Company Registration No. 08170768

THAME AND LONDON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

THAME AND LONDON LIMITED

OUR PURPOSE AND CONTENTS

At Travelodge, our purpose is to help people to go and do their thing, by Being the Brilliant Base.

Being the Brilliant Base has our customers and colleagues at the heart - for our customers that means providing a well-priced, well located stay they can trust, and for our colleagues it means creating opportunities to learn more, earn more and belong. We care about the wider impact of our decisions, sustainability is integral to our business strategy and runs through everything that we do.

Travelodge is one of the leading platforms in the UK and is the second largest hotel brand in the UK with over 598 hotels and approximately 46,000 guest bedrooms, right across the UK as well as in Ireland and Spain.

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Highlights

Total revenue

2023 £1,035.2m

(2022: £910.8m)

EBITDA (adjusted) [3]

2023 £243.9m

(2022: £212.9m)

Statutory operating profit

2023 £324.4m

(2022: £263.6.m)

Statutory profit/(loss) before tax

2023 £33.8m

(2022: £(0.5)m)

2023 Performance Headlines

- Total revenue up 14% to £1,035.2m (2022: £910.8m)
- Occupancy[1] up 2.1pts to 83.8% (2022: 81.7%)
- Average room rate[1] up 9.5% at £70.53 (2022: £64.40)
- RevPAR[1] up 12.4% to £59.14 (2022: £52.62)
- RevPAR performance (1.8)pts below the competitive segment[2] vs 2022, reflecting very strong 2022 performance
- RevPAR performance 4.4pts ahead of the competitive segment[2] vs 2019
- EBITDA (adjusted)[3] of £243.9m, £31m ahead of 2022 (2022: £212.9m) with EBITDA margin of 23.6% (2022: 23.4%)
- Statutory Operating Profit of £324.4m (2022: £263.6m)
- Statutory Profit/(Loss) before tax of £33.8m (2022: £(0.5)m)
- Cash of £195.7m at 31 December 2023 (2022: £154.2m)
- Refinancing completed in April 2023
- 4 new hotels opened, including one in Spain
- Total network now 598 hotels and 46,046 rooms as at 31 December 2023

1. Revenue per available room (computed as a product of the average room rate for a period multiplied by the occupancy for that period), average room rate and occupancy on a UK like-for-like basis for the management accounting period 29 December 2022 to 27 December 2023 (28 December 2021 to 28 December 2022 for the year 2022).
2. Our competitive segment is the Midscale and Economy Sector (MS&E) 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 non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment[4]. In this measure, the rent reductions agreed during the CVA were recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years. See APM glossary pages 126-135 for further details and statutory reconciliations.
4. Rent phasing adjustment = the adjustment so that the benefit of rent free periods and the CVA rent reductions are spread over the full remaining life of the lease. This is most closely aligned with the accounting treatment for rent pre-IFRS 16. The calculation for this measure is consistent with prior years. See APM glossary pages 126-135 for further details and statutory reconciliations.

Chairman's Statement

Overview

I am proud that Travelodge has delivered another set of record-breaking results in 2023, with revenue exceeding one billion pounds for the first time ever, achieving significant growth in profitability and cash generation.

Travelodge is a universally recognised brand, the second largest hotel brand in the UK with a solid track record of performance. We are transforming the brand with an estate wide refit program, and we expect to have upgraded 50% of the room estate by the end of 2024. Our new multi-channel brand campaign "Better get a Travelodge" positions the brand as the "Brilliant Base" for its customers and will ensure that we attract even more consumers to this fantastic business.

Travelodge is renowned for providing good value and a consist experience, attributes that are more appreciated than ever by our customers, whether they are visiting us for leisure or business. This gives me confidence that Travelodge will continue to perform strongly and build on the record performance in 2023. I am delighted that we have continued to ensure sustainability underpins everything that we do.

I was also pleased that in February 2024 we completed the acquisition of 66 hotels from our largest landlord through a newly created property holding group. This presents an exciting opportunity for the Travelodge Group to explore further freehold opportunities.

Governance and the Board

- In March 2023, Goldman Sachs Group, Inc. divested all of their shares in Anchor Holdings S.C.A., the parent company of Thame and London Limited, to funds managed by GoldenTree Asset Management LP, the existing majority shareholder.
- In April 2023, Aidan Connolly joined Travelodge as our Chief Financial Officer bringing a wealth of finance experience across a broad range of sectors and private equity backed businesses.
- In November 2023, Rachel Kentleton was appointed as an independent non-executive director of Thame and London Limited. Rachel is a member of the Audit and Sustainability Committee and will become chair of the Audit Committee after the 2023 accounts are finalised. Stephen Shurrock, who has chaired of the Audit Committee up until the finalisation of the 2023 accounts, has taken on the Senior non-executive director role and chairs the newly-created Remuneration Committee.

Our People

The performance of the business relies on its people and 2023 was no different. I would like to thank every one of my colleagues across the business for their hard work and dedication. Our focus on creating an inclusive workplace, providing opportunity to learn more, earn more and belong continues to make Travelodge a rewarding and attractive place to work.

Looking Ahead

The budget hotel sector has proven resilience and Travelodge is well placed to benefit from a number of positive demand drivers. I am encouraged by the performance to date in 2024, with customers more than ever attracted by Travelodge's value proposition and our newly upgraded rooms.

Being the Brilliant Base means having our customers and colleagues at the heart of what we do which, combined with our strong team and integrated sustainability plan, means that Travelodge is well set to capitalise on a raft of exciting opportunities. I am thrilled to play my part.

Martin Robinson
Chairman
28 March 2024

Travelodge Group consists of Travelodge OpCo Group (Thame and London Limited and its subsidiaries) and Travelodge PropCo Group, the newly formed property holding group.

Chief Executive's Review

Travelodge has delivered another year of record financial results in 2023, building on the previous year's record performance. This performance reflected the strength and resilience of Travelodge's business model and the UK budget hotel market. We saw strong levels of business and leisure demand continue in 2023 with customers attracted by Travelodge's value proposition. There were clearly significant inflationary cost pressures impacting the industry, from which Travelodge is not immune, but costs remained well controlled, supported by our industry leading operating cost model and strong supplier relationships. Despite these inflationary trends, we continued to invest in the business.

During 2023 we continued our refit programme, our most significant transformation to date with new design rooms, upgraded bar café and new style reception, and at the end of 2023 had refitted approximately 25% of the room estate. We are really pleased with the impact this is having on both commercial and customer metrics and are therefore accelerating the programme in 2024. We also commenced our new multi-channel brand campaign "Better get a Travelodge" in the Autumn, our first since 2016. We have seen encouraging early indications of improvements in brand awareness and brand consideration metrics.

Travelodge's liquidity position remains strong, and we ended the year with cash of £195.7m. Net cash inflow for the year was £111.6m before financing activities and non-underlying items. We will keep our financing arrangements and strong cash position under review as we continue to support the growth of the business.

So far in 2024, in the traditionally smaller first quarter Travelodge's accommodation sales are modestly (approximately 2%) ahead of 2023 levels. Business on the books for the remainder of the year is ahead of last year, but remains at very low levels in line with historic trends and whilst there are positive forward booking patterns, these remain predominantly short lead or event driven, so we still have limited forward visibility.

At the end of February 2024, a newly formed property holding group (Travelodge PropCo Group) completed the acquisition of 66 Travelodge branded hotels from our largest landlord, LXi REIT, for £210m with support from our owner, GoldenTree Asset Management. Travelodge PropCo Group is held separately, but alongside Thame and London Limited and its subsidiaries (Travelodge OpCo Group), by a newly formed direct parent of Thame and London Limited (T&L Holdco Limited). The 66 hotels were acquired on a freehold and long-leasehold basis.

Travelodge continues to benefit from a strong brand and a low cost, efficient operating model, with resilient demand from a diverse mix of business and leisure guests, attracted by our value proposition. Combined with our large and diversified network of well invested hotels we are well positioned for the future.

Although the wider macroeconomic backdrop in the UK remains challenging and it's still early in the year, our business on the books is ahead of last year, indicating continued resilience in both business and leisure bookings.

Performance Overview

The UK Smith Travel Research (STR) MSE benchmark competitive segment performed strongly in 2023, with RevPAR growth vs 2022 in line with the total UK hotel market, reflecting the very strong performance in 2022. The UK STR MSE benchmark competitive segment continues to be significantly ahead of the total UK hotel market RevPAR compared to 2019 levels.

Travelodge's UK like-for-like RevPAR for the year ended 31 December 2023 was up 12.4% on 2022 levels, approximately (1.8)pts below the STR MSE benchmark competitive segment, reflecting our very strong 2022 performance. Travelodge's UK like-for-like RevPAR was approximately 4.4pts ahead of the STR MSE benchmark vs 2019 levels.

This reflects the strong levels of leisure demand, with people visiting friends and family, attending events or taking short breaks across the UK. Business demand benefited from our diverse range of customers across a wide range of sectors. We also benefited indirectly from increased levels of inbound demand into the UK.

Total revenues for the year were up 13.7% on 2022 levels, with the additional benefit of new hotels.

Inflationary pressures continue across the industry, and Travelodge is not immune, but costs remained well controlled, supported by our industry leading operating cost model and strong supplier relationships. Our continued focus on efficiency resulted in EBITDA margin improvement, despite the significant inflationary pressures and continued investment in the business.

Chief Executive's Review (continued)

Travelodge delivered record profits for the year with EBITDA (adjusted) of £243.9m (2022: £212.9m). EBITDA (adjusted) for the fourth quarter was £42.7m, down £(5.8)m on 2022 (£48.5m), after the investment in our new brand advertising campaign.

We ended the year with a strong liquidity position, with cash of £195.7m. Net cash inflow for the year was £111.6m before re-financing activities and non-underlying items. This was predominantly driven by the EBITDA (adjusted) profit, partially offset by capital investment including our refit programme. Working capital includes the impact of higher VAT payments on account, reflecting the trading performance.

We successfully completed a refinancing in April 2023, extending maturities to 2028.

Outlook

The MSE segment has proven resilience and continues to recover strongly vs 2019 levels, benefiting from its domestic focus, business/leisure mix and value proposition, although real room rates remain below the 2008 peak.

Whilst the current macroeconomic environment is putting pressure on household spending and consumer choices, customers are still choosing to travel and we expect to benefit from a number of positive demand drivers as customers seek out good value, including continued staycation demand, customers seeking good value from budget hotel operators, changes in working patterns, events and also indirectly from inbound tourism as a result of the weak pound.

As a reminder each 1 percentage point change up or down in RevPAR compared to 2023 levels would be expected to impact Travelodge revenues by approximately £7-8m over a year.

Our cost base is largely fixed and we are focused on managing the continued inflationary pressures. The most significant drivers of inflation in our cost base are the National Living Wage, rent and energy. Additionally, we are continuing to invest in our brand marketing campaign, which didn't start until September in 2023.

Overall, we expect full year like-for-like hotel cost inflation in 2024 of approximately 5-6%, with the impact on the first quarter significantly higher than this driven by energy costs, together with additional investment in brand marketing, and the upgrade of our hotel property management system during the first half of the year.

We therefore expect full year EBITDA margins in 2024 to reduce slightly, reflecting the continued inflationary cost pressures and investments in growth, efficiencies and quality.

Q1 will be much more significantly impacted, and as a result, we expect Q1 EBITDA to be below 2023 levels.

Capital expenditure in 2024 is expected to be approximately £120m, reflecting the acceleration of our refit programme given the positive commercial and customer benefits. We continue to invest in development, with six new UK hotels expected in 2024, and other return generating projects, including energy efficiency. Our refit spend is typically committed approximately three months ahead, on average, so we retain the optionality to scale back should we choose to do so. We will continue to review investments levels in line with trading conditions, considering overall liquidity and our capital structure.

Overall Position

With our strong brand proposition, resilient underlying customer demand across business and leisure travel and our efficient operating model we are well positioned to outperform the market. We remain confident in the long-term prospects for budget hotels and excited about the future growth opportunities.

Jo Boydell
Chief Executive Officer

28 March 2024

Our Business Model

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

We are predominantly a leasehold operator, and lease, franchise, manage and own 598 hotels and c. 46,000 rooms throughout the United Kingdom, Ireland and Spain.

The United Kingdom has one of the world's strongest hotel markets. Historically, the performance of the UK hotel industry has correlated with the strength of the UK economy generally. Other macro-economic factors also influence the demand for hotel accommodation from domestic travellers, particularly business investment, employment levels, wages, consumer spending and consumer confidence. The performance of the UK hotel industry is also affected by the number of travellers coming to the United Kingdom from other countries.

We operate in the midscale and economy ("MS&E") sector of the hotel market (as defined by STR), a sector with compelling long-term fundamentals which has seen continued growth in branded hotel operators and for a number of years has experienced a decline in independent hotels.

Travelodge has an outstanding brand that offers a good value proposition for customers, focused on domestic travel, offering standardised, modern guest rooms at affordable prices to both business and leisure customers. We aim to offer our customers a well-priced, well-located stay, they can trust.

The UK hotel industry continued to perform strongly in 2023, benefiting from increased consumer demand across both leisure and business customers. According to data produced by STR the MS&E sector continued to show strong growth compared to 2022, in line with the overall UK hotel market, and has shown the strongest growth across the UK hotel market compared to 2019.

The UK hotel industry is not immune to the current macro-economic uncertainty, including the cost of living crisis, which may impact consumer demand and choices. We expect to continue to benefit from a number of positive demand drivers and continue to see increased demand for budget accommodation as customers seek out value, as well as benefits from staycation demand, events and, indirectly, from inbound tourism.

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

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

We estimate that we attracted approximately 22 million customers in 2023, compared to approximately 21 million in 2022 and approximately 90% of our bookings were made through our direct channels, mainly on our own website.

In 2023, we employed c. 13,000 people across our hotels and support offices, the majority of whom are on hourly paid contracts.

Within our largest market, the United Kingdom (representing 98% of our total revenue in the year ended 31 December 2023), we operated 44,121 rooms (or 96% of total rooms) in 581 hotels, with c. 22% of our UK rooms located in London and c. 78% located in regional areas across the United Kingdom. The majority of our rooms in the United Kingdom are leasehold, we also operated one hotel under a freehold and 10 hotels under management contracts in the United Kingdom. Approximately 93% of our UK revenue for the year ended 31 December 2023 was generated from accommodation, with the remainder from food and beverage and retail and other sales. In addition, we operated a further 1,226 rooms in 11 hotels under franchise in Ireland and Northern Ireland as well as 699 rooms in 6 leasehold hotels in Spain.

Following extensive customer research, we commenced our refit programme in 2022 and have refitted approximately 25% of the room estate at the end of 2023. This is our most significant transformation to date with new design rooms, upgraded bar café to our new "Bar 85" design and new style reception, delivering a warmer and more welcoming environment. The programme is delivering both commercial and customer benefits and we are therefore accelerating the programme in 2024 and expect to have refitted approximately 50% of the room estate by the end of 2024.

Our Business Model (continued)

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

Our diversified and well located network, alongside our standardised operational processes have allowed us to continue to deliver high levels of customer satisfaction. As of December 2023, our UK hotels had an average TripAdvisor score of four dots out of five and in 2023 we received 253 (287 in 2022) TripAdvisor Traveller's Choice Awards.

Travelodge has a strong brand that offers a good value proposition for customers, is focused on domestic travel and has an attractive business/leisure mix. With our large and diversified network of well invested hotels benefiting from a direct distribution model and underpinned by our sustainability strategy, 'Better Future,' we are well positioned for the future. Notwithstanding the wider macroeconomic backdrop in the UK, we remain confident in the long-term prospects for budget hotels and are excited about our future growth opportunities.

Strategic Progress

Travelodge has made significant progress on its strategic priorities, including the customer proposition, brand campaign, revenue management and development.

We are focused on being the Brilliant Base and placing our customers and colleagues at the heart - for our customers that means providing a well-priced, well- located stay they can trust, and for our colleagues it means creating opportunities to learn more, earn more and belong. We care about the wider impact of our decisions, sustainability is integral to our business strategy and is considered through everything that we do.

Well priced

We offer customers the option to book their stay over a 355 day booking window, with a choice of saver and flexible room rates to suit their needs and alternative room types, alongside the option to customise their stay with the various ancillaries we offer.

We also continue to invest in our revenue management systems, processes and analytics capability, ensuring we best match room pricing with customer demand. We are also investing in our data capabilities and digital platform, including adding enhanced search capabilities for our customers and increased personalisation, helping to further optimise digital conversion.

During 2023 we saw increased demand, with growth in occupancy and average room rates, while continuing to offer customers significant value. Approximately 50% of rooms were sold for less than £60 in the last twelve months. We note that real room rates for the STR MSE competitive segment remain significantly below their peak in 2008, which supports the opportunity for further room rate increases, whilst continuing to provide our customers with good value.

Travelodge has a best-in-class direct distribution model with approximately 90% of bookings made direct, and less than 1% of bookings made via OTA's, supporting our low-cost distribution model. This, combined with our industry leading revenue management capabilities, has supported our strong track record of performance compared against the MSE competitive segment.

Well located

At the end of 2023 our network stood at 598 hotels across the UK, Ireland and Spain.

In the UK we operate with a strong London presence, which accounts for approximately 20% of our UK room estate including prime locations in Central London, our diversified regional portfolio, including city centres, business parks and tourist locations, covers both business and leisure demand across our broad, predominantly domestic, customer base.

We have six hotels across Barcelona, Madrid and Valencia in Spain and 11 hotels are operated on a franchise basis in Ireland.

