cash equivalents at beginning of the year	136.2	-	136.2	89.2	-	89.2	47.0	52.7%
Cash and cash equivalents at the end of the year	**142.8**	**-**	**142.8**	**136.2**	**-**	**136.2**	**6.6**	**4.8%**

Net cash generated from / (used in) operating activities

	Year ended 31 December 2021			Year ended 31 December 2020			Variance 2021 vs 2020	Var
	Before IFRS 16[(1)] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[(1)] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[(1)] £m	%
Operating (loss) / profit - Underlying	(20.1)	134.9	114.8	(206.3)	115.8	(90.5)	186.2	90.3%
Operating (loss) / profit - Non-underlying	3.1	27.1	30.2	(13.4)	20.4	7.0	16.5	123.1%
Operating (loss) / profit	**(17.0)**	**162.0**	**145.0**	**(219.7)**	**136.2**	**(83.5)**	**202.7**	**92.3%**
Adjustments for non-cash items:								
Depreciation of property, plant and equipment	41.1	103.4	144.5	36.5	110.4	146.9	4.6	12.6%
Amortisation of other intangible assets	16.1	(11.0)	5.1	16.0	(11.3)	4.7	0.1	0.6%
Profit on disposal of fixed assets	0.3	(20.6)	(20.3)	4.9	(36.2)	(31.3)	(4.6)	(93.9)%
Impairment of fixed assets	10.3	(10.0)	0.3	10.2	(1.5)	8.7	0.1	1.0%
	67.8	**61.8**	**129.6**	**67.6**	**61.4**	**129.0**	**0.2**	**0.3%**
Operating cash flows before movements in working capital	**50.8**	**223.8**	**274.6**	**(152.1)**	**197.6**	**45.5**	**202.9**	**133.4%**
Total working capital movement	**28.2**	**(26.2)**	**2.0**	**52.2**	**(78.0)**	**(25.8)**	**(24.0)**	**(46.0)%**
Cash flows from operating activities	**79.0**	**197.6**	**276.6**	**(99.9)**	**119.6**	**19.7**	**178.9**	**179.1%**
Corporate tax	0.4	-	0.4	0.8	-	0.8	(0.4)	(50.0)%
Net Cash Generated from / (Used in) operating activities	**79.4**	**197.6**	**277.0**	**(99.1)**	**119.6**	**20.5**	**178.5**	**180.1%**

Net cash generated from operating activities (before IFRS 16[(1)]) was £79.4m for the year ended 31 December 2021, £178.5m better than the cash used of £99.1m for the year ended 31 December 2020. This was due to a £202.7m improvement in operating result (after non-underlying items) and an increase of £4.8m in depreciation, amortisation and impairment, partially offset by a decrease of £24.0m in working capital inflow, (predominantly due to higher current year rent prepayments and the 'payable' resulting from spreading the CVA benefit over the life of lease (under previous IFRS), partially offset by higher inflows from prepaid rooms benefiting from the trading recovery), £4.6m lower profit on disposal and a decrease of £0.4m in corporation tax repayments.

Statutory net cash generated from operating activities, which excludes rent, increased by £256.5m, from an inflow of £20.5m for the year ended 31 December 2020 to an inflow of £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 (driven largely by higher inflows from prepaid rooms benefiting from the trading recovery and the movement in trade payables and other trading related accruals due to

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improved trading levels) and a decrease in the adjustment for non-cash profit on disposal of fixed assets of £11.0m, partially offset by a net decrease of £10.4m in depreciation, amortisation and impairment and a decrease of £0.4m in corporation tax repayments.

Working capital requirements

Inventory primarily includes food and beverage products sold through our bar cafes. Trade and other receivables (before IFRS 16[(1)]) primarily consist of rent prepayments as we usually pay quarterly in advance, although the CVA resulted in a period of monthly rents for the majority of hotels, 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.

	Year ended 31 December 2021			Year ended 31 December 2020			Variance 2021 vs 2020	
	Before IFRS 16[(1)] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[(1)] £m	IFRS 16 impact £m	Statutory £m	before IFRS 16[(1)] £m	Var %
(Decrease) / increase in inventory	(0.5)	-	(0.5)	0.4	-	0.4	(0.9)	(225.0)%
(Increase) / decrease in receivables	(19.4)	16.9	(2.5)	15.1	(20.0)	(4.9)	(34.5)	(228.5)%
Increase / (decrease) in payables	65.1	(47.0)	18.1	55.3	(56.0)	(0.7)	9.8	17.7%
Total working capital movement (before provisions and non-underlying items)	45.2	(30.1)	15.1	70.8	(76.0)	(5.2)	(25.6)	(36.2)%
Provisions and non-underlying items	(17.0)	3.9	(13.1)	(18.6)	(2.0)	(20.6)	1.6	8.6%
Total working capital movement	**28.2**	**(26.2)**	**2.0**	**52.2**	**(78.0)**	**(25.8)**	**(24.0)**	**(46.0)%**

Working capital inflow (before IFRS 16[(1)]) before non-underlying items of £45.2m for the year ended 31 December 2021 compared to an 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 non-underlying items (before IFRS 16[(1)]) 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

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clauses were instigated as a direct result of the CVA, other management incentives, cash spend on provisions and provision reassessments.

On a Statutory basis, cash flows relating to rent are reported within Net cash used in financing activities. Statutory working capital inflow before non-underlying items of £15.1m for the year ended 31 December 2021 compared to an outflow of £5.2m for the year ended 31 December 2020. This is largely driven by higher inflows from prepaid rooms benefiting from the trading recovery and the movement in trade payables and other trading related accruals due to improved trading levels.

Statutory working capital outflow for provisions and non-underlying items of £13.1m for the year ended 31 December 2021 compared to an outflow of £20.6m for the year ended 31 December 2020 is mainly reflecting payment of legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other exceptional corporate activities and costs associated with the disposal of assets where break clauses were instigated as a direct result of the CVA.

Net cash used in investing activities

Net cash used in investing activities (before IFRS 16[(1)]) increased by £11.3m, or 48.9%, from £23.1m for the year ended 31 December 2020 to £34.4m for the year ended 31 December 2021, primarily due to proceeds on the disposal of assets in 2020, partially offset by the reduction in capital expenditure in 2021.