We successfully opened four new hotels in 2023, including our first new hotel in Spain for over ten years.

We continue to see significant opportunity for growth in the UK with over 300 target locations identified following a comprehensive white space review. These will be a mix of business and leisure focused locations to meet the demand across our advantageous business and leisure customer mix.

The independent hotel supply in the UK continues to decline which may present opportunity for further going concern acquisitions, building on our successful track record in converting existing hotels to Travelodge's, including our most recent going concern acquisition last year in Wellingborough. We also continue to review opportunities to add extra rooms to existing hotels.

Looking ahead, we expect to open six new UK hotels in 2024, including three re-phased from 2023, with the first of these, London Oval Cricket Ground, opened in February. The pace of new openings is being impacted by the ongoing challenges in the market for development funding for new hotels and planning, which have taken longer to improve than expected. We expect to return to more normal levels of development as market conditions improve, opening between 15-20 new hotels per year. There are potential opportunities for additional going concern acquisitions which we are continuing to explore, alongside other opportunities to accelerate the UK pipeline.

Strategic Progress (continued)

In Spain we have an established profitable presence with six hotels including the going concern acquisition in Madrid that opened in 2023, and an established local management team. In 2022 we undertook a market review of Spain, supported by Christie's & Co, which showed significant development opportunity, with strong business and leisure demand in a market with low budget branded hotel penetration. The market review identified the potential for an additional 15,000 branded rooms in the budget segment within the next five years through a combination of new development and going concern acquisitions. Following the review, we have been working with a well-regarded development partner to identify new opportunities across 20 key markets in Spain, and we have recently signed a deal for a new build hotel in San Sebastian.

<u>A stay they can trust</u>

Our network is well invested, and we continue to make investments to strengthen the quality of our offer.

Following extensive customer research, we commenced our refit programme in 2022 and at the end of 2023 have refitted approximately 25% of the room estate. This is our most significant transformation to date with new design rooms, upgraded bar café in our new "Bar 85" design and new style reception, delivering a warmer and more welcoming environment. The programme is delivering both commercial and customer benefits and we are therefore accelerating the programme in 2024 and expect to have refitted approximately 50% of the room estate by the end of 2024.

We continue to optimise our operating model, introducing technology to simplify, standardise and automate where possible. This includes our new workforce management system, that has been rolled out to all of our colleagues across the hotels and in head office. The new system enables colleagues to better manage their work patterns, and access information on their pay and benefits on demand. In 2023 we also significantly increased our in-house maintenance teams, helping to improve the efficiency of the work undertaken and further supporting the quality of our accommodation.

Supported by these initiatives and the work of c. 13,000 colleagues across the country, our average TripAdvisor rating sits at 4 dots and we received 253 TripAdvisor Traveller's Choice Awards.

In September 2023 we also launched our new multi-channel brand campaign "Better get a Travelodge" across TV, radio, digital and out of home, with positive feedback and an encouraging early impact on brand metrics. This is our first new brand advertising campaign for seven years, designed to drive increased brand awareness and brand consideration.

<u>Colleagues</u>

We are committed to creating an inclusive workplace, providing decent work, with opportunities to learn more, earn more, and where everyone can be their true self and belong.

We employ c. 13,000 colleagues and our focus on equality, diversity and inclusion, as part of our Better Future strategy, has helped us to build on the success of our gender diversity, in particular for our hotel manager population.

We have continued to make good progress in 2023 with a higher proportion of shortlisted candidates being women or from minority ethnic backgrounds than in 2022. We continue to be proud of the work we do, with the support of the Purpose Coalition, to contribute to improving social mobility within the communities where we operate.

Strategic Progress (continued)

Sustainability

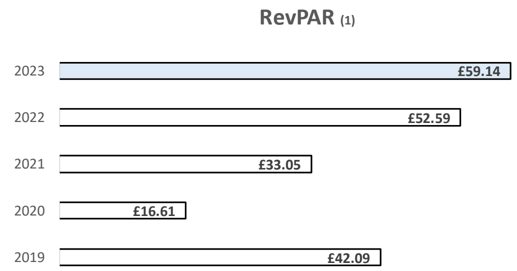
Sustainability has a critically important role to play in shaping the future of our business, underpinning everything we do.

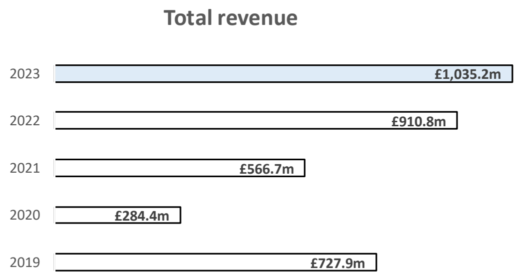
Our sustainability plan 'Better Future' is closely aligned with our purpose and is integrated with our wider business strategy. We publish our plan each year which contains updates on our progress against targets and KPIs and highlights our focus over the coming year. The full report for 2023 can be found on our website and we plan to publish this year's report in April 2024.

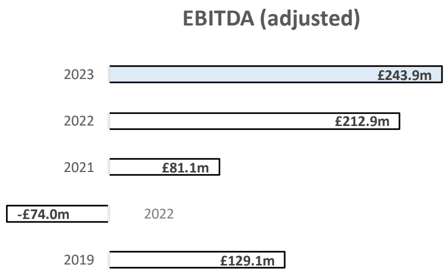
Highlights of our sustainability efforts include:

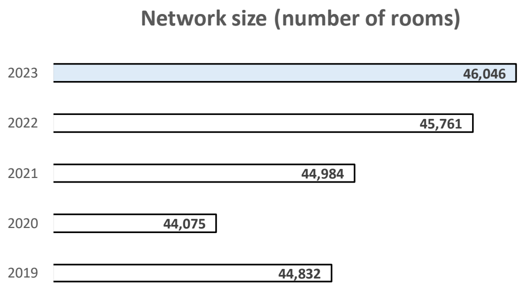
- We measure scope 1 and scope 2 carbon emissions. During the year we've made the significant step of assessing our scope 3 emissions have efforts underway to improve the measurement of our scope 3 emissions and work towards double materiality, which we expect to complete in 2024.
- We aim to be a net-zero business by 2050 and are reducing our indirect emissions through investments in efficiency including air-to-water heat pumps and EV charging points at our hotels.
- From 2025, all new hotel openings will have EPC A rating and BREEAM performance level of Very Good as a minimum and Excellent wherever possible.
- We have continued to reduce our water consumption per guest through our maintenance programme, including trialling low-flow shower heads which we expect to roll-out across the estate in 2024.
- In 2023 we achieved strong health and safety audit results and continued to mature our wellbeing platform "Better Me". We also continued to support CPR training for both our customers and colleagues in conjunction with our partner, the British Heart Foundation, with over 1,000 people having completed the training.
- We continued to focus on achieving balanced shortlists for our senior leadership roles and at the end of 2023 49% of colleagues in senior roles were women.

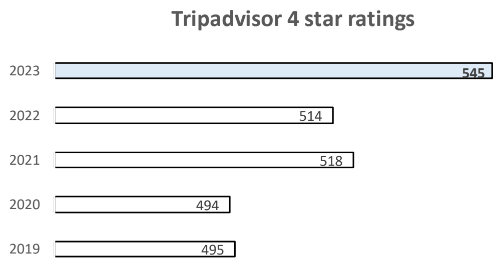
Key Performance Indicators











The above represent the strategic key performance indicators as monitored by the Board.

(1) Revenue per available room (computed as a product of the average room rate for a period multiplied by the occupancy for that period), average room rate and occupancy on a UK like-for-like basis for the management accounting period 29 December 2022 to 27 December 2023 (30 December 2021 to 28 December 2022 – 2022).

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA were recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non-underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years. See APM glossary pages 125-134 for further details and statutory reconciliations.

Chief Financial Officer's Report

I am now completing my first year as CFO at Travelodge and it is a privilege for me to report another record-breaking set of financial results for the business in 2023. Revenue has continued to grow against our previous highest recorded trading performance in 2022 and has exceeded £1bn in 2023 for the first time in our history. In addition, we have maintained strong cost control, which has allowed us to navigate another year of significant cost headwinds, largely due to inflationary pressures. This combination of strong sales growth and good cost control has delivered excellent profits. Following 2022, itself a record year for profits, EBITDA (adjusted) has grown a further £31m to £243.9m in 2023. Statutory profit before tax of £33.8m has improved by £34.3m from a loss of £(0.5)m in 2022.

As a result of our strong performance in 2022, we were able to exploit a receptive debt market to refinance the business. We extended our financing out to 2028 and substantially repaid the interest on our shareholder loans to the value of £75m. In February 2024 (post balance sheet) we completed the purchase of 66 Travelodge branded hotels on a freehold and long leasehold basis from our largest landlord, further strengthening our business.

This report provides a summary of the consolidated financial results for the Thame and London Group, highlighting the key drivers contributing to the overall results presented in the statutory audited accounts which contain many technical terms and concepts. To help readers of the accounts to understand our business performance, we make reference to our underlying performance and we exclude Non-Underlying items, which are those items that are significant in nature and quantum and are not in the normal course of business. EBITDA (adjusted) is our key profit measure and we use it to track our performance internally and to report to our lenders. Our EBITDA (adjusted) results are on a pre-IFRS 16 basis to better reflect operating performance. For a list of definitions and reconciliations to the statutory measures we are obliged to disclose, please refer to the Glossary on page 125.

Details of the various elements of the accounting statements are set out in the Notes to the accounts on pages 75 to 119.

Group Financial Results

Group Financial Results	2023 £m	*2022 £m*	*Change* £m	*Change* %
Revenue	1,035.2	*910.8*	124.4	14%
EBITDA (adjusted)	**243.9**	***212.9***	**31.0**	**15%**
Underlying depreciation and amortisation	*(163.8)*	*(158.0)*	*(5.8)*	*4%*
Loss on disposal of fixed assets	*(5.0)*	*(7.2)*	*2.2*	*31%*
Unrealised currency translation	*0.2*	*-*	*0.2*	*-*
Rent payable	*254.6*	*238.7*	*15.9*	*7%*
Underlying Operating Profit	**329.9**	***286.4***	**43.5**	**15%**
Underlying Profit before Tax	**42.7**	***25.6***	**17.1**	**67%**
Non-Underlying items	(8.9)	*(26.1)*	17.2	66%
Profit/ (loss) before tax	**33.8**	***(0.5)***	**34.3**	**-**

Record revenue of £1,035.2m demonstrated our continued robust position in the market in 2023. We saw strong demand from domestic leisure customers with events, sporting fixtures and exhibitions driving growth. In 2023 we had more than 45,000 corporate customers and business-related demand continued to grow in the year.

The UK remains difficult for property development. Despite our best efforts, the number of hotel rooms increased by only 1%, with several projects sliding into 2024. Our occupancy grew 2.1%pts to 83.8%, but our revenue growth of 14% was mainly driven by demand driven increases in rate. We are a budget operator, providing a value product as a base to meet our customers' business and leisure travel needs. We continue to ensure that our rooms are priced appropriately for this operating model delivering a good value proposition for customers. Like-for-like UK RevPAR for the year was £59.14 (12.4% higher compared to 2022).

The majority of bookings in the budget sector occur close to the date of stay. Where we have bookings well ahead of the date of stay, these are usually driven by the desire to attend scheduled events. During 2023, the mid-scale and economy hotel sector in which we operate grew by 14.2%. Our occupancy rates grew by 2.1pts over the year and rate grew by 9.5%, but the strength of our market out-performance in 2022 (10.9pts vs 2019) meant we had tough comparatives and, as such, we underperformed market RevPAR growth by 1.8pts in 2023 as others caught up.

Travelodge continues to provide a well-priced, well-located stay that customers can trust. In Autumn 2023, we invested in a significant new advertising campaign "Better get a Travelodge" to further strengthen our brand profile. Our customers need a base to get things done. Our strong customer service ethos and our accelerated refit programme help drive demand for our quality product, which we expect to continue in the coming year.

Chief Financial Officer's Report (continued)

Net rent payable[1] to our landlords pre-IFRS 16 increased in 2023 by £14.5m. This was almost wholly due to inflation on the 86 rent reviews which were finalised in the year. The balance relates to the new properties we opened.

Net Rent (payable)/ receivable[1]	Pre-IFRS 16 Underlying £m	*Statutory* Underlying £m	Non-Underlying £m	Total Statutory £m
2023	**(249.8)**	**4.8**	**0.9**	**5.7**
2022	*(235.3)*	*3.4*	*(13.4)*	*(10.0)*
(Increase)/ Decrease	**(14.5)**	**1.4**	**14.3**	**15.7**

In January 2023, working with our largest landlord, LXi, we limited future rental cost inflation for a significant number of our hotels. Around 35% of the leasehold portfolio now has leases that are limited to the exposure of inflation through a cap. The average underlying rent payable per room in 2023 was £5,561 (2022 £5,265 pa). We expect rent to increase to between £265m - £270m in 2024, depending on the timing of new openings and inflation.

Under IFRS 16, rent payments relating to our operating leases are removed from the income statement and replaced with depreciation of right of use assets and the notional financing costs on the lease liability. Net rent receivable of £4.8m on an IFRS 16 basis is driven by sublet income. In 2022 the non-underlying rent payable charge of £13.4m was in relation to the accrued CVA Compromised Landlord rent payment (note 8). This was settled in April 2023.

We demonstrated strong cost control during the year, limiting the growth in **underlying Operating Expenses** excluding rent to £79.8m (17.3%), whilst still investing in the business to meet our customers' needs. Higher trading levels naturally led to increases in our variable costs such as wages, and we increased our spend on maintenance and marketing. Inflation in 2023 of 11.6% (RPI) added pressure to our cost base.

Operating Expenses *Note 6 & 8*	Pre-IFRS 16 Underlying £m	*Statutory* Underlying £m	Non-Underlying £m	Total Statutory £m
2023	**(542.1)**	**(542.1)**	**(14.4)**	**(556.5)**
2022	*(462.3)*	*(462.3)*	*(8.4)*	*(470.7)*
(Increase)/ Decrease	**(79.8)**	**(79.8)**	**(6.0)**	**(85.8)**

The largest single driver of increased underlying operating costs are our employee costs, which grew by 12.1% (£25.0m). The increase in National Living Wage in April (9.7%) was the main reason for the growth. Naturally, there were also increased costs to clean the additional rooms sold. To support our colleagues in the cost of living crisis, our teams across the organisation (below senior management) received cost of living vouchers, at a gross cost of c.£4m. The National Living Wage will increase by almost 10% from April 2024.

Utility costs increased by £11.7m (36.7%) driven by UK wide increases in electricity, gas and water rates. The impact of the market price increases was limited by the Group securing fixed price tariffs in 2022. We lock in the price of the majority of the usage we will need in advance, with a smaller portion secured a month ahead of time so we can still benefit from any price drops in the market. As part of our sustainability strategy, we continually look for ways to minimise usage, including fitting energy efficient lighting with motion–sensing controls to nearly all our existing and new hotels, and fitting smarter heating and cooling controls.
90% of summer 2024 and 75% of winter 2024 energy commodity costs are currently secured in line with our energy purchasing strategy, and compared to 2023 we expect single digit million increases in non-commodity energy costs in 2024, with the majority of this impact in Q1 given the favourable pricing position in this period in 2023.

The impact of supplier driven cost was also clear in the cost of our laundry and the food and drinks we serve in our bar cafés, which together resulted in an increase in our cost of goods of 21.4% (£10.3m).

Further investments in our brand, systems and hotel quality also contributed to the cost growth (c. £18m total increase in investment across marketing, maintenance and systems). The "Better get a Travelodge" marketing campaign demonstrated our desire to invest in the brand for the future, the cost for which was in addition to our ongoing digital marketing investment in the year. The higher spend on systems secures a robust foundation for our business.

We benefited from reduced business rates in 2023 (£4.4m less than last year). The rateable value on some of our hotels was decreased following the Valuation Office Agency review of our UK business properties in 2023, which resulted in a rates reduction of c. £8m. The year on year benefit of that reduction was offset by government support received in 2022 and not repeated in 2023 (£1.0m benefit from the Hospitality Business rates relief and other government support grants of c.£2.0m).

Non-underlying operating costs of £14.4m included charges of £7.4m for employee bonuses relating to the refinance and £7m relating to the 2022 Management Incentive Plan. In 2022, the non-underlying costs of £8.4m mainly consisted of the charge for the Management Incentive Plan implemented in 2022 and advisory fees relating to the setting up of that plan.

(1) Alternative performance measure defined in the Glossary from page 125

Chief Financial Officer's Report (continued)

Investment in our business (for example, refurbishment) is initially charged to the balance sheet as an asset, and then unwound over time to the income statement as **depreciation and amortisation**.

In 2023, the impact of this excluding lease property (IFRS 16) was broadly the same year on year.

Total depreciation, amortisation and impairment reversals	Pre-IFRS 16	Statutory		
	Underlying	*Underlying*	*Non-Underlying*	*Total Statutory*
	£m	*£m*	*£m*	*£m*
2023	**(55.5)**	**(163.8)**	**7.7**	**(156.1)**
2022	*(54.9)*	*(158.0)*	*-*	*(158.0)*
(Increase)/ Decrease	**(0.6)**	**(5.8)**	**7.7**	**1.9**

Under IFRS 16, depreciation also includes the depreciation relating to Right of Use assets, which saw an increase of £7.5m (7%). Note 16 provides further detail.

During 2020 and 2021, we impaired the assets of a number of hotels due to the significant downturn in performance and a reduced forecast of future profitability. We have reassessed these hotels in 2023, given the turnaround in performance, and we have reversed impairments to the value of £7.7m (Note 8 provides more detail on this non-underlying item).

Funding, finance costs and income

During the year, we took the opportunity to refinance the business, allowing us to secure funding out to 2028. We now have the security of £330m Senior Secured Notes and €250m Senior Secured Floating Rate Notes to 2028, as well as our Revolving Credit and Letter of Credit facilities (to 2027). This provides a robust finance structure to support the medium term development and trading needs of the Group.

We have fully hedged the currency and interest rate risk on the €250m floating rate notes (including a natural hedge on €50m by holding funds in a Euro designated deposit account). Following the refinancing, our net third party debt ratio (on a pre-IFRS 16 basis) at the end of December 2023 was 1.5x, an improvement on the leverage at the end of 2022 (1.7x).

During the refinancing we were clear that we would continue to keep our capital structure under review and balance utilisation of any excess cash balances between deleveraging, further investment in the business to support growth and repayment of the accrued interest on the investor loan. Given the strong trading performance throughout the year, substantially all of the accrued interest on the outstanding investor loan note was paid, in line with prudent capital allocation. The principal amounts of the original loans remain unchanged.

In 2023, total **finance costs** pre-IFRS 16 increased by £17.1m (24%).

We paid less interest to our banks compared to 2022 given the full repayment of the revolving credit facility and the term loan during 2022 (benefit year on year £4.8m).

Finance fees increased by £7.2m due to the release in full of prepaid fees on the bonds during the refinancing exercise. £4.2m of this was classified as Non-Underlying (Note 8).

Finance Costs	Pre-IFRS 16	Statutory		
Note 11	Underlying	*Underlying*	*Non-Underlying*	*Total Statutory*
	£m	*£m*	*£m*	*£m*
2023				
Investor Loan Interest	**(20.3)**	**(20.3)**	**-**	**(20.3)**
Other Finance Costs	**(67.3)**	**(274.8)**	**(4.2)**	**(279.0)**
Total 2023	**(87.6)**	**(295.1)**	**(4.2)**	**(299.3)**
2022				
Investor Loan Interest	*(20.3)*	*(20.3)*	*-*	*(20.3)*
Other Finance Costs	*(50.2)*	*(242.4)*	*(3.3)*	*(245.7)*
Total 2022	***(70.5)***	***(262.7)***	***(3.3)***	***(266.0)***
(Increase)/Decrease	**(17.1)**	**(32.4)**	**(0.9)**	**(33.3)**

Interest paid on fixed and floating rate bonds increased by £15.2m compared to 2022, driven by increased market interest rates.

Following the April 2023 refinancing, the currency exposure to the Euro Floating Rate Notes was partially hedged by entering into a swap to exchange paying interest in Euros for paying interest in Sterling. The net interest payable under the swap was £2.1 m in 2023.

Under IFRS 16, leases are capitalised and rent paid is divided into capital and interest on the lease liability. The interest on the lease liability increased by £14.8m, mainly due to new leases on 4 additional sites during the year and the regearing of 122 existing leases to include capped rent reviews.

Note 11 provides the full breakdown of finance costs and note 22 details the debt balances in 2023 and 2022.

Chief Financial Officer's Report (continued)

Finance income increased by £6m due to the higher cash balance averaging £175m in 2023 (£148.5m 2022) and the higher UK base rate which averaged 4.7% in 2023 (1.5% 2022).

Finance Income	Pre-IFRS 16	Statutory		
	Underlying	***Underlying***	***Non-Underlying***	***Total Statutory***
(Note 10)	**£m**	***£m***	***£m***	***£m***
2023	**7.9**	**7.9**	**0.8**	**8.7**
2022	*1.9*	*1.9*	*-*	*1.9*
Increase/(Decrease)	**6.0**	**6.0**	**0.8**	**6.8**

Taxation

From 1 April 2023 Corporation Tax increased to 25% from 19%, and the average Corporation tax rate for 2023 was 23.5% (2022: 19%).

Taxation	Statutory		
	Underlying	***Non- Underlying***	***Total Statutory***
(Note 12)	***£m***	***£m***	***£m***
Corporation Tax			
2023	(2.3)	0.8	**(1.5)**
2022	(1.0)	0.1	(0.9)
(Increase)/ Decrease in year	**(1.3)**	**0.7**	**(0.6)**
Deferred Tax			
2023	**10.2**	**0.9**	**11.1**
2022	0.7	-	0.7
Increase/(Decrease) in year	**9.5**	**0.9**	**10.4**

In 2023, £7.5m (2022: £1m) of expenses were disallowed for Corporation tax, mainly restricting the deductibility of interest and amending the use of carried forward losses resulting in taxable profits of £41.4m (2022: £0.5m) for the year compared to the Statutory Profit before tax for the year of £33.8m (2022: Statutory Loss of £0.5m).

The Corporation Tax charged was £1.5m (£0.9m 2022), net of £0.8m credit related to Non-Underlying tax (£0.1m credit 2022).

During the year £1.7m of Corporation tax was paid (2022: £3.6m).

The Deferred Tax credit was £11.1m (2022: £0.7m) this was due to forecasted future periods of profitability for the Group.

The losses that the business reported in previous years were carried forward for tax purposes in the form of a Deferred Tax Asset. Accounting treatment can also create deferred tax, such as the transition to IFRS 16, or Share Based Payment accounting. We are required to recognise this asset in our financial statements to the extent that it is required to offset deferred tax liability, and where it exceeds that liability, to the extent that it is probable the asset will be utilised against future taxable profits.

In 2022, the deferred tax asset recognised on the balance sheet was £4.7m, being the deferred tax asset for Spain. No further asset was recognised. For 2023, we have assessed the deferred tax position in light of the future forecast profits, which we assess to be probable, and an asset to the value of £15.8m has been recognised. Note 24 provides more detail on this assessment.

Cash flow

The strong trading performance resulted in cash and cash equivalents of £195.7m at 31 December 2023 (2022: £154.2m), despite the payment of accrued investor loan interest and the additional investment in the business.

Our cash conversion ratio in 2023 was 96% compared to 106% in 2022 and shows the strength of the Group's underlying liquidity to meet its financial obligations including meeting its debt obligations and funding investments.

Free cash flow[1] is our key internal measure for cash, representing the underlying funds generated by the business, after capital investment, to meet the financing costs of the business and create opportunity for further investment and capital reallocation. In 2023, free cash flow of £160.4m remains significant but is slightly lower than the £167.8m generated in 2022.

Free Cash Flow[1]	2023	*2022*	*Change*	
(Glossary, page 129)	**£m**	***£m***	**£m**	**%**
EBITDA (adjusted)	**243.9**	*212.9*	**31.0**	**15%**
Working capital (underlying)[1]	(2.5)	*29.7*	(32.2)	-108%
Net cash flow from operating activities (underlying)	**241.4**	*242.6*	**(1.2)**	**<1%**
Capital expenditure	(81.0)	*(74.8)*	(6.2)	8%
Free Cash Flow	**160.4**	*167.8*	**(7.4)**	**-4%**

There was a significant year on year increase of £31.0m in EBITDA (adjusted) offset by a swing in the underlying working capital movement from an inflow of £29.7m to an outflow of £2.5m. This was predominantly driven by the changing levels of VAT owed at 31 December over the last 2 years, and the payment of the CVA landlord repayment in 2023, which was accrued in 2022. In addition, capital investment was higher by £6.2m year on year.

Chief Financial Officer's Report (continued)

In our **statutory cash flow** on page 74, we report our 2023 results across three key subsections of cash flow: net cash from operating activities, net cash used in investing activities, and net cash used in financing activities, as explained below.

Net cash from operating activities

On a statutory basis, net cash generated from operating activities (Consolidated Cash Flow) was £2.3m lower than last year, driven by the upside in operating profit offset by a swing in working capital, detailed below.

Underlying working capital[1] outflow pre-IFRS 16 of £2.5m compares to an inflow of £29.7m in 2022.

Underlying Working Capital[1] pre-FRS 16 *Glossary*	**2023** **£m**	**2022** ***£m***	***Change*** ***£m***
(Increase) / decrease in inventory	(0.2)	*(0.4)*	0.2
(Increase) / decrease in receivables	(6.5)	*(6.9)*	0.4
Increase/(decrease) in payables[(2)]	(0.1)	*33.2*	(33.3)
Total working capital movement (before Non-Underlying items)	**(6.8)**	***25.9***	**(32.7)**
Provisions and Non-Underlying items	(13.5)	*(3.8)*	(9.7)
Total working capital movement	**(20.3)**	***22.1***	**(42.4)**
Less provisions and Non-Underlying items	13.5	*3.8*	9.7
Less rent phasing adjustment[(2)]	4.3	*3.8*	0.5
Working capital movement (underlying)	**(2.5)**	***29.7***	**(32.2)**

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. As a result, our cash and working capital positions tend to be volatile, with significant fluctuations in the balances, particularly at the end of March, June, September and December following payment of the rent bill, monthly creditor payments and payroll.

Statutory Working Capital outflow (Note 30) of £12.9m for the year ended 31 December 2023 compared to an inflow of £46.8m in 2022, a swing of £59.7m year on year. This change was largely driven by a reduced inflow due to payables, as described below. Note that the difference between our underlying pre-IFRS 16 working capital as per the above table, and the statutory version, is due to the removal of the movement in rent prepayments, the rent phasing adjustment, and the movement relating to non-underlying items. The reconciliation is detailed in the glossary, page 129.

Payables on a statutory basis are detailed in Note 20 and include accruals, prepaid room purchases from customers who have yet to stay, trade creditors, accrued payroll costs, plus accrued interest and taxes. Working capital payables reduced during the year by £7.4m (pre-IFRS 16 increase of £0.1m), which was a significant change compared to the increase of £50.3m in 2022. One of the drivers was the reduced amount of VAT owed at 31 December, which was £3.3m compared £12.2m at 31 December 2022, and is the result of the increased value of our payments on account (from £2m in Q4 in 2022 to £8.1m in Q4 in 2023). This means that cash is paid out sooner for the VAT accumulated, reducing the amount owed at any point in time compared to the previous year. Another key swing in working capital was the CVA landlord payment, which was accrued in 2022 (so increased payables in that year) but was paid in 2023 (so decreased payables as cash was paid out).

Receivables (Note 19) at the year end were £32.4m. As most customers prepay, customer receivables consist mainly of business customers obtaining interest free credit through our business account card. Other receivables (pre-IFRS 16) primarily consist of rent prepayments which are generally paid quarterly in advance, together with prepayments for IT and property costs. Working capital receivables increased during the year by £4.9m (pre-IFRS 16 £6.5m), due to an increase in prepayments, which results in a higher working capital position (and less cash in the bank).

Net cash used in investing activities

Net cash used in investing activities increased by £1.0m, or 1%, due to the increase in capital expenditure partially offset by £5.2m higher interest received, due to higher cash balances resulting from operations and the increase in base rates during 2023.

Capital expenditure in 2023 was £81.0m (£74.8m 2022). This is in line with planned investment in our hotel sites with the refit programme along with the carpet replacement programme which has now reached 25% of our total stock.

(1) Alternative performance measure defined in the Glossary from page 129
(2) Payables includes the rent phasing adjustment[1] of £4.3m (2022 credit: £3.8m).

Chief Financial Officer's Report (continued)

Net cash used in financing activities

On a year on year basis, net cash used in financing activities (pre IFRS 16) was £45.3m lower, at £104.4m. The repayment of accrued interest on the shareholder loan in 2023 was £75m, and interest paid was £7.1m higher year on year (due to the timing of the term loan payments and the increase in base rates). In 2022, cash of £105.2m was used to repay the drawn revolving credit facility and term loan, including fees. The balance is due to the net impact of the refinancing in 2023 (including finance costs).

On an IFRS 16 basis, further cash used in financing activities of £257.5m mainly represents the lease capital and interest payments, £12.0m higher than in 2022 (due to rent reviews and the new hotels).

Balance Sheet

The Consolidated Balance Sheet on page 73 shows the statutory disclosure of our Net Liabilities at the year end. Overall Net Liabilities of £704.0m (which reflects the capitalisation of our lease obligations under right of use assets and the associated lease liability), reduced during 2023 by £35.4m due to cash creation following strong trading results. The lease liability exceeds the right of use asset due to timing differences on the unwinding of the lease asset and lease liability, and the resulting net position, when combined with the senior secured debt and investor loan, results in the overall net liability position for the Group.

The value of the Travelodge Brand remains as an Intangible Asset of £145m and came about from the acquisition of Travelodge Hotels Limited in 2012. £145m represents the fair value at acquisition based on estimated discounted future royalties receivable from the use of the Travelodge brand at that time.

We continue to invest in the business, including our accelerated refit programme, which has delivered good commercial and customer benefits. This materialised in our 2023 financial statements as an increase in property, plant and equipment assets by £29.2m.

On an IFRS 16 basis, Right of Use Assets (Note 16) increased by £12.4m. This was the result of 5 new leases totalling £19.9m and lease adjustments relating to the regear and disposals due to closure of 2 older hotels totalling £0.8m, offset by depreciation in the year. The corresponding lease liability increased by £70.6m. Whilst leasing remains an efficient strategy to support the expansion of the Group, in February we completed contracts to acquire 66 Travelodge branded hotels that we previously leased from LXi. Note 31 describes the impact that this will have on the Group as a post balance sheet event.

Net Debt (Note 22)

The net impact of the refinancing and the increased level of cash in the bank was a slight decrease in net external debt, which was further reduced by the £75m repayment of accrued interest on the Investor Loan Note.
Prior to lease liabilities, net debt had reduced by £53.2m. As our lease liabilities increased by £70.6m, the net debt including leases, as reported in Note 22, at the end of 2023 was £17.4m more than 2022.

Pre-IFRS 16, operating leases would have been excluded from the balance sheet and only Finance Lease liabilities would have been included in the net debt calculation (being £14.7m at 31 December 2023 and £14.5m at 31 December 2022). This would have resulted in a Net Debt total of £513.7m (£566.7m 2022).

Net Debt Cover to EBITDA on pre IFRS 16 basis was 2.1 (2.7 in 2022). This improvement highlights the growing strength of the Group to service its debt from underlying operations.

Treasury Policies and Controls

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to fuel future development of the business. The Group funds its operations through a mixture of investor loans, bank and capital market borrowings. The Group's funding strategy is to maintain a strong credit rating and the Company's current credit rating with Standard & Poor's is B- Stable (Moody's B3 Stable). All funds raised are lent onward to operating subsidiaries as required. The overall objective is to manage the funding to ensure the borrowings have appropriate maturities, are competitively priced and meet the demands of the business over time. There were no changes to the Group's approach to capital management during the year and the Group is not subject to any externally imposed capital requirements.

Chief Financial Officer's Report (continued)

The Group controls external borrowings and manages liquidity, interest rate, foreign currency and credit exposure. Treasury policies have been approved by the Board and cover the nature of the exposure to be hedged, the types of financial instruments that may be employed and the criteria for investing and borrowing cash. The Group uses derivatives to manage its foreign currency and interest rate risks arising from underlying business activities. No transactions of a speculative nature are undertaken. Financing operations are subject to periodic independent review by the internal audit department.

The Group continually monitors net debt and forecast cash flows to ensure that sufficient facilities are in place to meet the Group's requirements in the short, medium and long term. Additionally, compliance with the Group's debt covenants is monitored on a monthly basis and formally tested at each quarter end. During the year ended 31 December 2023 all covenants were complied with and based on current forecasts it is expected that such covenants will continue to be complied with for the foreseeable future. The Group has substantial and flexible funding available from its investors and a consortium of Financial Institutions.

Covenant Compliance

Under the 2023 RCF, the Group's covenant requirements (which apply if drawings under the RCF are £32m or more) are tested at the end of March, June, September and December to ensure that the leverage ratio (Net leverage to EBITDA) does not exceed 5.5:1. The RCF was not drawn during the year and the Group successfully operated within the parameters established by its lenders.

Post Balance Sheet Events

In January 2024, LXi REIT plc announced that it had exchanged contracts unconditionally on the sale of 66 Travelodge branded hotels to the Travelodge group for £210 million, in line with the book value on 30 September 2023. The transaction completed on 28 February 2024, with the assets now under the ownership of a new group of property entities within the wider Travelodge group. A new parent company, T&L Holdco Limited, has been established, which has the new property structure as well as the existing operating entities (under Thame and London Limited) as subsidiaries. The leases currently in place with Travelodge Hotels Limited for the acquired hotels are unaffected, other than the change of Landlord.

The transaction marked a positive step for the Travelodge group to strengthen its hotel portfolio and introduce the freehold/leasehold split. The new property financing structure provides a platform to facilitate further freehold acquisitions.

Going concern

In assessing the appropriateness of the going concern assumption, the Board has considered the possible cash requirements of the Group and Company to the end of 2025, taking into account the long – term impact of the pandemic, current economic and political pressures, the range of trading outcomes and mitigating actions which could be taken. Further details are set out in Note 2.

Based on the above, the Directors believe that it remains appropriate to adopt the going concern basis in preparing the consolidated financial statements. In reaching this conclusion, the Directors noted the Group's strong trading and cash performance in the year, the substantial funding available to the Group and the range of severe but plausible downside scenarios.

Aidan Connolly
Chief Financial Officer

28 March 2024

Non-financial and Sustainability Information Statement

We support the Non-financial and Sustainability Information Statement (NFSIS) framework. We have made disclosures within this Annual Report consistent in compliance with sections 414CA and 414CB of the Companies Act 2006.

Climate change, and its impact on the world, is a key issue we all face. We must understand this issue and how we can play our part in tackling the risks and capitalising on opportunities this presents us.