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

Net cash used in financing activities (before IFRS 16[(1)]) of £38.4m 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.

The year on year movement 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% 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,

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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.

Statutory net cash used in financing activities was £236.0m for the year ended 31 December 2021, compared to net cash generated of £49.6m for the year ended 31 December 2020. This is due mainly to the factors noted above, including the drawdown of facilities and injections totalling £205m in 2020, but is also impacted by additional rent payments driven mainly by the reduction in the CVA rent benefit in 2021 compared with 2020.

Corporation tax

Corporation tax repayments of £0.4m were received in the year ended 31 December 2021 in respect of Spain 2019 tax compared to repayments of £0.8m (UK £0.6m, Spain £0.2m) in the year ended 31 December 2020 in respect of 2018 tax.

OPERATING AND FINANCIAL REVIEW

Unaudited results of operations for the quarter ended 31 December 2021 (Q4)

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

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

	Quarter ended 31 December 2021			Quarter ended 31 December 2020			Quarter ended 31 December 2019		
	Before IFRS 16[1] £m	**IFRS 16 impact** £m	**Statutory** £m	**Before IFRS 16[1]** £m	**IFRS 16 impact** £m	**Statutory** £m	**Before IFRS 16[1]** £m	**IFRS 16 impact** £m	**Statutory** £m
Revenue by geographical region									
Revenue	**185.1**	**-**	**185.1**	**53.5**	**-**	**53.5**	**181.8**	**-**	**181.8**
Revenue UK	182.8	-	182.8	52.8	-	52.8	178.2	-	178.2
Revenue International	2.3	-	2.3	0.7	-	0.7	3.6	-	3.6
Revenue	**185.1**	**-**	**185.1**	**53.5**	**-**	**53.5**	**181.8**	**-**	**181.8**
Operating expenses	(101.5)	-	(101.5)	(52.7)	-	(52.7)	(101.7)	-	(101.7)
Of which cost of goods sold	*(9.9)*	-	*(9.9)*	*(3.4)*	-	*(3.4)*	*(10.7)*	-	*(10.7)*
Of which employee costs	*(46.8)*	-	*(46.8)*	*(30.3)*	-	*(30.3)*	*(45.4)*	-	*(45.4)*
Of which other operating expenses	*(44.8)*	-	*(44.8)*	*(19.0)*	-	*(19.0)*	*(45.6)*	-	*(45.6)*
Net external rent (payable) / receivable	(46.5)	47.9	1.4	(26.6)	27.2	0.6	(52.9)	53.3	0.4
Other income	0.3	0.1	0.4	0.1	1.4	1.5	(0.3)	-	(0.3)
EBITDA (adjusted)[2] / EBITDA	**37.4** [2]	**48.0**	**85.4**	**(25.7)** [2]	**28.6**	**2.9**	**26.9** [2]	**53.3**	**80.2**
Rent adjustment[3]	(10.9)	10.9	-	(24.4)	24.4	-	(0.6)	0.6	-
Depreciation	(10.9)	(27.2)	(38.1)	(6.8)	(25.7)	(32.5)	(11.6)	(29.8)	(41.4)
Amortisation	(4.1)	2.8	(1.3)	(4.0)	2.8	(1.2)	(4.6)	2.9	(1.7)
Operating profit / (loss) (before non-underlying items)	**11.5**	**34.5**	**46.0**	**(60.9)**	**30.1**	**(30.8)**	**10.1**	**27.0**	**37.1**
Finance costs before investor loan interest	(11.2)	(46.3)	(57.5)	(8.6)	(45.3)	(53.9)	(9.8)	(41.6)	(51.4)
Investor loan interest	(5.1)	-	(5.1)	(4.2)	-	(4.2)	(3.8)	-	(3.8)
Finance income	0.1	-	0.1	(0.1)	-	(0.1)	0.2	-	0.2
(Loss) for the quarter (before non-underlying items)	**(4.7)**	**(11.8)**	**(16.5)**	**(73.8)**	**(15.2)**	**(89.0)**	**(3.3)**	**(14.6)**	**(17.9)**
Non-underlying items			28.2			4.6			(15.0)
Profit / (loss) for the quarter before tax			**11.7**			**(84.4)**			**(32.9)**
Income tax			(3.8)			(0.3)			(1.6)
Profit / (loss) for the quarter			**7.9**			**(84.7)**			**(34.5)**

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

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

(3) In 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. 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.

Revenue

Revenue (before non-underlying items) increased by £131.6m, or 246.0%, from £53.5m for the quarter ended 31 December 2020 to £185.1m for the quarter ended 31 December 2021, as stronger trading and demand continued in 2021, before dipping slightly in the festive period, with cancellations increasing on the news of the Omicron variant and the work from home guidance in the UK. In 2020 the imposition of new tier restrictions throughout the UK in the final quarter saw further hotel closures and guests only allowed to stay in open hotels for work, education or other legally permitted reasons, but not for leisure purposes.

Like-for-like UK RevPAR improved by 238.5%[(2)] compared to 2020 and 5.9%[(2)] compared to 2019.

Operating expenses

Operating expenses increased by £48.8m, or 92.6%, from £52.7m for the quarter ended 31 December 2020 to £101.5m for the quarter ended 31 December 2021.

Increases in cost of goods sold reflect current year trading compared with extended bar café closures in 2020.

Employee costs increases reflect the current year trading, use of the government's job retention scheme in 2020, the impact of the National Living Wage increase in the like-for-like estate and the additional staff in our new and maturing hotels. No claims were made in respect of the government's job retention scheme in the quarter (2020: claims of c. £11m).

Increases in other operating expenses are largely driven by the current year trading, increased costs from our new and maturing hotels, the end of hospitality business rates holiday (savings in the quarter of c. £1m in 2021 compared to c. £10m in 2020) and higher marketing spend in line with the trading recovery, partially offset by cost efficiency programmes.

Net external rent payable

External rent payable (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 credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each period.

Net external rent payable (before rent phasing adjustment and before IFRS 16[(1)]) increased by £19.9m, or 74.8%, from £26.6m for the quarter ended 31 December 2020 to £46.5m for the quarter ended 31 December 2021. This increase was primarily due to lower rent reductions in 2021 compared to 2020 as agreed as part of the CVA, upwards only rent reviews predominantly linked to RPI in the like-for-like estate and the impact of new hotels.