This work aligns with our underlying sustainability strategy, Better Future, which addresses our wider sustainability risks and opportunities, and those areas considered the most important by our stakeholders. We have already made progress against our Conscious pillar, and more details on this can be found in the sustainability section of this report.

Strategy

We categorise climate risks into two types, transitional and physical. Within each, we identify several factors arising from climate change which we monitor over the following time horizons:

- Short-term - to 2025
- Medium-term - to 2030
- Long-term - to 2050

These timescales align our risks and opportunities to recognised external target dates such as those set by the Science Based Targets Institute and the UK Government, and also to our own actual and expected carbon targets. The long-term target also encompasses a time horizon long enough to capture the typical length of property leases we enter into, which is important given our aspirations to continue opening new hotels every year.

Whilst we have not identified any material risks in the short to medium term, with the information and understanding we have gained from the work carried out through our NFSIS project we plan to better integrate climate risks and opportunity analysis into financial planning and cashflow forecasting during 2024 and 2025. In the longer term, we might face risks concerning the costs above our expectations to transition to a lower carbon economy, increased costs of raw materials both to build and trade our hotels. Should we collectively fail to transition to a low carbon economy we may also face risks with regards heat stress, particularly for hotels without air conditioning, and also drought/lack of water, both for the operation of our hotel but also for our key suppliers, such as our linen providers.

We expect to assess our climate-related risks and opportunities at least annually, as risks evolve and new ones may emerge. We hold a register of all climate-related risks and opportunities within our risk management system, which includes details on each risk or opportunity including time horizons, likelihoods and severities.

Transition risks and opportunities
The transition risks and opportunities we face as the world successfully moves to a low-carbon economy are:

- Policy, regulatory and legal change,
- Technology shifts,
- Changes in customer demand; and
- Changes in the prices of goods and services we use to provide affordable accommodation to everyone.

We also face a significant opportunity as a low-carbon operator given we do not offer the wider range of activities which other hotel operators provide, such as swimming pools or gyms. This coupled with our ongoing energy management programme means our carbon footprint per room sold starts at a low level today and will reduce further towards 2050.

Physical risks and opportunities
The physical risks and opportunities we face should the world not successfully move to a low-carbon economy such as:

- Acute short-term driven changes such as extreme heat or flood risk; and
- Chronic long-term changes to the world's climate such as sustained higher temperatures or rising sea levels.

Non-financial and Sustainability Information Statement (continued)

Scenario analysis is extremely important to assess the risks and opportunities we face and provides a flexible "what if" framework that helps businesses imagine plausible states of the world and plan for resilience. In line with the NFSIS guidance, two contrasting scenarios were used to assess the resilience of the business. We have used Representative Concentration Pathways ("RCP") as adopted by the Intergovernmental Panel on Climate Change ("IPCC").

These scenarios are:

- RCP 2.6 (1.5°C) - Low Carbon World Scenario; and
- RCP 8.5 (4.0°C) Hot House World Scenario.

The scenarios are constructed from publicly available data drawing on: RCPs; the Network for Greening the Financial System (NGFS) scenarios; and the International Energy Agency ("IEA") Scenarios. These are in line with the IPCC representative concentration and shared social economic pathways (RCPs mapped to SSPs) RCP2.6 (SSP1), RCP4.5 (SSP2) and RCP8.5 (SSP5) respectively.

Travelodge Scenario	**Temperature rise by 2100**	**Policy Action**	**Informed by**
Low Carbon World Scenario	Not likely to exceed + 1.5°C by 2100	Aggressive mitigation to bring about a reduction in emissions	RCP 1.9[1] RCP 2.6[2] IEA NZ2050[3] NGFS NZ2050[4] SSP1[5]
Hot House World Scenario	Likely to exceed + 4°C by 2100	Minimal policy action taken	RCP 8.5[6] SSP5

Governance

Effective corporate governance is critical to executing our strategy and delivering for all our stakeholders. Our governance of climate change and other sustainability-related matters reflects our commitment to strong leadership and oversight at senior management and main board levels. This ensures that we have strategies in place that are resilient to climate-related risks and leverage climate-related opportunities.

<u>Structure</u>
Governance of climate and sustainability-related matters is overseen by the Travelodge main board ("the Board") and delegated to our Sustainability Committee.

Non-financial and Sustainability Information Statement (continued)

Governance structure

Board
Travelodge Main Board
Responsible for overall strategy
Relevant members to climate risks and opportunities: CEO, CFO

Sustainability Committee
Responsible for our sustainability strategy and assessing and managing the climate-related risks and opportunities we face, working closely with the Audit Committee
Relevant members to climate risks and opportunities: NED chair, independent NED, CEO

Audit Committee
Responsible for assessing and managing the risks we face across our whole business, working close with the Sustainability Committee
Relevant members to climate risks and opportunities: NED chair, two independent NEDs

Executive and management committees
Sustainability Steering Group
Responsible for delivery of our sustainability strategy, Better Future
Relevant members for climate risks and opportunities: CEO, COO, CPO, CSMO, CPDO

Safety, Security and Risk Committee
Responsible for monitoring climate-related risks and opportunities
Relevant members for climate risks and opportunities: CFO, COO

Investment Board
Responsible for new hotels and construction, with decisions consistent with our sustainability strategy
Relevant members to climate risks and opportunities: CEO, CFO, CPO, COO

Operating Board
Responsible for managing the business and supporting the delivery of our sustainability strategy
Relevant members to climate risks and opportunities: CEO, CFO, COO, CPO, CSMO, CPDO

Our Main Board has ultimate responsibility for setting our strategy, which incorporates climate-related risks and opportunities. The Main Board achieves this through delegation to both the Audit Committee and the Sustainability Committee. Through the plans, forecasts and any associated risks or opportunities presented, the Main Board considers climate-related issues when guiding overall strategy, major plans of action, annual budgets, and business plans as well as setting the businesses' performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures.

Our Sustainability Committee is responsible for the delivery of our sustainability strategy and, in conjunction with our Audit Committee, effectively managing climate-related risks and opportunities. The committee is chaired by Helen Normolye, an independent non-executive director who has broad experience in sustainability and ESG. Other members of the committee are Rachel Kentleton, another independent non-executive who also has experience in sustainability from current and previous roles and our Chief Executive Officer ("CEO").

This Committee's meetings are also attended by the Chief Operating Officer, Chief People Officer, Chief Property and Development Officer and Chief Sales and Marketing Officer and other relevant senior management. The Sustainability Committee currently meets twice a year and updates the main board after each meeting. We note that the best practice is for sustainability committees to meet quarterly and whilst we consider our existing frequency to be appropriate at the moment, we continue to review this in line with our plans and the risks we face.

Day-to-day responsibility for the delivery of all strategy elements, including those climate-related, is delegated to the CEO and the Operating Board. Our Sustainability Steering Groups support this delivery and acts as a specific group to effect change. Each steering group is structured under the 3 pillars of our Better Future plan, each of which is chaired by a member of our Operating Board to ensure further continuity to the broader work the Operating Board undertakes. Each steering group chair also attends each Sustainability Committee.

Non-financial and Sustainability Information Statement (continued)

Governance in action
During 2023 our sustainability committee considered several areas including:

- Reviewed the outcome of all key metrics in our Better Future report and work carried out under our plan for 2023 and approved the publication of the 2022 Better Future plan
- Reviewed and approved energy reduction targets for our scope 1 and 2 emissions and reviewed the first output of our scope 3 footprint. The committee also considered the first output of the waste we generate and how we might reduce this, with further actions agreed to finalise this in 2024.
- Our Sustainability Committee, in conjunction with our Investment Board, also approved the amendment to our new build specification to ensure that during 2023 we expect all new hotels to be built to an Energy Performance Certificate A and to at least a BREEAM Very Good level and Excellent level where possible.
- Greenwashing training was recommended and delivered to key departments delivering internal and external communications to ensure we understand how to appropriately communicate our sustainability plans. The Sustainability Committee reviewed and approved the first suite of sustainability-focused training, which includes areas on climate, which was delivered to various layers of our business including the Sustainability Committee itself, our Operating Board, our senior management across the business, and our wider hotel and central teams. Separately we also undertook more focused training, via a third party consultant, to our Main Board.
- As part of undertaking our review of climate-related risks and opportunities, we considered the acquisition of freeholds or long-leasehold hotels, noting these do not change the climate risks and opportunities of operating our hotels, nor the obligations to ensure our hotels are prepared for any physical risks that may arise should the world fail to change to a low carbon economy.

The following section considers the impact of material climate-related risks and opportunities on our business, strategy and financial planning over the short, medium and long term. It also considers the resilience of our strategy to these risks and opportunities and seeks to quantify impacts where possible.

We assess risk based on the likelihood and severity of any given risk if it crystalises. The potential impact of these risks on us has been examined to assist the business in strategy development, management, and financial planning. The risk rating criteria were aligned with our enterprise risk management scales.

The following scales used are given below:

Our enterprise risk management scales for considering climate-related risks and opportunities				
	Likelihood	**x**	**Severity**	
5	Very High		Catastrophic	>£30m
4	High		Major	£5m to £30m
3	Moderate		Moderate	£500k to £5m
2	Low		Low	£50k to £500k
1	Very Low		Very Low	<£50k

Non-financial and Sustainability Information Statement (continued)

Climate-related risks and opportunities

Risk or Opportunity	Scenario Analysis			Mitigations and plans
	Short-term to 2025	Medium-term to 2030	Long-term to 2050	
Drought and heat stress **Risk** There is a risk of periods of abnormally dry weather which are sufficiently prolonged for the lack of water which causes serious hydrologic imbalances. In conjunction, there is a risk that longer periods of heat stress affect how we have to operate our hotels.	**Likelihood - Very low** **Severity - Very low** Overall, there is very low or low exposure to drought stress across our hotels, with less than 3 months of drought duration per year. Almost all of our hotels are currently exposed to very low heat stress, with less than 5 heatwave days, where temperatures exceed 30 degrees, a year. 3 of our hotels in Spain are more exposed with 4- to 6 months of drought per year.	**Likelihood -Very low** **Severity - Very low** In line with short-term assessment.	**Likelihood - Moderate** **Severity - Moderate** In the long term, around 300 of our existing hotels could become exposed to moderate stress being 3-4 months of drought per year, and 3 hotels in Spain could be subject to very high stress, greater than 6 months per year. The potential consequences to our business include the impact on our linen and laundry services as these are water intensive and critical to the business as well as our internal usage of water in guest bathrooms and our Bar Cafes. This could also impact the health and well-being of both our Customers and Colleagues. By 2050, heat stress could increase for 305 hotels in the UK, with 5-20 heatwave days in a year. Our hotels in Spain are likely to experience slightly increased exposure to the present day. This trend could mean an increase in the cost of cooling of our hotels, and a potential rise in customer complaints and refunds where adequate cooling is not present.	In the short term, there is limited risk. We are undertaking a programme of water conservation initiatives within high-water use hotels and aim to reduce average consumption to 100 litres per guest by 2025. In the medium term we expect to work closely with our key water-intensive suppliers, including our linen suppliers, to ensure robust plans are in plan to maintain supply should the risk of drought increase. We continue to review our new building specification as part of opening new hotels. Our existing specification incorporates air conditioning as standard, rather than the use of other technologies, such as panel heaters, which can be in place in older hotels.

Non-financial and Sustainability Information Statement (continued)

Costs to transition to lower emission technology **Risk** Costs beyond those already planned to transition to lower emissions technology to meet regulatory and consumer expectations around sustainability. These may include: new technology in hotels to promote more sustainable practices; upgrading features; or sourcing lower-emission utilities **Opportunity** Investing in new energy-efficient equipment that reduces our energy consumption will mitigate future energy costs.	**Likelihood - Very low** **Severity - Low** We have already contracted any major works planned for 2024/25. **Opportunity** **Likelihood - Very High** **Severity - Moderate** To date we have retrofitted energy-efficient lighting with motion-sensing controls to nearly all of our existing hotels and have also fitted smarter heating and cooling controls to about 400 of our hotels. At current energy pricing this is reducing our consumption by 34GWh and £6.7m per annum.	**Likelihood - Low** **Severity - Moderate** The cost of transitioning and also improving our existing plant and machinery may be more than has been planned. Up to 2030, this will likely relate to the replacement of existing electrical immersion heaters used to heat hot water in our hotels. We have already completed two retrofit trials of this technology during 2023 giving us more confidence in our existing forecasts. **Opportunity** **Likelihood - Very High** **Severity - Moderate** By the end of 2030 we expect to have completed the rollout of our smart heating and cooling controls and have made good progress on replacing old electrically fired boilers with new energy efficiency technology.	**Likelihood - Moderate** **Severity - Moderate** To 2050, this risk predominately relates to the replacement of existing gas boilers. The economic and technological options to achieve this are currently evolving and uncertain. There is also a risk that there will be an insufficient supply of new technologies and skilled resources to install and maintain such technology. **Opportunity** **Likelihood - Very Likely** **Severity - Moderate** Based on current energy price forecasts we expect that our scope 1 and 2 decarbonisation plan will generate savings by 2050 of over £10m per annum.	We have agreed on a programme of work to reduce our scope 1 and 2 emissions across our existing estate which will reduce energy consumption by 34% by 2030. This includes completing our programme to install LED lighting and smart heating and cooling controls in our guest bedrooms and common areas, installing solar panels on appropriate hotels and replacing pre-existing electrical boilers with new Air Source Heat to Water Pumps. We have built cost models for each project in conjunction with third-party energy experts and test and refine our modelling as we progress each project. We also continue to review new and emerging technology to ensure we select the most appropriate and cost-efficient technology.

Non-financial and Sustainability Information Statement (continued)

The increased cost of raw materials **Risk** We might face higher rental costs due to increased development costs if our developers and landlords pass on the impact of transitioning to a lower carbon work for building materials with high embodied carbon. We may also face higher operating costs both directly due to our use of electricity and indirectly through our supply chain as they pass on consequential cost increases.	**Risk** **Likelihood - Very low** **Severity - Low** Generally we are already contracted for key services between now and 2025.	**Risk** **Likelihood - Moderate** **Severity - Moderate** Given the lead time of our development pipeline of new hotels, we are largely protected from the material risk of rental cost increases. We will be exposed to any cost risk across our operational supply base as contracts are renewed.	**Risk** **Likelihood - Moderate** **Severity - Major** In the long term, estimating price increases of specific raw materials is difficult due to many variables including technology changes, future renewable energy mix, supplier cost absorption and future demand. However, under a low-carbon scenario, it is assumed that building materials that have high embodied carbon will increase in price as a result of carbon taxation including those with high carbon content materials including steel, cement and glass.	During 2024 we expect to embed a new, greener, hotel building specification which stipulates to our hotel developers how we would expect new hotels to be built. This revision incorporates greener expectations of plant and equipment and reduces the overall life cycle cost of the hotel during our period of use. In the medium term, we will continue to review our specifications in light of the changing costs we might face.
Shift in Customer / Consumer Values **Risk** Under a low-carbon world scenario, it is assumed that public awareness of climate change will increase. There is a risk that our customers will increasingly prioritise reducing carbon emissions and more sustainable travel choices.	**Risk** **Likelihood - Very Low** **Severity - Very Low** A 2022 survey by Booking.com showed that 71% of UK travellers confirm sustainable travel is important to them, with 42% making more sustainable travel choices due to recent news on climate change. However, in the very short term, we do not expect customers' values to materially change to present any significant risk.	**Risk** **Likelihood - Low** **Severity - Low** In line with short-term assessment.	**Risk** **Likelihood - Low** **Severity - Moderate** We expect corporate customers to increasingly seek to reduce their own indirect carbon footprints and will seek out accommodation partners who have clear de-carbonisation plans.	We published our first sustainability report, Better Future, in 2022 and expect to refresh this annually. We have started in 2023 and plan to continue to expand the promotion of the themes and progress from this report to our various stakeholder bases. Examples of this have been sharing formal “green” content with our corporate customers on our carbon reduction plans, updates to our landlords on those same plans and internal communications on various parts of our Better Future pillars. We expect positive promotion of our carbon reduction progress to become more and more important in the medium term.

Non-financial and Sustainability Information Statement (continued)

Opportunity Demonstrating a credible position to our customers that we understand and have credible plans concerning our own carbon footprint may give us a competitive advantage over our competitors. This may strengthen the brand loyalty of existing customers whilst also attracting new customers to use our services.			**Opportunity Likelihood - High Severity - Low** We note that the promotion of sustainability credentials is now prevalent across our competitor base. Currently, the volume of contact we receive from our customers on carbon-related topics is reasonably low, however is increasing year on year. We expect this trend to continue.	As part of ensuring we promote our progress fairly, we undertook "greenwashing" training with key communicators in our business during 2023.

Risk Management
We have a rigorous process for identifying and assessing climate-related risks. Continuously, we also track emerging risks, including regulatory requirements and trends that may require updates to the risk register from a climate-related perspective. Our risk management processes allow us to determine the relative materiality of our principal risks. For complex or specialist risks we engage expert partners. Willis Towers Watson supported us and undertook quantitative scenario analysis as part of our climate review.

Our risk register tracks descriptions of each risk, the impact and likelihood for each risk allowing us to assess the relative importance, our current mitigations and any further planned work to align to our risk appetite. We also ensure a member of our Operating Board owns every significant risk the business faces. Our Chief Operating Officer is responsible, at an executive level, for our sustainability-related risks and ensures the component areas of this area are transferred and delegated to the right parts of our business, using the various steering groups as vehicles to achieve this.

Our Sustainability Committee is a key forum for discussing climate-related risks and opportunities, in conjunction with our Audit Committee which is responsible for overall risk management of the business.

Climate-related risks are identified and assessed using our corporate risk management framework. We consider climate change within our wider "Sustainability and Climate Change" risk within our annual financial report, which we added as a standalone principal risk last year, reflecting its significance to our business and stakeholders.

Non-financial and Sustainability Information Statement (continued)

Metrics & Targets

We have been measuring and reporting performance against our Better Future sustainability targets since 2023, following our target setting in 2022. Historical Better Future reports can be found on our website https://www.travelodgesustainability.co.uk/. All of our Operating Board members have at least one sustainability-related goal included within their annual objectives which can impact financial incentives available to those people.

We use several climate-related metrics for measuring performance against key metrics and targets. These targets have been developed through a materiality assessment and stakeholder engagement to ensure they address our most material topics.

Metrics, targets and methodology to calculate or estimate	Progress this year	Future plans
Carbon emissions		
We will reduce our Scope 1 and 2 carbon emissions by at least 35% by 2030 from our 2017 base year. Our reduction targets were developed in line with a 1.5-degree warming scenario.	Installing in-room LED lighting in c.5,000 rooms as part of our refit programme during 2023. Retrofitting of smart heating and cooling systems now installed at 406 of our hotels Retrofit trial in 2 site of Air to Water heat pumps Partner Chosen for EV charging points Updated new build specification, will ensure new hotels built in the future achieve a sustainable specification that supports our aims	Expand the engagement with our larger suppliers, aligning and supporting their planned journeys to become net-zero carbon, and in doing so allowing us to commence validation of our plan with SBTi Continue to trial new water heating technology with retrofit trials during 2024 Continue energy efficiency programme of smart heating and cooling controls. Embed a new more sustainable new hotel build specification into our approval processes Commence the installation of EV chargers Scope the viability of Solar Panels across our estate
We will calculate our scope 3 footprint during 2023 and consider setting appropriate targets.	During the year we've made an initial assessment of our scope 3 emissions and these are now included in our carbon emissions reporting	Develop our Scope 3 strategy and consider alignment with our Spanish and franchise operations.
Water		
We expect to minimise water usage across our business and also seek to work with key partners who operate in water-intensive sectors, such as linen.	Through analysis of high-usage sites and with a specialist team of water experts we have reduced our average usage to 116 litres of water used per guest at the end of 2023. This is a reduction from 133 litres when the project was started. We continue to address hotel water usage on a prioritised basis. We have set a target to achieve average usage of 100 litres per customer by 2025.	Continue to review high usage sites through targeted prioritisation. Roll out low-flow shower heads across the estate Review further water saving opportunities (e.g. aerated taps and lower flush toilets)

Non-financial and Sustainability Information Statement (continued)

Waste and Plastic		
We expect to map out our waste creation during 2023	We mapped out our waste journey in our Hotels During the year we launched food recycling across all our Bar Cafe hotels We trialled how we can increase recycling customer waste.	Increase recycling rates and reduce the waste we generate year on year. Divert 100% of waste from landfill supported by current infrastructure.
We will seek to reduce the use of single use plastics where possible	Reduced our single use plastic from our Linen Suppliers	Remove all unnecessary single use plastics from our supply chain by 2030. (1)

(1) Waste & Resources Action Programme "WRAP's", the UK Plastics Pact, uses the following list of criteria to identify problematic or unnecessary plastic packaging items:

- Its use is avoidable or reusable options are available.
- It does not commonly enter recycling or composting systems.
- It's not recyclable or hampers the recycling process.
- It pollutes our environment.

Greenhouse Gas Emissions

During 2023 Travelodge has made progress in developing its Greenhouse Gas Emissions reporting, and this is the first year we have included our scope 3 emissions. The prior year has been restated to also include scope 3.

We have completed mandatory reporting on all of the emission sources which we deem ourselves to be responsible for, as required under the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013 and the Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements (March 2019) hereafter referred to as SECR reporting. We have also completed voluntary reporting for our UK Scope 1-3 emissions in addition to these required under SECR reporting requirements. These sources fall within our organisational boundary based on an operational control approach as defined by the GHG Protocol and have been compiled in accordance with the SBTi Corporate Net-Zero Standard v 1.2 March 2024 and include direct Scope 1 & 2 emissions and indirect Scope 3 emissions from our value chain.

Our total mandatory carbon emissions reporting for 2023 was 44,685 (2022: 41,270) tonnes of carbon dioxide and equivalent gases (tCO2e), with an intensity of 3.4 (2022: 3.2) tCO2e per 1,000 rooms sold. The key reason for this increase is the 7.1% increase in the National Grid's carbon factor for electricity in 2023 compared to 2022, caused by an increase in natural gas consumption to produce electricity during the year. Excluding this external factor Travelodge marginally reduced its carbon footprint, as demonstrated by our year on year energy consumption in kWh per room sold being lower. This is also despite 2023 being a slighter cold year versus 2022, due to our ongoing energy management programme. This is covered in more detail in both the sustainability and NFSIS sections of this report.

Our total mandatory & voluntary carbon footprint for 2023 was 119,725 (2022: 113,392) tonnes of carbon dioxide and equivalent gases (tCO2e), with an intensity of 9.0 (2022: 8.8) of tCO2e per 1,000 rooms sold.

Non-financial and Sustainability Information Statement (continued)

		Current Reporting Year 2023	Comparison reporting year 2022	% Change from 2022
Energy consumption used to calculate energy related emissions: kilowatt hours (kWh)		**UK**	**UK**	**UK**
Electricity		133,226,777	131,530,554	1.3%
Gas		76,909,641	72,522,546	6.0%
Transport Fuel Scope 1		6,397,803	5,876,901	8.9%
Transport Fuel Scope 3		3,026,961	2,098,617	44.2%
Other energy sources (LPG & Solar PV)		3,533,417	3,350,304	5.5%
Total Energy Consumption		**223,094,599**	**215,378,922**	**3.6%**
Mandatory Carbon Emissions Reporting required to meet SECR Guidance (tonnes CO2e)				
Scope 1	Emissions from combustion of gas	14,517	13,719	**5.8%**
Scope 1	Emissions from combustion of fuel for transport purposes	1,537	1,401	**9.7%**
Scope 3	Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel[1]	744	500	**48.8%**
Scope 2	Emissions from purchased electricity (location-based)	27,887	25,650	**8.7%**
Scope 1-3 Total (Mandatory SECR Reporting)		**44,685**	**41,270**	**8.3%**
Intensity Measures				
Tonnes of CO2e per 1000 rooms sold		3.4	3.2	**4.7%**
Kilowatt hours (kWh) per rooms sold		16.7	16.7	**0.1%**

1 – Derived from mileage and expense claims. Increase due to increased business travel in 2023 versus 2022.

Non-financial and Sustainability Information Statement (continued)

		Voluntary Reporting of Total Scope 1-3 Emissions (tonnes C02e)		
Voluntary Emissions Reporting		**Current reporting year 2023**	**Comparison reporting year 2022**	**% Change from 2022**
Scope 1	Fugitive Emissions (Refrigerants) [1]	2,034	1,112	82.9%
Scope 1 Total[2]		18,088	16,232	11.4%
Scope 2 Total[2]		27,887	25,650	8.7%
Scope 1+2 Total[2] (Mandatory plus Voluntary)		**45,975**	**41,882**	**9.8%**
Scope 3 Total[3]		**73,750**	**71,510**	**3.1%**
Gross Emissions – Total CO2e emissions (Mandatory plus Voluntary)		**119,725**	**113,392**	**5.6%**

Intensity measures on total emissions	Tonnes of CO2e per 1000 rooms sold	9.0	8.8	**2.1%**
	Khh per rooms sold	16.7	16.7	**0.1%**

[1]- Increase due to the timing of refrigerant maintenance in 2023 versus 2022.

[2]No separate reporting of Location Based and Market Based Scope 1 & 2 emissions is included as these are identical for Travelodge

[3] Based on the results of the GHG screening categories 1-7 which are upstream categories are included as part of this scope as they were identified as materially relevant.

**% change 2023 v 2022 is positive where emissions or intensity measures rise and negative where they fall.*

The methodology used to calculate our emissions is based on the UK Government's Environmental Reporting Guidance (2013), the GHG Protocol (2004) and the Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting requirements (March 2019) and is in line with the methods used previously for reporting under ESOS and the CRC Energy Efficiency Scheme. Emissions factors are taken from the UK Government's GHG Conversion Factors for Company Reporting (2023 & 2022).

In line with the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013, we are now reporting our greenhouse gas (GHG) emissions as part of both our annual strategic report and annual sustainability report.

Section 172 statement

This section 172 Statement aims to help shareholders better understand how directors have discharged their duty to promote the success of the Company for the benefit of its members, having considered the interests of various stakeholders and the broader matters set out in section 172(1)(a) to (f) of the Companies Act 2006:

a. the likely consequences of any decision in the long term,

b. the interests of the Company's employees,

c. the need to foster the Company's business relationships with suppliers, customers, and others,

d. the impact of the Company's operations on the community and the environment,

e. the desirability of the Company maintaining a reputation for high standards of business conduct, and

f. the need to act fairly between members of the Company.

The Wates Corporate Governance Principles for Large Private Companies provides a framework for the Group to demonstrate how the Board make decisions, aligned with the strategy, for the long-term success of the company and its stakeholders, as well as having regard to how the Board ensure the Company complies with its requirements of this Section 172 statement. The Company adopted the Wates Principles during 2019. Our reporting against the Wates Principles has been included on pages 48 to 52 and should be read in conjunction with the information on stakeholder engagement and key decisions discussed within this report.

Stakeholder engagement and consideration

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

Further details of how we have engaged with these groups is given within the sustainability section of this report, however some examples of how the Board ensures that stakeholders are considered during Board meetings and for decisions are as follows:

- monthly reporting to the Board as part of the CFO update with a range of KPIs including customer and colleague metrics. The monthly CEO update includes any interaction with lenders, team members, landlords and regulators and presents any required decisions for review, and regular updates from across the organisation to help it understand the impact of decisions on all the key stakeholders;.
- regular meetings with the Company's shareholders;
- quarterly briefings to the Group's bondholders, regular meetings with lenders;
- six monthly business update calls with landlords, developers and key contacts from the property industry and regular newsletters;
- 6-monthly updates to the Sustainability Committee to track progress against the Group's 'Better Future-Sustainability' plan and
- presentation of the feedback from the annual Your Voice colleague survey for review, twice yearly "Shadow Board" meetings with a cross section of 12 employees representing all areas of the business

Read more about our stakeholder engagement on page 48.

Principal decisions

We outline below examples of how the directors of the Company have had regard to the matters set out in section 172(1)(a) to (f) in their decision making during 2023, including consideration of employees and other stakeholders.

Long-term refinancing of Group debt

In April 2023, we successfully completed the long-term refinancing of the Group debt. The refinancing comprised the issuance of new Senior Secured Notes, consisting of £330 million Senior Secured Notes due 2028 and €250 million Senior Secured Floating Rate Notes due 2028, as well as refinancing our Revolving Credit and Letter of Credit facilities. Moody's and S&P both re-confirmed Travelodge's credit rating of B3 stable and B- stable respectively, reflecting the strong trading performance and outlook for Travelodge. We also fully hedged the currency and interest rate risk on the €250 million floating rate notes.

The Board consulted its shareholders and advisers, considered the views of rating agencies, and the state of the debt markets. Having reviewed a number of different scenarios and the impact they might have on the Group's financial position, the Board concluded that it would most likely promote the success of the Company in the long term for the benefit of its members as a whole, to refinance the Group debt, thus securing the Group's financial position for the next 5 years, providing certainty on the Group's creditworthiness and allowing the Group to focus resources on its strategic initiatives over the coming years. Consideration was made to alternative options, however it was concluded that splitting the Notes into GBP and Euro tranches allowed the Group to access the lower rates in the Euro debt markets.

Section 172 statement (continued)

During the refinancing we were clear that we would continue to keep our capital structure under review and balance utilisation of any excess cash balances between deleveraging, further investment in the business to support growth and repayment of the accrued interest on the investor loan. Given the strong trading performance since the refinancing, the Board also decided to make a £25m repayment of accrued interest on the outstanding investor loan note, in line with prudent capital allocation.

It was concluded that refinancing the Group's existing notes due to be repaid in 2025 would alleviate any uncertainty caused by macroeconomic conditions and allow the Group to invest in the business, including our accelerated refit programme, delivering strong commercial and customer benefit.

In taking these decisions the Board considered the matters set out in s. 172(1)(a) to (f).

Opera migration

During 2023, the Board decided to embark on a major project to migrate its Oracle Opera 5 property management solution (PMS) to Oracle's Opera Cloud PMS. The Opera PMS fundamentally underpins core business activities including hotel operations, website trading, distribution trading, reservation management and reporting. The Opera Cloud PMS is expected to offer greater functionality, enhanced security, a defined future development roadmap and better reporting and analysis which will support better commercial and customer outcomes, as well as improving the experience for Travelodge team members.

As part of the migration to Opera Cloud PMS, the Group embarked on a major change programme during 2023, mobilising considerable personnel and resources and liaising closely with Oracle to de-risk the project and ensure the timelines would be met. The programme is planned to continue into 2024.

The Board was mindful of the need to ensure that sufficient resources were devoted to making the project a success, including a comprehensive training and support for the Group's hotel-based teams. It was also a key consideration that the new system would provide an enhanced guest experience, and support the Group's business model and future growth plans. In taking these decisions the Board considered the matters set out in s. 172(1)(a), (b), (c) and (e).

Employee Cost of Living Support

During the course of the year, the Board considered the cost of living crisis in the UK given the inflationary environment, especially the impact of food price inflation and increasing interest rates and in particular, the effect on our employees. In light of the exceptional macroeconomic conditions, the Board took the decision to again provide cost of living vouchers to all employees (other than senior management) across the entire UK organisation, at a gross cost of £4m. The vouchers could be used to pay for goods from within a set of nominated supermarkets and were provided on a gross basis, with the company covering the tax bill on behalf of colleagues. The Board considered the interests of our employees and the likely benefits of the scheme on morale, retention and customer service, which also impact on the Group's customers and overall business, balanced against the alternative investment choices. The voucher scheme was well received across the Group and demonstrated the Board's commitment to our employees and their well-being. In taking these decisions the Board considered the matters set out in s. 172(1)(a), (b), (c) and (e).

Accelerated refit programme and quality improvements

In 2022, the Group embarked on a comprehensive refit programme with new look rooms, new style bar cafes and enhanced public areas. Following positive feedback from guests and colleagues, in 2023 the Board decided to accelerate the refit plan, including a significant commitment of capital expenditure, with the intention to refit all hotels by the end of 2026. In parallel with the refit programme, the Group has undertaken a major initiative to replace all carpets and improve cleaning processes and maintenance across the estate.

The Board considered the interests of customers, with refit hotels recording strong customer approval and net promoter scores. In addition, the Board was conscious of the effect the accelerated refit programme would have on employees and morale, with our teams responding positively to the Group's commitment to quality improvement. Whilst the refit programme requires some hotels to be closed during the works, with colleagues temporarily reassigned to other tasks, the Board considered the long-term benefits to the Group and its reputation, as well as our relationship with suppliers and local communities. In taking these decisions the Board considered the matters set out in s. 172(1)(a), (b), (c), (d) and (e).

Non-financial and sustainability information statement

Better Future

Sustainability underpins everything we do
I'm pleased to present an update to the Better Future plan for 2023, my first as Chair of Travelodge's Sustainability Committee.

In this plan, we bring together the three pillars of our sustainability strategy, Inclusive, Caring and Conscious. Taken together, these underpin everything that we do at Travelodge.

While 2023 was another challenging year for the hospitality sector, Travelodge once again delivered a strong financial performance and we also continued to make good progress against our Better Future plan.

In my time since becoming Chair, I have been pleased to see the commitment and dedication of our teams in driving progress against our plan. While there is no room for complacency, I'm proud of the achievements they have delivered so far. These are covered in greater detail within this report, as are our ambitions for the future.

I'm particularly proud of the ongoing work in measuring and reducing Travelodge's carbon footprint (covered under our Conscious pillar). Having agreed on our approach to reducing our scope 1 and 2 emissions in 2022, completing the assessment of our scope 3 footprint in 2023 has been another important milestone on our path to becoming net zero by 2050. Additionally, our updated new build specification will ensure that the new hotels we build achieve a sustainable specification that supports our path to net zero. We continued to make progress in reducing the volume of water we use and also completed the mapping of the waste we produce, allowing us to consider how we can now reduce that waste and increase recycling.

We have also made progress under our Inclusive pillar, improving metrics across our internal succession rates, the stability of our teams and our employee engagement results. We maintained a strong position with gender representation at the senior leadership level and we remain focused on our target for ethnic representation and our ongoing drive to support social mobility and levelling up.

Under our Caring pillar we continued to focus on the health, safety and security of our customers' and colleagues' and their data, maintaining strong external audit results, particularly across health, safety & security. Protecting our customers' data is of paramount importance to us, and so we continued to develop our cyber maturity through the use of the National Institute of Standards and Technology ("NIST") framework and an ongoing programme of cyber-security projects. We also continued our work with Disability Positive and made changes to enhance the ease of use of our accessible guest rooms.

Looking ahead, in 2024 we will update our double materiality assessment. This important work will inform our priorities and highlight any new areas which may need consideration since our last assessment. Our other priorities include developing our net-zero plan and starting the accreditation process with SBTi (covering both our direct and indirect carbon emissions), delivery of our ongoing energy, water and waste reduction projects, supporting our key suppliers in their net-zero journeys and continuing to be a business where everyone can belong.