In many of our leases we receive a rent free period at the beginning of the lease term. Within EBITDA (adjusted) the portion of the rent free credit attributable to each period is recognised as if such credit were applied on a straight line basis until the next rent review, normally five years. The credit attributable to the reductions resulting from the 2020 CVA is recognised in

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

(2) Revenue per available room (RevPAR) on a UK like-for-like basis for the period 30 September 2021 to 29 December 2021 (2020 comparatives for the period 1 October 2020 to 30 December 2020, 2019 comparatives for the period from 3 October 2019 to 1 January 2020).

line with the actual rent paid in respect of each period. EBITDA (adjusted) is the measure which is used for internal management reporting.

According to the straight lining of leases principles 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 2020 CVA is also recognised on a straight line basis over the remaining life of each lease. The rent phasing adjustment reflects the timing difference between the rent charge for the period in our internal management reporting measure EBITDA (adjusted) and the rent charge for the period under previous IFRS.

The rent payable for operating leases reported under previous IFRS, has been replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability.

Depreciation / Amortisation

Depreciation (before IFRS 16[(1)]) increased by £4.1m, or 60.3%, from £6.8m for the quarters ended 31 December 2020 to £10.9m for the quarter ended 31 December 2021. Depreciation is driven mainly by ongoing investment in the maintenance and refurbishment of our estate including health and safety measures, energy efficiency projects, IT hardware and new hotel openings. In response to the onset of Covid-19 we deferred our normal capital refit programme and limited non-essential capital expenditure.

Amortisation (before IFRS 16[(1)]) is driven mainly by historic lease premiums, investment in IT systems and new openings and increased by £0.1m, or 2.5%, from £4.0m for the quarters ended 31 December 2020 to £4.1m for the quarter ended 31 December 2021. Increases from the amortisation of 2020 investment in IT systems were partially offset by reductions due to the impairment of historic lease premiums for a small number of assets at the end of 2020.

Statutory depreciation, including the impact of right of use assets, increased by £5.6m to £38.1m. Statutory amortisation of IT software increased by £0.1m to £1.3m for the quarter ending 31 December 2021.

Finance costs

Finance costs (before IFRS 16[(1)]) before investor loan interest increased by £2.6m, or 30.2%, from £8.6m for the quarter ended 31 December 2020 to £11.2m for the quarter ended 31 December 2021. This increase was primarily due to higher bank interest costs following the setting up of a new term loan facility of £60m as part of the refinancing in December 2020, which replaced the £60m super senior revolving credit facility issued in April 2020, of which £30m was drawn down in June 2020, together with higher bond interest costs following the new £65m bond issue in December 2020, plus additional amortisation of capitalised bond issue costs and other capitalised costs related to the refinancing in December 2020.

Investor loan interest increased by £0.9m, or 21.4%, from £4.2m for the quarter ended 31 December 2020 to £5.1m for the quarter ended 31 December 2021. This increase was due to the injection of £30m from our shareholders and their affiliates in December 2020.

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

In addition, statutory finance costs include a notional additional finance cost of £46.3m for the quarter ended 31 December 2021, up £1.0m from £45.3m for the quarter ended 31 December 2020, relating to the lease liabilities. The increase is mainly due to new leases.

Finance income

Finance income of £0.1m for the quarter ended 31 December 2021 was a combination of interest on loans to related parties and bank interest received.

Loss before non-underlying items and tax

Statutory loss before non-underlying items and tax was £16.5m for the quarter ended 31 December 2021, £72.5m better than the loss of £89.0m for the quarter ended 31 December 2020, mainly benefiting from the increased EBITDA as a result of current year trading, partially offset by the increased depreciation and finance costs.

RISK FACTORS

Note holders are reminded that investing in the Notes involves substantial risks and Note holders should refer to the "Risk Factors" section of the Offering Memorandum, published on 28 June 2019, and the 2020 Annual Report for the year ended 31 December 2020 for a description of the risks that they should consider when making investment decisions about the Notes.

The ongoing impact of Covid-19 on the Group remains uncertain in terms of demand from our customers, the potential impact from changing work patterns and the risk of further restrictions impacting demand. The UK hotel industry is not immune to the current wider macro-economic environment, including the well documented inflationary pressures and the risks associated with the situation in Ukraine, including the potential for further inflationary pressures.

Registered number: 08170768

THAME AND LONDON LIMITED

UNAUDITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

		Unaudited Year ended 31 December 2021				Audited Year ended 31 December 2020			
		Underlying before IFRS 16(1)	**Underlying impact of IFRS 16(1)**	**Non-underlying**	**Statutory**	**Underlying before IFRS 16(1)**	**Underlying impact of IFRS 16(1)**	**Non-underlying**	**Statutory**
	Note	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue	*3*	559.8	-	6.9	**566.7**	284.4	-	-	**284.4**
Operating Expenses	*4*	(300.2)	-	3.3	**(296.9)**	(228.0)	-	(15.6)	**(243.6)**
Rent	*4*	(223.0)	227.2	-	**4.2**	(210.6)	213.5	-	**2.9**
Other Income		0.5	0.1	-	**0.6**	0.4	1.4	-	**1.8**
EBITDA after rent phasing adjustment	*3*	**37.1**	**227.3**	**10.2**	**274.6**	**(153.8)**	**214.9**	**(15.6)**	**45.5**
Depreciation, Amortisation & Impairment	*4*	(57.2)	(92.4)	(0.3)	**(149.9)**	(52.5)	(99.1)	(8.7)	**(160.3)**
Profit on disposal of fixed assets		-	-	20.3	**20.3**	-	-	31.3	**31.3**
Operating (Loss) / Profit	*3*	**(20.1)**	**134.9**	**30.2**	**145.0**	**(206.3)**	**115.8**	**7.0**	**(83.5)**
Finance Costs	*5*	(64.4)	(183.0)	-	**(247.4)**	(50.8)	(172.5)	(0.5)	**(223.8)**
Finance Income		0.2	-	-	**0.2**	0.3	-	-	**0.3**
(Loss) / Profit before Tax	*3*	**(84.3)**	**(48.1)**	**30.2**	**(102.2)**	**(256.8)**	**(56.7)**	**6.5**	**(307.0)**
Income Tax		-	0.2	(4.0)	**(3.8)**	4.7	(6.0)	1.0	**(0.3)**
(Loss) / Profit for the Year		**(84.3)**	**(47.9)**	**26.2**	**(106.0)**	**(252.1)**	**(62.7)**	**7.5**	**(307.3)**

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

Memorandum - EBITDA (adjusted)(2)

	Period ended 31 December 2021 £m	**Period ended 31 December 2020 £m**
EBITDA (adjusted)(2)	**81.1**	**(74.0)**
Rent phasing adjustment(3)	**(44.0)**	**(79.8)**
EBITDA after rent phasing adjustment	**37.1**	**(153.8)**

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

(3) Rent phasing adjustment = In many of our leases we receive a rent free period at the beginning of the lease term. 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.