I would like to take this opportunity to thank my fellow Committee and Board members and CEO, Jo Boydell and her team, for their steadfast commitment to delivering Travelodge's Better Future plan.

Helen Normoyle

Helen Normoyle, Chair of the Sustainability Committee

Non-financial and sustainability information statement

Inclusive

Ensuring we are accessible, inclusive and affordable to our colleagues and customers

Being inclusive with a diverse range of people throughout all areas of our business is important to us.

We are committed to creating an inclusive workplace, providing decent work, with opportunities to learn more and earn more, and where everyone can be their true self and belong. We simplify this as Learn More, Earn More, Belong.

During 2023 we continued to focus on achieving balanced shortlists for our senior leadership roles and ensuring there are development opportunities for all colleagues across the business.

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

We use our diversity data to understand the makeup of our workforce and whether it is representative of both the wider UK society and geographical areas. This helps us to focus our attention on the areas where improvement is needed and create action plans to address these.

In 2024, we will continue to focus on our gender and ethnic diversity at senior leadership level to ensure it is representative of our workforce and wider society.

We will also continue our work to support the UK Levelling Up agenda, which is about ensuring equal opportunities regardless of protected characteristics, specifically for social mobility and providing opportunities for our colleagues across the UK to learn more and earn more, and progress their careers if they want to and with opportunities to progress their careers.

We also plan to further develop our customer accessibility procedures together with Disability Positive and continue our programme of customer experience visits throughout 2024. For our colleagues we will register with the Disability Confident scheme as a Disability Confident Committed organisation and work towards becoming a Disability Confident Employer focusing on the five commitments to ensure recruitment processes are inclusive and accessible, communicate and promote vacancies to disabled people, offer interviews to disabled people, anticipate and provide reasonable adjustments as required, and support existing employees who acquire a disability or long term health condition enabling them to stay in work. We will engage with Disability Positive to review our internal processes and make recommendations for improvement.

All of this will continue to make our company a more inclusive place for our colleagues and customers.

Targets	**Progress against our targets**
To have 50/50 shortlists of men and women for senior level roles and district manager roles with the aim of having 50/50 in role by the end of 2025.	In 2023, 38% of our shortlisted candidates were women, compared to 25% in 2022, and 41% of roles were secured by women. At the end of 2023, 49% of colleagues in our senior roles were women.
To have 20% shortlists of candidates from minority ethnic backgrounds for senior level roles with the aim of having 10% in role by the end of 2025.	In 2023, 13% of shortlisted candidates were from minority ethnic groups, compared to 3% in 2022. 5% of senior level colleagues identify from minority ethnic backgrounds at the end of 2023.
To achieve our target of providing 24+ hours contracts to team members by 2025 (internally known as a Blueprint) which is designed for Hotel Managers to give colleagues more certainty of hours.	In 2022 we exceeded our target and so increased our target for 2023 and beyond. During 2023 we continued with our commitment to create certainty of hours and the success of this work is reflected in our continued overachievement of our target for 24+ hour contracts.

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To increase the number of head office internal promotions (excluding maintenance, Operation Manager and entry level roles) to 40% by 2025. Maintenance roles were excluded from the target at the time of setting as the structure of the team did not provide many opportunities for progression. Based on the work we have done in our maintenance organisation this important team will now be able to be included into our internal promotions metric.	In 2023, 43% of head office roles were secured by internal candidates, compared with 24% in 2022.
As a company, increase the Your Voice score for the question "If I want to, I know how to develop my career at Travelodge" from 7.6 (from the 2021 survey results) to 8.5 by 2025.	Our 2023 Your Voice survey results for the question "If I want to, I know how to develop my career at Travelodge" scored 7.9, 0.3pt increase from 2022.

Caring

Creating a caring and healthy environment for our colleagues and customers and ensuring their wellbeing

During 2023 we achieved strong health and safety audit results, continued to mature our wellbeing platform 'Better Me' whilst also supporting CPR training for both our customers and colleagues in conjunction with our partner, the British Heart Foundation. We also began our transition to an externally assured information security framework, the National Institute of Standards and Technology ("NIST") Cybersecurity Framework, bringing further continuous improvement.

From 2024 we plan to improve the wellbeing of our colleagues by encouraging an inclusive culture that promotes a positive approach to health, safety, wellbeing and security. We will continue to develop our relationships with our charity partners.

Targets	**Progress against our targets**
To increase the "Your Voice" score for the question "There are resources available to me at Travelodge to support my wellbeing" to 8.5 out of 10 by 2025.	For our 2023 survey results, we scored 8.0, a 0.3 percentage point improvement from 2022.
To encourage a further 1,000 people to train in Cardiopulmonary Resuscitation ("CPR") during 2022.	Over 1,000 people have completed CPR training during 2023 by using the RevivR online training tool, accessible via a QR code promoted in all our hotel rooms. In total over 2,100 people have completed this training since we started in 2022.
To maintain 100% of hotel colleagues trained in human trafficking and child abuse.	We continued our training programme throughout 2023, and 100% of hotel staff* completed their safeguarding refresher training during 2023. * Excluding those on long term sickness and maternity leave
To maintain a phishing susceptibility rate of less than 10%.	We operate a continuous colleague testing and awareness programme. We consistently maintained a phishing susceptibility rate under 10% throughout the year whilst also increasing the complexity of the testing our colleagues were required to pass. Overall 8.9% for 2023.

Non-financial and sustainability information statement

Conscious

Being actively conscious of the waste we produce, the energy and resources we consume and our carbon emissions

Our goal is to become a net-zero carbon business by 2050, including measuring and reducing our indirect scope 3 emissions. During the year we’ve made the significant step of assessing our scope 3 emissions and these are now included in our carbon emissions and footprint within this report.

The government has set in UK law that the country is required to be net- zero by 2050. It is likely that legislation will evolve in the coming decades to ensure businesses and individuals/ consumers move away from gas and oil consumption and we believe we are well placed to be ready to make this transition.

Over the course of 2023 we continued work to reduce our energy consumption, including the on-going retrofitting of smart heating and cooling systems, installed at 406 of our hotels. We also completed the retrofit of new Air to Water Heat Pumps at two of our hotels in Carlisle and Ilford, so that we can learn and prepare for a wider roll out of replacements in the coming years.

We are confident that through the implementation of this plan, we will meet our target to reduce our electricity consumption by 26% and total energy consumption (which includes gas) by 18% by the end of 2024, compared with a 2017 baseline when we started our programme. This is in line with our KPI’s.

Last year, we said we would decide whether to formally validate our targets and plan through the Science Based Targets initiative (“SBTi”). We completed our calculation of our indirect carbon footprint during 2023, and this is covered in greater detail in our carbon disclosures later in this report. At the end of 2023 we agreed that we would seek validation of our plan with SBTi, but recognise the importance of being clear about our journey with our supplier base given this is significant. We expect to use the first part of 2024 to expand the engagement with our larger suppliers, aligning and supporting their planned journeys to become net-zero carbon, and in doing so allowing us to commence validation of our plan with SBTi.

We are also pleased to note that we have concluded our review of partners to install Electric Vehicle (“EV”) charging stations in our car parks where this is possible. We expect to commence installations during 2024, enabling our customers and other drivers across the country to access a low carbon emissions infrastructure when travelling another significant step in delivering our Better Future plan.

We have continued to reduce our water consumption per guest through our maintenance programme, which included toilet cistern fixes and commencing a trial of low-flow shower heads. During 2024 we will continue to explore further opportunities through maintenance and new build design including trialling aerated taps and accelerating toilet cistern replacement, and we also expect to roll out the low flow shower heads across the estate. Additionally, we will evaluate other opportunities for water conservation and, where appropriate, implement water reuse initiatives.

Working collaboratively with our suppliers is critical for achieving our sustainability commitments. We made great progress in 2023 producing our full carbon footprint inventory which included supplier-specific information and data for informing our scope 3 emissions. As we continue to evolve and engage further with our suppliers, we will also advance our supply chain sustainability programme and sustainable procurement strategy.

Targets	Progress against our targets
To understand the climate-related risks and opportunities our business faces and start preparation for our Non-financial Sustainably Information Statement requirements for 2023.	We completed our project with a third-party expert to identify, assess and manage our climate-related risks and opportunities and prepared our NFSIS disclosures.
Conclude our carbon footprint maturation with a review of our indirect scope 3 emissions.	During the year we’ve made the big step of an initial assessment of our scope 3 emissions and these are now included in our carbon emissions and footprint within this report. In 2024, we will evaluate readiness for validation of our carbon reduction plan with SBTi.

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To continue the roll out of our new hotel build specification to all new UK hotel deals, ensuring new UK hotels opening from 2025 onwards receive an A rated EPC and are built to a standard environmental specification, called BREEAM Very Good as a minimum and Excellent wherever possible. To reduce our energy consumption in line with our plan	From mid 2023 all our new UK hotel deals have included the requirement to be built to an A rated Energy Performance Certificate ("EPC") and also to at least a very good BREEAM standard, and to an excellent standard where possible. We have continued work on our specification documentation to support this requirement and work has commenced on two hotels that will utilise Air to Water Heat Pump technology to generate hot water (with no gas connection). By 2030, we expect to reduce our energy consumption by 34% from our 2017 base in absolute terms. We've generated a 16% reduction to date and our heating and cooling project reduces in room electricity requirements at hotels by c.40% on average when it is introduced.
To reduce water consumption to an average 100 litres per guest by 2025 from c.120 litres in 2022.	In 2022 we used 119 litres per guest on average and reached 116 litres in 2023 - reduced by 3 litres per guest - this equated to 66,543 m3 of water saved per annum (compared to 2022). This was achieved through a maintenance programme, which included toilet cistern fixes, commencing a trial of low flow shower heads and fixing leaks.
To continue to embed sustainable sourcing practices aligned to our Better Future plan into our key procurement activities during 2024.	In 2023 we completed work with 50 of our critical and strategic suppliers which represent just over 60% of our supplier spend (excluding costs such as property related costs and colleague wages) to map where they are in their own sustainability journey and how their future plans align with the topics included in our Better Future plan. This is a further 30 suppliers on top of the original 20 suppliers we targeted in 2022. We have also completed a detailed supplier categorisation based on risk, spend and their contribution to our scope 3 emissions inventory, which allows us to prioritise and formulate action plans according to our commitments. Lastly, we have identified key commodities and sourcing policy priorities which will add further detail into our supply chain sustainability programme. Further work continues in this space into 2024 to build on the number of existing suppliers we are engaging with and the information being gathered and analysed. The output of this analysis will allow us to formulate supplier specific goals and a roadmap to support our wider supply chain sustainability programme. Continuing to incorporate sustainability into our sourcing cycle remains a priority, as we look to further standardise and improve our key procurement processes and related policies.
To conclude our review of Travelodge generated waste and overall waste disposal and prepare a detailed action plan with KPI's and targets	Waste comes in many forms and is generated by our business, our supply chain and by our customers. Plastics, cardboard, electronic waste, leftover food, old carpets are some examples of waste. During 2023, we mapped out the type, amount and source of our waste in our hotels and details of how it is disposed of. We have identified the following waste streams; supply chain into hotels, customers, internal facilities, facilities contractors, warehouse, and refit. From this analysis we have targeted further areas for improving measurement and data quality which will enable us to increase recycling rates and reduce the waste we generate.

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	We launched food waste recycling across the business and trialled in room recycling across 10 hotels where we increased our recycling rate by 21 percentage points. Diverting 100% of waste from landfill is a key priority and we are aiming to remove all unnecessary single use plastics[1] from our supply chain by 2030. We have also established a cross functional team to focus on circularity within our operations. *[1] - WRAP's initiative, the UK Plastics Pact, uses the following list of criteria to identify problematic or unnecessary plastic packaging items:* *-Its use is avoidable or reusable options are available.* *-It does not commonly enter recycling or composting systems.* *-It's not recyclable or hampers the recycling process.* *-It pollutes our environment.* *All plastics must comply with Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulations.*

Listening to our stakeholders

Accountability and transparency with stakeholders is key to the long term success of the Group. We consider our key stakeholders to be: Customers, Colleagues, Shareholders and Investors, including lenders, landlords, key operational suppliers, local authorities and communities

In 2023 we served over 22 million customers and listening to their feedback is pivotal to our ongoing success in delivering our plan.

To understand customer response to our service delivery, we review post stay feedback and satisfaction scores. In addition, engagement with partners, such as Tripadvisor, helps us to identify areas of continuous improvement. One example of feedback we received and acted on is in relation to accessibility, which led to several improvements, which are covered later in this report.

We also conduct research groups on topics, including new propositions and ideas to strengthen and iterate our development. This is either done internally analysing data and bespoke customer surveys or via external agencies who gather both qualitative and quantitative insight, this includes understanding consumer expectation and response to sustainability initiatives. This analysis guides us in informing our product and proposition development. Sustainability underpins every development initiative and programme, identifying how we can reduce the impact change and how any new/different products & propositions can be more sustainable e.g. healthier menus, recyclable products, reduction of single use plastics etc.

During 2023 some examples of this were:

- Launched a new and ongoing quarterly Food & Beverage Mystery Guest programme. Guests produce a post stay report detailing findings from their booking and stay experience. Insight from the programme to date has informed our colleague training and product and proposition development such as the introduction of healthier menu options to support customer wellbeing.

- Completed qualitative and quantitative customer research for all our product and proposition proof of concepts and trials such as new accessible features (new headboard, bathroom pod and signage), new room types, as part of the development and approval process.

- Commenced a significant customer insight programme towards the end of the year on the UK budget hotel sector and consumer to ensure that we continue to meet the needs of our consumers and understand their expectations and focus areas with regards to sustainability. This includes; market analysis, trends and forecasting, competitor insight, a usage and attitude study, proposition research and social listening.

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Listening to our Colleagues
Our Shadow Board met twice in 2023, bringing together 12 colleagues from different roles and locations in the business, along with our CEO and CPO (Chief People Officer), to get their input on key elements of the future strategy and plans for the business.

We engage regularly with our teams through head office 'Huddles' and regional and area operational meetings. These include updates on business performance across our financial and non-financial KPIs, which include sustainability KPIs, celebration of colleague success, length of service milestones and highlights of key events.

Our Operations Director leads sessions with his Area Operations Managers team to ensure business change is understood and changes are implemented if required.

We operate Equality, Diversity and Inclusion (ED&I) groups covering topics such as gender, ethnicity, LGBTQ+ and disability. Each group has an Operating Board sponsor as well as representation from the Senior Leadership Team.

The ED&I working group, hosted by our Wellbeing & Inclusion Manager, provides feedback on our internal campaigns which are designed to educate and celebrate the diversity of our workforce, and helps to inform future campaigns as well as hosting listening groups when required. The group is made up of around 25 colleagues who are diverse and represent different roles and levels across the business.

Our annual engagement survey 'Your Voice' asks colleagues a consistent set of questions that we measure. Participation levels and scores in key areas are KPIs within our Better Future plan, measuring success of our team engagement. They are covered later in this report and we are pleased with the positive momentum in these.

Our internal social platform 'Connect', is a vibrant representation of our teams who create content and share messages across the business. The app, which is accessible to all colleagues, provides a forum to celebrate our diversity and encourage conversations on topics, including race and gender equality, LGBTQ+ history, mental health, menopause awareness and neurodiversity awareness, as well as supporting our colleagues with disabilities such as deafness.

An independent whistleblowing service is also available for any colleague who wishes to raise a concern around malpractice, unlawful or unethical behaviour.

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

Shareholders
Our Chairman, Chief Executive Officer and Chief Financial Officer meet at least 6 times a year with our owners to update on our progress, seek approvals where required, to listen to their viewpoints and discuss any risks or issues that the business faces.

Lenders
We hold quarterly calls with our bondholders and lenders where we present our performance and financial results, update on our strategic progress and provide a forum for questions to be raised. We also make ourselves available at least annually for a group presentation and question and answer session and smaller meetings as requested.

Landlords
As well as our regular contact, approximately every 6 months we host a call for our landlords, developers, and key contacts from the property industry.

This provides an update on the business as a whole and our progress on key property and development initiatives including those under our Conscious sustainability pillar.

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Suppliers

Working with our suppliers to promote and embed best practice sustainability sourcing strategies within our supply chain, remains one of our priority objectives moving into 2024.

2023 was an exciting year as we started to work more closely with our key suppliers in order to understand where they are on their sustainability journey, what their carbon footprint looks like, which suppliers are the main contributors to our own scope 3 emissions and how their sustainability progress aligns with the topics included in our Better Future Plan.

Looking ahead, we will build on the existing information we have gathered and continue to raise awareness and understanding with our colleagues and suppliers regarding the impact of our sourcing decisions. Our supply chain sustainability programme focuses on minimising environmental harm from factors like energy usage, water consumption and waste production, promoting environmental protection and regeneration, working collaboratively with our suppliers on joint initiatives and goals to reduce negative environmental impacts where we can, as well as promoting positive social outcomes and regulatory compliance. We will formalise and expand our supplier engagement programme to include more suppliers as we continue to further develop our supply chain sustainability roadmap into 2024.

Local Authorities and communities

As part of operating our estate and in the process of developing new hotels, we seek to engage with local councils, police forces, fire services and the wider community to ensure our policies and procedures in relation to health, safety and security are appropriate, and fit for the current social landscape.

We also have Primary Authority partnerships with a fire service and a local authority to provide guidance and support on matters of fire and general health and safety respectively. We also proactively work with these stakeholders where we expect changes in our operating model or strategic developments to change the risk profile of our business, so any concerns are considered and agreed in advance by all parties.

We work with local communities and real estate partners to explore opportunities to help in regeneration and job creation through our new hotel development programme. Joint initiatives with local authorities in particular can bring benefits to the community, and we are in contact with over 200 authorities where we have target location requirements.

Our charity group organises and promotes activities in partnership with our nominated charity, which for the reporting period was the British Heart Foundation (“BHF”). This partnership covers areas including: fundraising, CPR training, the promotion of healthy life choices, staff engagement events and health checks. Throughout 2023, QR code mirror stickers remained in place in all of our hotel rooms giving over 45,000 people each night the opportunity to learn life saving CPR skills using the RevivR app, which Travelodge helped the BHF to develop. Every customer booking on the website also has the opportunity to make a micro-donation via Pennies, with whom we have worked for over ten years.

Principal Risks and Uncertainties

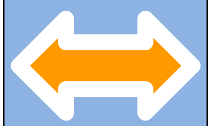
The Directors have carried out an assessment of the principal risks facing the Company, including those that would threaten its brand and reputation, delivery of its strategy or its physical assets, people or systems.

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

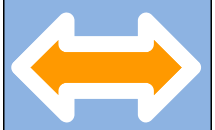
Additional risks and uncertainties, not presently known to management or deemed less material currently, may also have an adverse effect on the business. Further, the exposure to each risk will evolve as we take mitigating actions, or as new risks emerge. The risks set out below provide a summary of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

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

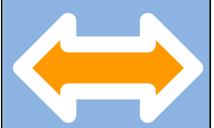
Financial risk management is also presented within note 22.

Principal Risk	**Description**	**Key Mitigations**	**Progress**
Health, Safety, Security and Wellbeing Impact compared to 2022: 	Our activities have the potential to cause serious injury to our customers and colleagues, to damage property or the environment, to have a negative impact on the wellbeing of people or to harm our reputation. Key areas remain the risks we face from fires within our hotels and the personal safety of our customers and colleagues.	We are focused on demonstrating the highest standards of Health & Safety management. The Safety, Security and Risk ("SSR") committee meets at least 11 times each year and acts as the senior leadership group responsible for Safety, Security and Risk. This committee is chaired in several parts by various members of our Operating Board. The results of this committee are reported monthly to our Operating Board with a summary reported to our Main Board at least twice a year, and any issues raised as they occur. We regularly train our team members in a range of topics and share and develop best practices internally through our District-based Safety Champions. We maintain relationships with Primary Authority Partnerships, other key enforcement agencies and with other organisations. We use an independent third party to carry out unannounced safety audits at all our hotels. Each hotel will typically receive at least 2 reviews a year, or more based on their risk profile. We actively monitor our audit, enforcement and accident and incident data, ensuring that all information is analysed and improvements are made where possible.	Our Health & Safety record has been consistently good and has maintained a strong track record in line with our commitment to robust Health & Safety management. We maintained strong Health & Safety audit results, in like with our KPIs, in 2023. We made good progress in developing our Business Continuity Management System ("BCMS"), and undertook a full mock test of a serious fire at one of our hotels, in order to test and refine our existing processes. We continued to develop tools to support our colleagues' well-being, with our platform 'Better Me'. Further details of this can be found in the sustainability section of this report.

Principal risks and uncertainties (continued)

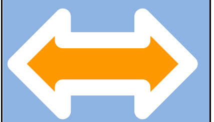
Principal Risk	Description	Key Mitigations	Progress
Health, Safety, Security and Wellbeing (continued)		Our lone-worker devices support and protect our colleagues who work alone, particularly overnight, providing extended coverage across our hotels. We have dedicated Incident Management procedures to react to serious events within our business, which are tested periodically each year.	
Regulatory Impact compared to 2022 	Large financial penalties or enforced closures of our hotels could be imposed for breaches of Health & Safety or Data Protection legislation. Due to the number of hotels we operate, and the volume of customers who stay with us, we may be exposed to isolated incidents which fall below our expected standards and may expose us to prosecution. New regulation can impact upon Travelodge's business model and cause us to need to change our ways of working which incur additional cost. An example of this would be increases to the National Minimum Wage.	Through our Safety, Security and Risk Committee, new and emerging risks covering all aspects of risk, including regulatory changes, are considered and assessed. All risks within our business are owned by one of our Operating Board members and reviewed at least quarterly for material change. We also maintain relevant insurance cover to an appropriate level both where required under regulation or where consider appropriate to mitigate a specific risk.	During 2023, Travelodge remained abreast of new and changing regulations. Given its importance, we maintain a dedicated group to review changing fire legislation. During the year this particularly covered the implementation of new risk assessment methodologies, called PAS 9980, and their impact on our business. We also spent time considering the emergence of the Retained EU Law (Revocation and Reform) Bill 2022, local tourist taxes across the UK and IFRS S1 and S2, covered below under sustainability risk. A working group remains in place to ensure the outcome of the DBT review is adequately understood. We note that previously proposed legislation introducing further reporting requirements for Public Interest Entities via the draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023 were withdrawn in late 2023.

Principal risks and uncertainties (continued)

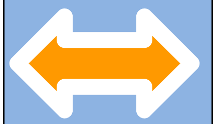
Principal Risk	Description	Key Mitigations	Progress
Regulatory (continued)			We also note that draft regulations published in July 2023 which would have added certain additional corporate and company reporting requirements to the large UK-listed and private companies such as Travelodge, including an annual resilience statement, distributable profits figure, material fraud statement and triennial audit and assurance policy statement have also been withdrawn.
Liquidity Impact compared to 2022: 	The Group operates an financially geared leasehold model, with high levels of fixed costs (including rent) and is funded mainly by publicly traded bonds. A lack of appropriate levels of covenant headroom, cash resources, or inadequate cost controls could impact our financial performance.	In 2023 the Group refinanced by securing new funding and credit facilities. The Group's credit rating was upgraded by S&P, reflective of the strong performance of the business. The Group has considered the possible cash requirements to the end of 2024 and modelled severe but plausible downside scenarios against the base case, within which the Group retains sufficient liquidity. For further details see the CFO Report.	This risk has reduced. Please see the Outlook section and the Going Concern section in the Strategic Report for more details on current developments.
Recruitment and retention Impact compared to 2022: 	We employ c. 13,000 people, particularly team members earning the national living wage, assistant hotel managers and hotel managers. Market forces could result in a shortage of available workforce either nationally or in local regions. As a result of this, and our roles becoming less attractive to the younger generations, competition for employees is significant in our markets.	We continue to operate our hotels on minimum manning levels subject to their risk and complexity. We also seek to continue to improve operational efficiency where possible. We have end-to-end processes to on-board our colleagues, build their understanding of our purpose and how they fit into this, to provide appraisal and development and career progression opportunities where possible, alongside other opportunities to consider and improve their well-being and a focus on equality, inclusivity and diversity to ensure we welcome everyone to our team.	During 2023 we continued to drive the attractiveness of our roles through excellent training and career development opportunities, as well as opportunities to work flexibly around personal commitments. We recruited 63% of our hotel management vacancies internally and just under 200 people completed our Aspire development programme, almost doubling from 2022. We also consider the well-being of our colleagues to be key to successful retention. This is covered in further detail within the sustainability section of this report.

Principal risks and uncertainties (continued)

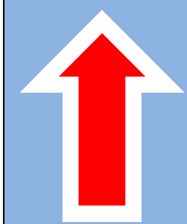
Principal Risk	Description	Key Mitigations	Progress
Recruitment and retention (continued)		We continue to investigate the reasons colleaguesdriver for leavers and what keeps people here. As a result of this, our work to ensure people have contracts which reflect the hours they work continues. Our average contract length remained at just under 18 hours. Our careers website was updated in 2023 to better reflect the diverse nature of our colleagues, and we continue to explore other areas of opportunity.	

Principal Risk	Description	Key Mitigations	Progress
Competition Impact compared to 2022: 	Our competitors could adjust their room rates, adversely impacting demand for our rooms.	We operate a best-in-class revenue management team and system, which allows us to forecast our prices versus our competitors accurately and frequently, and therefore price confidently. We regularly benchmark our own results to Smith Travel Research, an industry benchmark data set. For further details on how our pricing feeds into our strategy and our mission to deliver affordable travel for everyone on page 48.	During 2023 we performed strongly versus our competitors performing well within our comparable market set. Further details of this can be found on page 4. We have a continuous programme of improvement, and some recent examples include: In digital we changed the hotel detail page and enabled Apple Pay. In revenue management we added an extra daily optimisation, instant optimisation for events and more granular reference data; and In sales we have a continuous programme to sign up more small and medium entities alongside improvements to the corporate members website.

Principal risks and uncertainties (continued)

Principal Risk	Description	Key Mitigations	Progress
Cyber and data Impact compared to 2022: 	While our data and systems contain the expected provisions to protect us from cyber crime, they are nevertheless exposed to external threats such as hackers, malware or viruses. These could lead to data breaches or disruption to our operation. We may also be indirectly affected by similar incidents at our key system suppliers. We run several business systems that are internet based. These may attract the attention of threat actors who may wish to steal data or deny access to these systems. We may also be exposed to collateral damage if a key supplier or national infrastructure is compromised resulting in a loss or reduced service from that supplier. Globally cyber incidents are increasing year on year and this may impact our ability to secure cyber insurance at a reasonable cost, or even at all.	We manage information in compliance with relevant compliance and legal regulations including the Data Protection Act (2018). The Company reviews general data security regularly and invests in proportionate and appropriate resources, systems and processes to endeavour to ensure the security of its systems, its customer, card data, and its compliance with the regulatory requirements of both PCI DSS and data protection regulations. We have invested in cyber insurance to mitigate the consequences of major unforeseen or unavoidable service disruptions which might be caused by a cyber-related incident. We operate an ongoing information and cyber security programme of work that continually assesses our systems, controls, processes and cyber security awareness training against industry best practice and evolving threats. We invest in making the changes and improvements needed to ensure we continually strengthen our cyber security provisions.	We continued our business-wide phishing training testing and conduct two rounds of cyber awareness training annually. We completed our transition to a new framework, NIST, and completed our first NIST assessment. We are externally assessed by cybersecurity experts annually against this framework as well as the annual PCI DSS audit. The results of these audits inform our ongoing investment and actions to continually improve our security posture. We successfully secured cyber insurance at the limits and deductibles we considered appropriate. We have also appointed an Incident Response and Recovery partner to provide expertise and support if a cyber incident should occur. We also developed our business incident management procedures, undertaking an incident management test of a simulated cyber event. This resulted in a full end to end mock cyber incident test being conducted at the end of 2023, including a number of key external cyber partners.

Principal risks and uncertainties (continued)

Principal Risk	Description	Key Mitigations	Progress
Loss of supplier or supplier business critical IT system Impact compared to 2022: 	Travelodge is reliant on third parties for services, and as such, is exposed to business interruption risks or going concern risks, this could impact our ability to trade. This risk could also crystallise through material business change projects that affect our suppliers or related business critical IT systems. This risk has been heightened during 2023 due to the work we have undertaken to upgrade our Property Management System ("PMS"), a key system in operating our business.	We maintain regular communications and performance management processes with existing key suppliers and review their business continuity and disaster recovery plans. Where possible we ensure contingency supply options are available if required. Business change, which affects our suppliers or the IT systems they provide is risk assessed and we will place appropriate governance, risk mitigation and programme assurance over the change where required.	We continued to monitor, review and engage with our key suppliers during 2023. During the year we commenced a programme to upgrade and transition our PMS to a new cloud-based system. This is a key system of the business, and interruption for extended periods could have a material impact on our business. To mitigate any risks, we have implemented necessary governance arrangements, including highlighting this as a specific key risk with its own update to our Audit Committee. We also have established a dedicated implementation team, including seconded members of Travelodge to work with the external implementation partner.
Macroeconomic Impact compared to 2022: 	The wider economy may suffer from adverse events which indirectly reduce the demand for our rooms or increase our costs, including pandemics, terrorism events, increases in inflation, interest rates or political events. The on-going cost of living crisis, driven by continued higher than usual levels of inflation, mixed with interest rates that remain elevated, has the potential to impact demand and consumer choices. We do note that the risk of further inflation growth has potentially lessened. While demand has the potential to reduce there is also the possibility consumers choose to trade down to lower cost operators. There is also increasing tension across parts of the world, particularly in the Middle East and South America, alongside the on-going conflict in Ukraine. There is also possible uncertainty due to political change with upcoming elections in the short to medium term in both the UK and the United States.	The Directors have reviewed the Group's financial projections for the foreseeable future, and in particular, the occupancy and rate forecasts which have been stress tested with plausible but pessimistic changes to those assumptions including macroeconomic shocks. The Company uses flexible energy contracts which allow the fixing of electricity and gas prices through the term of the contract. We renewed our energy contracts during 2023 and hedged the majority of the year under a purchasing framework to minimise risk but maximise the opportunity of future price reductions.	During 2023 we continued to focus on cost management, including implementing procurement best practice.. We refinanced in April 2023 by repurchasing the fixed and floating bonds. We issued new Sterling and Euro Notes and hedged FX exposure with a currency swap. We secured new credit facilities of £50m and a new Letter of Credit facility of £30m. We also repaid £75m of capitalised interest to our shareholder investors.

Principal risks and uncertainties (continued)

Principal Risk	Description	Key Mitigations	Progress
Sustainability and Climate Change Impact compared to 2022: 	Climate change, biodiversity depletion and environmental pollution present risks to the business from a financial, operational and reputational perspective. Regulatory action and reporting requirements to manage climate change could result in the introduction of additional taxes or restrictions being imposed. The risk to the business has increased since 2023, mainly due to risk of non-complinace to a number of increasing reporting and regulatory requirements, including the introduction of NFSIS in 2023 and the announcement of IFRS S1 and S2.	Our sustainability plan, Better Future, sets out the topics we have committed to focus on, together with key KPIs and our targets, and is covered under each the three pillars - Inclusive, Caring and Conscious. We monitor our sustainability agenda and associated risks and opportunities through steering groups covering each of these three pillars, chaired by various Operating Board members, which meet quarterly. In addition, the Sustainability Committee, chaired by one our Non-Executive Directors, meets every six months to review our overall progress.	See the sustainability section of our report for further details of the progress we have made in 2023 in relation to sustainability and climate change. During the year we have prepared our first set of Taskforce on Climate Related Disclosures ("NFSIS"), a summary of which is within this report. Noting the importance of this risk we also created a Sustainability Committee, covering in further detail under the Corporate Governance section of this report, and appointed a new Director of Sustainability to manage this area and its associated risks.

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

Jo Boydell
Chief Executive Officer

28 March 2024

Corporate Governance

For the year ended 31 December 2023, under the Companies (Miscellaneous Reporting) Regulations 2018, the Group has applied the Wates Corporate Governance Principles for Large Private Companies ("the Wates principles").

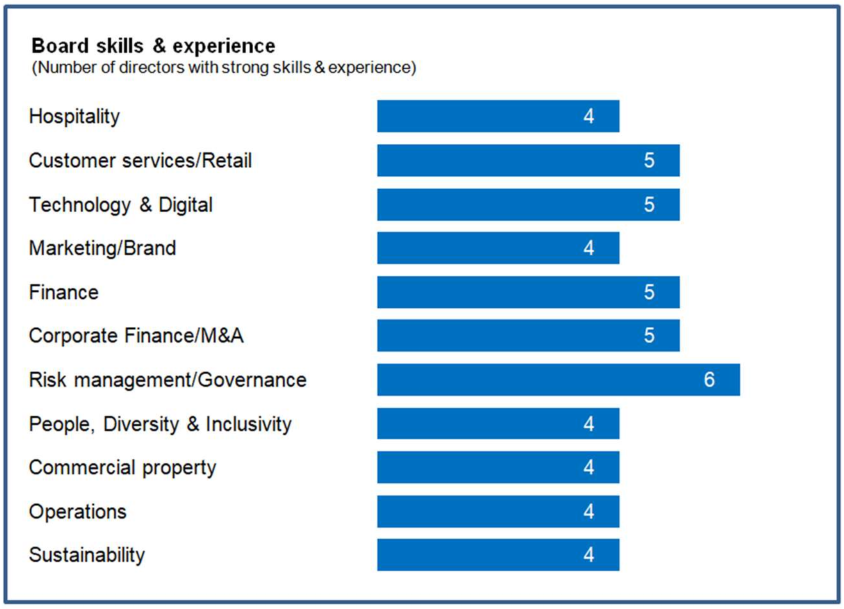
The Wates principles and how Travelodge has applied these are summarised below:

Principle	How has Travelodge applied it
Principle One: **Purpose and Leadership** An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	At Travelodge, our purpose is to help people to go and do their thing, by Being the Brilliant Base. Being the Brilliant Base has our customers and colleagues at the heart - for our customers that means providing a well-priced, well located stay they can trust, and for our colleagues it means creating opportunities to learn more, earn more and belong. We care about the wider impact of our decisions, sustainability is integral to our business strategy and runs through everything that we do. The Board reviews and approves the strategic direction of the Group, as well as the operating model that delivers on our strategic priorities. We communicate our strategy to our teams at our annual conference, with the last conference in January 2024, and also through quarterly leadership events as well as through more regular senior leadership calls, support centre, and regional and district and maintenance meetings.