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Unaudited Year ended 31 December 2021 £m	Audited Year ended 31 December 2020 £m
Loss for the year	**(106.0)**	**(307.3)**
Items that will subsequently be reclassified into profit and loss:		
Currency translation differences	**-**	**0.4**
Other comprehensive income for the year, net of tax	**-**	**0.4**
Total comprehensive expense for the year	**(106.0)**	**(306.9)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE YEAR ENDED 31 DECEMBER 2021

	Foreign Exchange Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2020	**(0.4)**	**(341.0)**	**(341.4)**
Loss for the year	-	(307.3)	**(307.3)**
Other comprehensive income			
Currency translation differences	0.4	-	**0.4**
Total comprehensive income / (expense)	**0.4**	**(307.3)**	**(306.9)**
31 December 2020	**-**	**(648.3)**	**(648.3)**
1 January 2021	**-**	**(648.3)**	**(648.3)**
Loss for the year	-	(106.0)	**(106.0)**
Total comprehensive expense	**-**	**(106.0)**	**(106.0)**
31 December 2021	**-**	**(754.3)**	**(754.3)**

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

	Note	Unaudited 31 December 2021 £m	Audited 31 December 2020 £m
NON CURRENT ASSETS			
Intangible assets	7	**154.2**	**157.4**
Property, plant and equipment	8	**102.5**	**120.7**
Right of Use assets	9	**2,117.0**	**2,122.9**
Net Deferred tax asset		**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	11	**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	12	**(105.8)**	**(98.5)**
Lease liabilities	10	**(46.9)**	**(15.7)**
Provisions	14	**(5.6)**	**-**
Super senior term loan	13	**(1.9)**	**-**
		(160.2)	**(114.2)**
NON-CURRENT LIABILITIES			
Bond related debt	13	**(497.1)**	**(494.8)**
Revolving credit facilities	13	**(40.0)**	**(40.0)**
Super senior term loan	13	**(58.5)**	**(58.1)**
Investor loan	13	**(186.6)**	**(166.4)**
Lease liabilities	10	**(2,355.8)**	**(2,332.1)**
Provisions	14	**(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		**-**	**-**
Foreign exchange reserve		**-**	**-**
Accumulated losses		**(754.3)**	**(648.3)**
TOTAL DEFICIT		**(754.3)**	**(648.3)**

Memorandum - Analysis of net funding

	Note	Unaudited 31 December 2021 *£m*	Audited 31 December 2020 *£m*
Cash at bank		***142.8***	***136.2***
External debt redeemable (excluding lease liabilities):			
Floating Rate Bond	13	***(440.0)***	***(440.0)***
Fixed Rate Bond	13	***(65.0)***	***(65.0)***
Super Senior Term Loan	13	***(63.1)***	***(61.9)***
Revolving Credit Facilities	13	***(40.0)***	***(40.0)***
Bond issue costs	13	***7.9***	***10.2***
Super Senior Term Loan issue costs	13	***2.7***	***3.8***
Gross debt	13	***(597.5)***	***(592.9)***
External net debt		***(454.7)***	***(456.7)***
Investor loan	13	***(186.6)***	***(166.4)***
Net debt		***(641.3)***	***(623.1)***
Lease liabilities	10	***(2,402.7)***	***(2,347.8)***
		(3,044.0)	***(2,970.9)***

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Unaudited			Audited		
	Year ended 31 December 2021			Year ended 31 December 2020		
	Before IFRS 16[(1)]	IFRS 16 impact	Statutory	Before IFRS 16[(1)]	IFRS 16 impact	Statutory
	£m	£m	£m	£m	£m	£m
CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	79.0	197.6	276.6	(99.9)	119.6	19.7
Corporate tax	0.4	-	0.4	0.8	-	0.8
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	79.4	197.6	277.0	(99.1)	119.6	20.5
INVESTING ACTIVITIES						
Interest received	-	-	-	0.3	-	0.3
Proceeds on disposal of assets	-	-	-	12.6	-	12.6
Purchases of property, plant and equipment and intangible assets	(34.4)	-	(34.4)	(36.0)	-	(36.0)
Net cash used in investing activities	(34.4)	-	(34.4)	(23.1)	-	(23.1)
FINANCING ACTIVITIES						
Finance fees paid	(0.2)	-	(0.2)	(0.5)	0.2	(0.3)
Interest paid	(35.6)	-	(35.6)	(29.5)	-	(29.5)
Finance lease rental interest payments	(1.2)	1.2	-	(1.5)	1.5	-
IFRS 16 lease rental capital payments	-	(25.7)	(25.7)	-	(15.5)	(15.5)
IFRS 16 lease rental interest payments	-	(173.1)	(173.1)	-	(105.8)	(105.8)
Issue of fixed rate bonds	-	-	-	65.0	-	65.0
Proceeds of investor loan	-	-	-	40.0	-	40.0
Proceeds of term loan	-	-	-	40.0	-	40.0
Drawdown of revolving credit facility	-	-	-	60.0	-	60.0
Finance issue transaction costs	(1.4)	-	(1.4)	(4.3)	-	(4.3)
Net cash (used in) / generated from financing activities	(38.4)	(197.6)	(236.0)	169.2	(119.6)	49.6
Net increase in aggregate cash and cash equivalents	6.6	-	6.6	47.0	-	47.0
Cash and cash equivalents at beginning of the year	136.2	-	136.2	89.2	-	89.2
Cash and cash equivalents at end of the year	142.8	-	142.8	136.2	-	136.2

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

Memorandum - Analysis of free cash flow[1]	*Unaudited*	*Unaudited*
	Year ended 31 December 2021	*Year ended 31 December 2020*
	Before IFRS 16[(1)]	*Before IFRS 16*[(1)]
	£m	*£m*
EBITDA (adjusted)[2]	*81.1*	*(74.0)*
Working capital	*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 generated from / (used in) the period	*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[3]	*(3.3)*	*(4.3)*
Corporate tax	*0.4*	*0.8*
Non-trading cash flow	*(39.9)*	*(34.7)*
Cash used	*8.0*	*(153.7)*
Opening Cash	*136.2*	*89.2*
Movement in cash	*8.0*	*(153.7)*
Net refinancing proceeds	-	*65.0*
Proceeds of term loan	-	*60.0*
Proceeds of investor loan	-	*40.0*
Drawdown of revolving credit facility	-	*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*
Net refinancing	-	*(61.2)*
Drawdown of term loan	-	*(61.9)*
Drawdown of revolving credit facility	-	*(40.0)*
Net finance issue transaction costs	-	*3.9*
Net amortised bond transaction costs	*(2.3)*	*(1.5)*
Capitalised term loan interest	*(1.2)*	-
Net amortised term loan costs	*(1.1)*	*(0.1)*
Closing external net debt	*(454.7)*	*(456.7)*

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

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

3. In 2021, net cash spend on provisions and non-underlying items of £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, costs associated with the surrender of a property lease, Spanish onerous lease provisions of £0.4m and £0.1m spend on other provisions. In 2020, net cash spend on provisions and non-underlying items of £4.3m included aincluded legal and professional fees in connection with the initial landlord consensual proposal and the subsequent CVA, legal and advisors' fees and management incentives relating to the previous restructuring of the Group's debt and other corporate activities, as well as onerous lease provisions of £2.2m, partially offset by a cash inflow relating to the surrender of a property lease.

	Unaudited	*Uanudited*
Reconciliation of net cash flows from operating activities before non-underlying items to net cash generated from operating activities (note 15)	*Year ended 31 December 2021*	*Year ended 31 December 2020*
	Before IFRS 16[(1)]	*Before IFRS 16*[(1)]
Net cash flows from operating activities before non-underlyings	*82.3*	*(83.0)*
Cash spend on non-underlying items through working capital[4]	*(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)*

4. In 2021, net cash spend on non-underlying items through working capital of £3.3m included a net £2.8m outflow relating to accrued costs, £0.4m cash spend on Spanish onerous lease provisions and £0.1m spend on other provisions. In 2020 net cash spend on 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.

1 GENERAL INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020. The policies shown are an extract from the full disclosure in the annual financial statements for the year ended 31 December 2020, as not all policies are given.

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

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

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

Basis of consolidation

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the business combination are expensed through the income statement. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (Revised), Business Combinations, are recognised at their fair values at the acquisition date, except for non-current assets (or disposal companies) that are classified as held for sale in accordance with IFRS 5, Non-current assets held for sale and discontinued operations, which are recognised and measured at fair value less costs to sell.

Seasonality

Revenue in the hotel sector fluctuates by season. The first quarter of the year is typically the hotel industry's lowest seasonal demand period and usually our smallest in financial terms, with the third quarter normally being our busiest and largest.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents the amount receivable for goods and services supplied to customers in the normal course of business, net of trade discount and VAT. The Group's principal performance obligation is to provide budget hotel accommodation and other goods and services to guests. Revenue includes rooms revenue and food and beverage sales, which is recognised when the guests stay. When payment is received at the time of room booking, prior to arrival date, a liability for prepaid room purchases is recognised and held on the balance sheet. Revenue is recognised when the customer stays. A proportion of the prepaid room purchases would be non-refundable on cancellation of the room booking.

Under management agreements, the Group's performance obligation is to provide hotel management services. Base and incentive management fees are typically charged. Base management fees are typically a percentage of total hotel revenues and incentive management fees are generally based on the hotel's profitability. Both are treated as variable consideration. Base management fees are recognised as the underlying hotel revenues occur. Incentive management fees are recognised over time when it is considered highly probable that the related performance criteria will be met, provided there is no expectation of a subsequent reversal of the revenue.

Prepaid Room Purchases

Prepaid room purchases are where cash is received at time of room booking prior to arrival date and is recognised when customers stay.

Non-underlying items

In order to understand the underlying performance of the business, material, non-recurring items are separately disclosed as non-underlying items in the income statement.

Leasing

Effective on 1 January 2019, the group has adopted IFRS 16, which specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all major leases. The group has applied IFRS 16 using the modified retrospective approach.

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the group has the right to obtain substantially all of the economic benefit from use of the asset throughout the period of use; and
- the group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are the most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset if either:
  - the group has the right to operate the asset; or
  - the group designed the asset in a way that predetermines how and for what purpose it will be used

As a lessee

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentives received. End of lease property restoration costs are excluded from the initial cost because it is not possible to estimate what they might be at the end of a typical 25 to 35 year lease term.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. The estimated useful lives of right-of use assets are determined on the same basis as those of plant and equipment. In addition, the right-of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the incremental borrowing rate specific to that lease. Generally, the group uses the incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate or when there is a lease modification. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The group has elected to recognise all its property right-of-use assets and lease liabilities. It does not separately identify short-term leases that have a lease term of 12 months or less and leases of low-value assets.

The key sensitivities resulting from estimates in the calculation of the IFRS 16 numbers are:

- the discount rate used (in the interim financial report no assessment has been made of the impact of a change in the discount rate).

Taxation

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

Provisions

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

3 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	Unaudited Year ended 31 December 2021			Audited Year ended 31 December 2020		
	UK	International	Total	UK	International	Total
	£m	£m	£m	£m	£m	£m
Revenue						
Revenue - Underlying	553.6	6.2	**559.8**	280.4	4.0	**284.4**
Non-underlying items	6.9	-	**6.9**	-	-	**-**
Revenue	**560.5**	**6.2**	**566.7**	**280.4**	**4.0**	**284.4**
EBITDA						
EBITDA (adjusted)(1)	83.1	(2.0)	**81.1**	(70.3)	(3.7)	**(74.0)**
Rent phasing adjustment	(44.0)	-	**(44.0)**	(79.8)	-	**(79.8)**
EBITDA after rent phasing adjustment before IFRS 16(2)	**39.1**	**(2.0)**	**37.1**	**(150.1)**	**(3.7)**	**(153.8)**
IFRS 16 EBITDA adjustment	223.4	3.9	**227.3**	211.2	3.7	**214.9**
EBITDA after rent phasing adjustment - Underlying	**262.5**	**1.9**	**264.4**	**61.1**	**-**	**61.1**
Non-underlying items	10.2	-	**10.2**	(15.6)	-	**(15.6)**
EBITDA after rent phasing adjustment	**272.7**	**1.9**	**274.6**	**45.5**	**-**	**45.5**
Operating profit / (loss)						
Operating loss before IFRS 16(2) - Underlying	(18.0)	(2.1)	**(20.1)**	(202.5)	(3.8)	**(206.3)**
IFRS 16 Operating profit adjustment - Underlying	133.5	1.4	**134.9**	114.7	1.1	**115.8**
Operating profit / (loss) - Underlying	**115.5**	**(0.7)**	**114.8**	**(87.8)**	**(2.7)**	**(90.5)**
Non-underlying items	30.2	-	**30.2**	7.0	-	**7.0**
Operating profit / (loss)	**145.7**	**(0.7)**	**145.0**	**(80.8)**	**(2.7)**	**(83.5)**
Loss before tax						
Loss before tax - Underlying	(82.1)	(2.2)	**(84.3)**	(252.9)	(3.9)	**(256.8)**
Non-underlying items before IFRS 16(2)	2.7	0.4	**3.1**	(13.4)	(0.5)	**(13.9)**
Loss before tax and IFRS 16	**(79.4)**	**(1.8)**	**(81.2)**	**(266.3)**	**(4.4)**	**(270.7)**
IFRS 16 Loss before tax adjustment	(47.0)	(1.1)	**(48.1)**	(55.1)	(1.6)	**(56.7)**
IFRS 16 non-underlying items	27.5	(0.4)	**27.1**	19.9	0.5	**20.4**
Loss before tax	**(98.9)**	**(3.3)**	**(102.2)**	**(301.5)**	**(5.5)**	**(307.0)**

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

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

4 NET OPERATING EXPENSES (BEFORE NON-UNDERLYING ITEMS)

	Unaudited			Audited		
	Year ended 31 December 2021			Year ended 31 December 2020		
	Underlying before IFRS 16[1]	Underlying IFRS 16 impact	Underlying Statutory	Underlying before IFRS 16[1]	Underlying IFRS 16 impact	Underlying Statutory
	£m	£m	£m	£m	£m	£m
Cost of goods sold	**26.9**	**-**	**26.9**	**17.5**	**-**	**17.5**
Employee costs	**150.5**	**-**	**150.5**	**113.5**	**-**	**113.5**
Operating expenses	**122.8**	**-**	**122.8**	**97.0**	**-**	**97.0**
Net operating expenses before rent, depreciation and amortisation	**300.2**	**-**	**300.2**	**228.0**	**-**	**228.0**
Rent payable (third party landlords)[3]	**183.2**	**(183.2)**	**-**	**134.1**	**(133.7)**	**0.4**
Rent receivable	**(4.2)**	**-**	**(4.2)**	**(3.3)**	**-**	**(3.3)**
Net external rent payable / (receivable)	**179.0**	**(183.2)**	**(4.2)**	**130.8**	**(133.7)**	**(2.9)**
Rent phasing adjustment[2]	**44.0**	**(44.0)**	**-**	**79.8**	**(79.8)**	**-**
Net rent	**223.0**	**(227.2)**	**(4.2)**	**210.6**	**(213.5)**	**(2.9)**
Net operating expenses before depreciation and amortisation	**523.2**	**(227.2)**	**296.0**	**438.6**	**(213.5)**	**225.1**
Depreciation	**41.1**	**103.4**	**144.5**	**36.5**	**110.4**	**146.9**
Amortisation	**16.1**	**(11.0)**	**5.1**	**16.0**	**(11.3)**	**4.7**
Net depreciation and amortisation	**57.2**	**92.4**	**149.6**	**52.5**	**99.1**	**151.6**
Total net operating expenses	**580.4**	**(134.8)**	**445.6**	**491.1**	**(114.4)**	**376.7**

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

(2) 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.

(3) Statutory rent payable (after the impact of IFRS 16) 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.

5 FINANCE COSTS

	Unaudited Year ended 31 December 2021	Audited Year ended 31 December 2020
	£m	£m
Finance fees	**3.7**	**2.5**
Interest on bank loans	**8.8**	**4.0**
Interest on fixed and floating rate bonds	**29.8**	**25.7**
Interest on obligations under finance leases	**1.5**	**3.1**
Unwinding of discount on provisions	**0.4**	**0.4**
Finance costs before interest on investor loan, non-underlying items and IFRS 16	**44.2**	**35.7**
Interest on investor loan	**20.2**	**15.1**
Finance costs before non-underlying items and IFRS 16	**64.4**	**50.8**
Non-underlying items:		
Fees in relation to restructuring of debt	**-**	**0.5**
Finance costs before IFRS 16	**64.4**	**51.3**
IFRS 16 adjustment[1]	**183.0**	**172.5**
Finance costs after IFRS 16	**247.4**	**223.8**

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

6 NON-UNDERLYING ITEMS

Statutory 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 £(0.3)m charge for the impairment of fixed assets.

Statutory 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 £(15.0)m 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 £(8.7)m charge for the impairment of fixed assets, other CVA related costs of £(0.6)m and a £(0.5)m charge relating to the write off of the unamortised 'take and hold' fee following the repayment of the revolving credit facility.

7 INTANGIBLE ASSETS

	Unaudited 31 December 2021 £m	Audited 31 December 2020 £m
Opening net book value	**157.4**	**159.6**
Additions	**1.8**	**2.5**
Movement on capital creditors	**0.1**	**-**
Amortisation	**(5.1)**	**(4.7)**
Closing net book value	**154.2**	**157.4**

The closing net book value at 31 December 2021 comprises brand value of £145.0m, assets under construction of £2.6m and IT software of £6.6m.

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

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

8 PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31 December 2021 £m	Audited 31 December 2020 £m
Opening net book value	**120.7**	**132.9**
Additions	**29.3**	**31.9**
Movement on capital creditors	**(1.5)**	**(1.5)**
Disposals	**(0.9)**	**(4.4)**
Depreciation	**(45.0)**	**(37.7)**
Impairment	**(0.1)**	**(0.5)**
Closing net book value	**102.5**	**120.7**

The closing net book value at 31 December 2021 comprises assets under construction of £2.2m, freehold and long leaseholds of £1.6m and fixtures and fittings of £98.7m.

The closing net book value at 31 December 2020 comprises assets under construction of £1.5m, freehold and long leaseholds of £1.6m and fixtures and fittings of £117.6m.

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

9 RIGHT OF USE ASSETS

	Unaudited 31 December 2021 £m	Audited 31 December 2020 £m
Opening net book value	**2,122.9**	**2,521.3**
New leases	**75.7**	**79.1**
Lease Adjustments(1)	**38.7**	**(305.3)**
Additions(2)	**3.3**	**1.6**
Foreign Exchange Translation Adjustment	**(2.2)**	**1.8**
Depreciation	**(99.5)**	**(109.2)**
Disposals(3)	**(21.7)**	**(58.2)**
Impairment	**(0.2)**	**(8.2)**
Closing net book value	**2,117.0**	**2,122.9**

(1) Lease adjustments of £38.7m in 2021 mainly consist of rent reviews. In 2020 these include the effect of lease modifications following the CVA (see note 10).
(2) Additions relate to leasehold premiums.
(3) 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.

10 IFRS 16 LEASE LIABILITIES

	Unaudited 31 December 2021 £m	Audited 31 December 2020 £m
Opening Balance	**(2,347.8)**	**(2,597.4)**
New leases	**(75.7)**	**(79.1)**
Lease Adjustments	**(38.7)**	**305.3**
Foreign Exchange Translation Adjustment	**2.5**	**(2.0)**
Finance Costs	**(184.8)**	**(176.2)**
Payments - Finance Leases	**1.2**	**1.5**
Payments - Operating Leases	**197.6**	**119.8**
Disposals[1]	**43.0**	**80.3**
Closing Balance	**(2,402.7)**	**(2,347.8)**
Amounts falling due within one year	**(46.9)**	**(15.7)**
Amounts falling due after one year	**(2,355.8)**	**(2,332.1)**
	(2,402.7)	**(2,347.8)**

(1) 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 £38.7m in 2021 mainly consist of 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%.

Total lease liabilities at 31 December 2021 have been discounted at a weighted average discount rate of 8.9% with a range of 5.0% to 11.0% and represent leases with a weighted average remaining length, including landlord extension options, from the balance sheet date of 23.3 years.

11 TRADE AND OTHER RECEIVABLES

	Unaudited 31 December 2021 £m	Audited 31 December 2020 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	**7.5**	**8.0**
- Bad debt provision	**(0.3)**	**(0.2)**
- Net amounts receivable	**7.2**	**7.8**
Other amounts receivable	**2.5**	**7.0**
Other taxation	**3.2**	**-**
Accrued income	**1.7**	**0.6**
Prepayments	**7.6**	**4.7**
Loans to related parties	**2.5**	**2.1**
	24.7	**22.2**

12 TRADE AND OTHER PAYABLES

	Unaudited 31 December 2021 £m	Audited 31 December 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)**
Prepaid room purchases	**(27.9)**	**(24.0)**
Capital payables	**(2.9)**	**(4.3)**
Amounts falling due within one year	**(105.8)**	**(98.5)**

[1] Other payables mainly consists of interest accruals (2021: £7.9m, 2020: £6.2m). It also includes additional premiums on vouchers issued in relation to cancelled stays during periods of lockdown

13 FINANCIAL ASSETS AND LIABILITIES

		31 December 2021 £m	31 December 2020 £m
Cash at bank and in hand		**142.8**	**136.2**
External debt redeemable:			
Senior Floating Rate Bond	July 2025	**(440.0)**	**(440.0)**
Senior Fixed Rate Bond	January 2025	**(65.0)**	**(65.0)**
Super Senior Term Loan	July 2024	**(63.1)**	**(61.9)**
Revolving credit facilities	May 2022 / July 2024	**(40.0)**	**(40.0)**
Issue Costs		**10.6**	**14.0**
External debt		**(597.5)**	**(592.9)**
Net external debt		**(454.7)**	**(456.7)**
Investor Loan Note	January 2026 / 2033	**(186.6)**	**(166.4)**
Net debt before finance leases		**(641.3)**	**(623.1)**
Lease liabilities under IFRS 16		**(2,402.7)**	**(2,347.8)**
Net debt including finance leases		**(3,044.0)**	**(2,970.9)**

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

Finance lease liabilities (before IFRS 16) were as follows: 31 December 2021: £14.7m, 31 December 2020: £14.5m.

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%.

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.

Interest is payable quarterly each January, April, July and October. The notes may be redeemed at any time on or after 15 July 2020, at par.

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

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

Revolving credit facility and super senior term loan

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

On 20 April 2020, the Group entered into a new super senior £60m revolving credit facility agreement with certain financial institutions that are indirect shareholders (or affiliates thereof), available to the Group until May 2022.

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

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

On 16 November 2020, the Group entered into an amended and restated agreement in the form of a super senior term loan of £60m, available to the Group until July 2024.

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

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

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

In May 2020, the RCF/LOC facility was amended with the net leverage financial covenant for the relevant quarter end testing periods from 30 June 2020 until and including 30 June 2021 being replaced by a minimum liquidity covenant. 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.

Letter of credit facility
The letter of credit facility has a maximum usage of £30m and is available until July 2024. At 31 December 2021, letters of credit were in issue to the value of £27.7m, but not called upon.

Issue costs
Costs incurred in issuing the senior secured sterling denominated notes and the super senior term loan have been deducted from the fair value of the notes and facility, which are carried at amortised cost.

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

The interest rate charged on the investor loan note is 15%. Accrued interest for the year ended 31 December 2021 totalled £20.2m (2020: £15.1m).

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

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£m	£m	£m	£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**	**-**	**-**
Bond related debt	**(505.0)**	**(488.7)**	**(505.0)**	**(455.2)**
Super Senior Term Loan related debt	**(63.1)**	**(63.1)**	**(61.9)**	**(61.9)**
Revolving credit facilities	**(40.0)**	**(40.0)**	**(40.0)**	**(40.0)**
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 of £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 of £8.7m (2020: £6.2m), capital payables of £2.9m (2020: £4.3m), accruals of £52.6m (2020: £41.8m) and other payables of £10.8m (2020: £13.7m).

Financial assets at amortised cost and financial liabilities (excluding lease liability payables) are due within one year.

Interest rate cap
On 30 July 2019, Travelodge paid an upfront premium of £467k to purchase an interest rate cap in relation to the senior secured floating sterling denominated notes, on a notional amount of £300m.

The interest rate cap commenced in respect of payments due on 15 January 2020 and is due to terminate on 15 October 2022.

As per the original 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.

14 PROVISIONS

	Unaudited 31 December 2021 £m	Audited 31 December 2020 £m
At 1 January 2021	**(7.1)**	**(7.7)**
Cash spend	**0.1**	**0.2**
Additional provisions recognised	**(4.5)**	**-**
Release of provisions	**3.6**	**(0.6)**
Unwinding of discount on provisions	**(0.1)**	**-**
Disposals	**-**	**0.8**
Transfer to accruals	**-**	**0.2**
At 31 December 2021	**(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)**
	(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 provisions of £0.5m (2020: £0.4m) relating to future rates liabilities on four empty and sub leased historic restaurant units, 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).

15 NOTE TO THE CASH FLOW STATEMENT

	Unaudited			**Audited**		
	Year ended 31 December 2021			**Year ended 31 December 2020**		
	Before IFRS 16[1] £m	**IFRS 16 impact £m**	**Statutory £m**	**Before IFRS 16[1] £m**	**IFRS 16 impact £m**	**Statutory £m**
Operating profit / (loss) - Underlying	**(20.1)**	**134.9**	**114.8**	**(206.3)**	**115.8**	**(90.5)**
Operating profit / (loss) - Non-underlying	**3.1**	**27.1**	**30.2**	**(13.4)**	**20.4**	**7.0**
Operating profit / (loss)	**(17.0)**	**162.0**	**145.0**	**(219.7)**	**136.2**	**(83.5)**
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	**41.1**	**103.4**	**144.5**	**36.5**	**110.4**	**146.9**
Amortisation of other intangible assets	**16.1**	**(11.0)**	**5.1**	**16.0**	**(11.3)**	**4.7**
Loss / (Profit) on disposal of fixed assets	**0.3**	**(20.6)**	**(20.3)**	**4.9**	**(36.2)**	**(31.3)**
Impairment of fixed assets	**10.3**	**(10.0)**	**0.3**	**10.2**	**(1.5)**	**8.7**
	67.8	**61.8**	**129.6**	**67.6**	**61.4**	**129.0**
Operating cash flows before movements in working capital	**50.8**	**223.8**	**274.6**	**(152.1)**	**197.6**	**45.5**
(Decrease) / increase in inventory	**(0.5)**	**-**	**(0.5)**	**0.4**	**-**	**0.4**
(Increase) / decrease in receivables	**(19.4)**	**16.9**	**(2.5)**	**15.1**	**(20.0)**	**(4.9)**
Increase / (decrease) in payables	**48.9**	**(40.7)**	**8.2**	**35.1**	**(56.0)**	**(20.9)**
(Decrease) / increase in provisions	**(0.8)**	**(2.4)**	**(3.2)**	**1.6**	**(2.0)**	**(0.4)**
Total working capital movement[3]	**28.2**	**(26.2)**	**2.0**	**52.2**	**(78.0)**	**(25.8)**
Cash flows from operating activities	**79.0**	**197.6**	**276.6**	**(99.9)**	**119.6**	**19.7**
Corporate tax	**0.4**	**-**	**0.4**	**0.8**	**-**	**0.8**
Net Cash Generated from / (Used in) operating activities	**79.4**	**197.6**	**277.0**	**(99.1)**	**119.6**	**20.5**

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS 16 on 1 January 2019, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year.
(2) Before IFRS 16 working capital movement of £28.2m (2020: £52.2m) is after non-underlying outflows of £17.0m (2020: outflows of £18.6m) and before rent phasing adjustment of £44.0m (2020: £79.8m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 28 is stated before non-underlying movements and before rent phasing adjustment.

16 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 an account on 1 March 2022.

The OID fee of £1.9m, incurred in respect to the drawdown of the £60m super senior term loan was paid in January 2022.

In March 2022 £8m of the £40m drawings on the revolving credit facility were repaid.

17 ALTERNATIVE PERFORMANCE MEASURES (APMS)

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

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

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

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

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

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

	Year ended 31 December 2021 £m	**Year ended 31 December 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 Items (See note 6)	(30.2)	(7.0)
Underlying Operating Profit / (Loss)	**114.8**	**(90.5)**
Depreciation, Amortisation - Underlying	149.6	151.6
Rent Payable(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 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 credit attributable to 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 accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). This measure reflects the rent reductions following the CVA which completed on 19 June 2020, recognised in line with the cash benefit. Non-underlying items have been removed as they relate to non-recurring, one-off items.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
EBITDA (adjusted)[1]	81.1	(74.0)
Working capital[2]	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	**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 accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). This measure also reflects the cash benefit of rent reductions following the CVA which completed on 19 June 2020. Non-underlying items have been removed as they relate to non-recurring, one-off items.

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

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

	Year ended 31 December 2021 Before IFRS 16[1] £m	Year ended 31 December 2020 Before IFRS 16[1] £m
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, £0.4m cash spend on Spanish onerous lease provisions and £0.1m spend on other provisions. In 2020 net cash spend on non-underlying items through working capital of £16.9m included a net £14.7m outflow cash spend relating to accruals and £2.2m cash spend on provisions.

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Total working capital movement (note 15)	2.0	(25.8)
Less IFRS 16 impact	26.2	78.0
Working capital movement before IFRS 16	28.2	52.2
Less non-underlyings before IFRS 16 (cash flow provisions and exceptionals)	17.0	18.6
Less rent phasing adjustment before IFRS 16	(44.0)	(79.8)
Working capital	**1.2**	**(9.0)**