Principle Two: **Board Composition** Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual Directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	The Group has a separate Chairman and Chief Executive Officer to ensure that the balance of responsibilities, accountabilities and decision-making across the Group are effectively maintained. The Chairman is pivotal in creating the conditions for overall Board and individual Director effectiveness. There were a number of Board changes during the year. On 3 April 2023, Aidan Connolly was appointed as Chief Financial Officer and a director of the Company. Aidan brings to the business extensive experience in driving strategic initiatives, business growth, treasury and refinancing activities, risk and diversity in a broad range of sectors and PE-backed businesses. On 1 November 2023, Rachel Kentleton was appointed as an independent non-executive Director. Rachel brings significant expertise across a broad range of sectors and FTSE 100 businesses. At the time, it was announced that Rachel would succeed Stephen Shurrock as chair of the Audit Committee. Rachel will take on this role Following finalisation of the 2023 accounts. As a result of these changes, as at 31 December 2023, the Board comprised the Chairman, the Chief Executive Officer, the Chief Financial Officer and three Non-Executive Directors. The biographies of the directors can be found on pages 56 – 57. We consider that the current board represents an appropriate size and balance for the Company. The Board is also committed to improving the diversity of our board as opportunities arise, which has been evidenced during the year with the gender balance of the board reaching a balanced mix.

Corporate Governance (continued)

Principle	How has Travelodge applied it
Principle Two: **Board Composition (continued)**	The current board members possess an appropriate mix of skills, backgrounds, experience and knowledge, comprising hospitality, digital, marketing, finance, audit and sustainability, in addition to perspectives and challenges from outside the sectors in which we operate. A summary of the Board's skills and experience is set out below: All Directors of the Board have access to company secretarial advice and may, if they wish, take professional advice at the company's expense.



Corporate Governance (continued)

Principle	How has Travelodge applied it
Principle Three: **Director Responsibilities** The board and individual Directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision- making and independent challenge.	Good governance supports open and fair business, ensures that the company has the right safeguards in place and makes certain that every decision it takes is underpinned by the right considerations. <u>The Board</u> The Board meets a minimum of six times a year, with further meetings convened as necessary. In 2023, there were 10 Board meetings. The Board has a formal list of matters specifically reserved for its consideration, which includes items such as: the approval of the Annual Report and Accounts, approval of the budget and business plan; changes to the Company's capital structure including new borrowings and approval of significant capital expenditure. The Board delegates authority for day-to-day management of the company to the Chief Executive Officer and the senior management team. Certain governance responsibilities are delegated to Board committees (Audit, Investment and Sustainability) under a formal delegated authority framework approved by the Board. These committees include one or more Board Directors who support effective decision making. The Board receives regular, timely information on all key aspects of the business including health & safety, risks and opportunities, the financial performance of the business, strategy, sustainability, operational matters and market conditions, supported by specific Key Performance Indicators. Key financial information is collated from the Group's various accounting systems. The Group's financial function is appropriately qualified to ensure the integrity of this information and is responsible for remaining compliant with regulatory changes. Financial information is currently externally audited by PricewaterhouseCoopers LLP on an annual basis. <u>Board Committees</u> Details of our Audit Committee are contained within the Audit Committee Report section of this report on page 53. The Sustainability Committee oversees our sustainability strategy, Better Future, including the Group's plans on environment and climate change. In March 2023, Helen Normoyle, an independent non-executive Director was appointed chair of the Committee, replacing our Chief Executive Officer. Further details of the work the Sustainability Committee has undertaken can be found in the sustainability section of this report on page 19, and in our standalone Better Future report, which can be found on our website: https://www.travelodgesustainability.co.uk/. The Investment Board acts as the leadership group of Travelodge for all matters concerning investment decisions relating to proposed new hotels, in accordance with the development strategy determined by the Board. Following the end of the 2023 financial year, in January 2024, the Board decided to constitute a new Remuneration Committee to oversee executive compensation and other remuneration-related matters. Stephen Shurrock was appointed as Chair of the Remuneration Committee.

Corporate Governance (continued)

Principle	How has Travelodge applied it
Principle Four: **Opportunity and Risk** A board should promote the long- term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	The Board seeks out opportunities whilst mitigating risk. Strategic opportunities are highlighted and discussed with the Board at each Group Strategy review, typically on an annual basis. Short-term opportunities to improve performance are also reviewed in the normal course of business. The Audit Committee, consisting of a minimum of two non-executive Directors, with the Company's external financial auditors and other Board and functional leads attending by invitation as appropriate, ensures that material risks both inherent and emerging are identified and managed appropriately. For information on the membership and work of the Audit Committee, see the Audit Committee report on page 53. Oversight of the Company's risk management framework and processes is the responsibility of the Safety, Security and Risk Committee, chaired by the Chief Operating Officer and Chief Technology Officer and comprising other senior managers. The Safety, Security and Risk Committee meets monthly and reports to the Audit Committee on risk management and the Company's risk exposure. The Audit Committee meets 3 times per year and continues to refine and improve the company's risk management framework and risk registers, working to ensure consistency across the functional areas of the company. The Strategic Report includes key risks that are monitored by the Audit Committee. The principal risks and uncertainties facing the Group are set out on page 41. The company's systems and controls are designed to manage, rather than eliminate the risk of failure to achieve business objectives and will always provide reasonable and not absolute assurance against a risk crystallising.
Principle Five: **Remuneration** A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.	During 2023, the Main Board was responsible for non-executive and executive Director remuneration. The appointment and remuneration of the Chairman and the Chief Executive Officer are among the matters reserved for the Board. Other key reported metrics to the Board on an annual basis are Gender Pay Gap, pay reviews versus benchmark and CEO pay ratio to the Group. Following the end of the 2023 financial year, in January 2024, the Board decided to constitute a new Remuneration Committee to oversee executive compensation and other remuneration-related matters.

Corporate Governance (continued)

Principle	How has Travelodge applied it
Principle Six: **Stakeholder Relationships and Engagement** Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.	Accountability and transparency with stakeholders are key to the long-term success of the Group. Travelodge considers its key stakeholders to be customers, colleagues, and investors, including shareholders, lenders, landlords and other creditors including key operational suppliers, local authorities and communities. Please refer to "Engaging with our Stakeholders" within the Strategic Report for a discussion of how we engage with each.

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

Jo Boydell
Chief Executive Officer

28 March 2024

Audit Committee Report

I am pleased to present the Audit Committee Report for 2023, my last in the role of Chair.

It has been another productive year for the Committee, during which we increased the frequency of the meetings to ensure appropriate focus on risk and governance throughout the year. Key activities included the approval of the insurance renewal and the expanded internal audit plan, along with running the External Audit tender process, which resulted in the reappointment of our current auditors, PwC.

I will be handing over the role of chair to Rachel Kentleton following the finalisation of the 2023 accounts and would like to thank my fellow Committee members and the Travelodge team for their commitment to the agenda during my time in post.

Stephen Shurrock, Chair of the Audit Committee

Audit Committee Report

The primary objective of the Audit Committee is to assist the Board in overseeing the systems of internal control and risk management of the Group and the external financial reporting of the Company. It performs this role by reviewing the internal control framework and ensuring that internal and external audit arrangements are appropriate and effective, compliance arrangements are appropriate and effective, potential for fraud and financial misstatement is minimised, and the annual report and financial statements are reviewed and scrutinised.

This report describes the responsibilities of the Audit Committee and how it has carried out those duties during the year ended 31 December 2023.

Principal responsibilities

Financial Reporting:
The Committee reviews the integrity of the financial statements of the Company, assessing the appropriateness of disclosures, ensuring that they are fair, balanced and understandable, and reviews and reports to the Board on significant financial reporting issues and judgements, having regard to the matters communicated to it by the Company's external Auditors.

Internal Controls and Risk Management Systems:
The Committee monitors and reviews the adequacy and effectiveness of the Group’s internal financial controls and internal control and risk management systems, ensuring that business risks are identified and managed appropriately. It reviews regular assurance reports from management, internal audit and external audit on matters relating to risk and control, and any corrective actions taken by management, and oversees the current risk exposure of the Group and future risk strategy on behalf of the Board.

Internal Audit:
The Committee monitors and reviews the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system and assesses the annual internal audit work plan. The Committee ensures that the internal audit function has adequate resources and access to information to enable it to perform its function effectively and has unrestricted access to the Audit Committee.

External Audit:
The Committee considers and recommends to the board the appointment of the external Auditors, and oversees the relationship with them, including recommendations on remuneration and engagement. It assesses their independence and objectivity and effectiveness of the audit, reviews and approves the annual audit plan and reviews the findings of the audit with the external Auditors.

Compliance, Whistleblowing and Fraud:
The Committee reviews the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. It also reviews the Group’s procedures for detecting fraud and reviews the Group’s systems and controls for the prevention of bribery and anti-money laundering.

Audit Committee Report (continued)

Committee membership

There are three members of the Audit Committee; Stephen Shurrock, Helen Normoyle, and Rachel Kentleton, all of whom are non-executive Directors. Stephen will hand over the role of chair of the Audit Committee to Rachel Kentleton following the finalisation of the 2023 audit and accounts. Rachel Kentleton is a qualified accountant, with previous executive roles such as CFO at St Modwen Ltd, Group FD at PayPoint plc and Group Director of Strategy and Implementation at EasyJet plc.

The Chairman, CEO, CFO, external Auditor (PwC), and selected members of the senior management team are also invited to attend the meetings, to ensure that the Committee maintains a current and well-informed view of events within the business and to reinforce a strong risk management culture.

There were three meetings held during 2023 aligned with the financial reporting timetable. Outside the formal meetings the committee chair will maintain dialogue through the year with the Company Chair, CEO, CFO and senior finance team including risk & compliance, external Auditor and General Counsel.

2023 Key Activities

- Reviewed and challenged the going concern basis of preparation in advance of approval by the Board
- Reviewed and recommended approval of the financial statements
- Reviewed the NFSIS disclosures for inclusion in the 2023 accounts
- Reviewed and discussed the progress towards the documentation of the control framework linked to the government response and proposals regarding the BEIS (now DBT) consultation
- Discussion of our principal risks and uncertainties, and in particular in 2023, the impact of inflation and cyber risk
- Reviewed and discussed the progress of the Business Continuity Management System
- Reviewed and approved the internal audit plan, and received regular updates on internal controls
- Reviewed and approved the tax strategy for publication
- Reviewed the treasury policy for cash allocation to ensure spread of risk with current high liquidity levels
- Held a tender process for the external Auditor and recommended the retention of PwC for the 2024 accounts
- Reviewed and approved the statutory audit exemption for a number of subsidiary entities
- Reviewed and approved the non-audit fee policy
- Monitored the progress towards the booking system upgrade and challenged the mitigations of the associated risks to the business
- Reviewed and approved the Group Insurance renewal

Significant matters considered in relation to the 2023 Financial Statements

Hedge Accounting
The introduction of a cross currency swap (€200m) in the year to mitigate the foreign exchange risk inherent in the refinanced bond debt has led to the requirement for hedge accounting under IFRS 9 (for the cross currency swap and a GBP SONIA hedge). The Committee reviewed the documentation for the associated accounting and concluded it to be appropriate.

Non-Underlying items
The Committee challenged the appropriateness of the non-underlying items, giving consideration to the nature and significance of each item. It was concluded that the items met the criteria, being significant in nature and quantum, not in the normal course of business, or consistent with items that were treated as non-underlying in prior periods.

Alternative Performance Measures
The Group uses a range of APMs to ensure that the readers of the financial statements understand the relative performance of the business in the metrics that have been historically used and are built into various agreements relevant to stakeholders (bond agreements, banking facilities). The Committee challenged the continued appropriateness of the use of APMs and concluded that as the metrics were limited to those of specific interest to stakeholder groups, and were sufficiently reconciled to statutory measures, the usage and related disclosure was appropriate.

Right of use asset and lease liability estimates (IFRS 16)
The discount rates (incremental borrowing rates) used in the application of IFRS 16 are a significant estimate and therefore subject to risk. Given the material impact on the accounts, the Committee specifically reviewed and challenged management's approach.

Going Concern
The Audit Committee recommended to the board the approval of the financial statements on a going concern basis.

Audit Committee Report (continued)

Share Based Payments
Given the materiality, the Committee reviewed and challenged the judgements and estimates in relation to the 2022 Management Incentive Plan (being the vesting period and the non-recognition of a liability for the cash settled element of the scheme) and concluded them to be appropriate in the calculation of the resulting charge under IFRS 2 (Share Based Payments).

Impairment
The Committee challenged the estimates used to determine the value in use of assets and their recoverable amount, and concluded them to be appropriate, taking into account the sensitivity of the estimates.
The judgement to reverse prior period impairments in the 2023 accounts was also considered and the Committee concluded, given the turnaround performance of the Cash Generating Units concerned, that the full reversal of impairments during the pandemic was appropriate.

Recognition of Deferred Tax Asset
The extent of recognition of Deferred Tax Asset is a critical estimate, and as such, the Audit Committee reviewed and challenged the approach taken during the assessment.

External auditors and effectiveness of External Audit

PwC are the external Auditors for the Group.

PwC were first appointed Auditors for the Group in 2008. The Audit Committee ran a competitive tender process during the year, the outcome of which was to retain PwC as external Auditors. The Committee considers that the relationship with PwC is working well and is satisfied with its independence, objectivity and effectiveness.

The effectiveness of the external audit was considered by the Audit Committee as part of the tender process, including the degree of challenge regarding key estimates and judgements made by the business, feedback from internal management teams, and the wider quality of communication with the Committee. In addition, the Committee reviewed the External Audit Planning document prepared by PwC in advance of the 2023 audit, and concluded that the overall approach, materiality and areas of focus were appropriate to the business and the team possessed the necessary quality, expertise and experience to provide an independent and objective audit.

Approach to safeguarding Objectivity and Independence if Non-Audit Services are provided

The Audit Committee owns the policy to ensure that any non-audit services delivered by the external Auditors will not jeopardise objectivity and independence. The policy specifies that the external Auditors can be used to provide non-audit services which are in line with the policy, subject to formal approval by the Audit Committee. Any non-audit work will only be approved if it is clear why the external Auditors are involved and how objectivity and independence has been safeguarded.

In addition, the external Auditors follow their own ethical guidelines and continually review their audit team to ensure that their independence is not compromised.

Role and effectiveness of Internal Audit

The Internal Audit function provides independent assurance through reviewing the risk management processes and internal controls established by management.

The Audit Committee monitors and reviews the scope, extent and effectiveness of our Internal Audit function. The main focus areas for Internal Audit during the year included:

- Processes supporting our health and safety
- Processes supporting the security of our customers and colleagues including cyber,
- financial control at our hotels including payroll, food and beverage; and
- processes supporting our central finance teams.

Internal control and Risk Management

The section on Principle 4 of the Wates principles (page 51) describes the role the Audit Committee plays in risk management within the Group.
The Committee has received regular updates with regard to the continued strengthening of the control framework of the Group from its specialist Internal Audit group.

Board of Directors

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

Martin Robinson (Chairman)
Martin Robinson was appointed as a director and Chairman on 25 March 2021.

Martin is also Chairman of Parkdean Resorts, Innis & Gunn and Inspiring Learning, and a Director of Majid Al Futtaim Entertainment.

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

After graduating from Oxford, Martin spent the early part of his career at Reckitt, Sara Lee Corporation and Scottish & Newcastle plc, as well as being a management consultant for McKinsey & Co.

Jo Boydell (Chief Executive Officer)
Jo Boydell joined Travelodge as Chief Financial Officer and a director on 19 March 2013, and became Chief Executive Officer of Travelodge on 16 May 2022.

Jo has broad-based experience in hospitality, leisure and retail and has held senior positions with Hilton Group plc, Ladbrokes plc and the EMI Group. She was Finance Director at Mothercare and Snap Equity Ltd, the parent company of Jessops.

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

Aidan Connolly (Chief Financial Officer)
Aidan Connolly was appointed as Chief Financial Officer and a director of the Company from 3 April 2023.

Aidan was previously CFO of My Travel, Sodexo UK, Worldpay, Wilko and, more recently, Alter Domus, an international business providing outsourced services to alternative asset managers, as well as holding CEO roles in several of these businesses.

Stephen Shurrock (Senior Non-Executive Director, representing GoldenTree Asset Management LP, Chair of the Audit Committee and Remuneration Committee)
Stephen Shurrock was appointed as a director on 30 January 2014 and chaired the Audit Committee during 2023. As CEO of Lebara Group, Stephen is responsible for the operations across the Group and leading a team to deliver great value mobile services to its millions of customers. Lebara operates across a number of European countries and in the Middle East.

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

Stephen was appointed Chair of the Remuneration Committee on 25th January 2024 and steps down as chair of the Audit Committee following finalisation of the 2023 accounts.

Board of Directors (continued)

Helen Normoyle (Independent Non-Executive Director, Chair of the Sustainability Committee and member of the Audit Committee and Remuneration Commitee)
Helen Normoyle was appointed as a director on 1 January 2022.

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

Rachel Kentleton (Independent Non-Executive Director, member of the Audit Committee and Sustainability Committee)

Rachel Kentleton was appointed as a director on 1 November 2023.

Rachel is an experienced non-executive director and audit chair with significant experience in capital markets, finance and strategy. She started her career at Unilever Plc and then held senior finance positions at National Westminster Bank Plc, Diageo Plc, Sabmiller Plc and Easyjet Plc, before becoming Group Finance Director for Paypoint Plc. More recently, she was Chief Financial Officer for St. Modwen Limited, a homebuilding, regeneration and logistics business, and is currently Chief Financial Officer for UNDO Carbon Limited, on a part-time basis, and a Non-Executive Director of Jet2 Plc.

Rachel's non-executive experience includes Non-Executive Director of NHS Property Services Limited and Non-Executive Director and Audit Committee chair for Persimmon Plc. She has been a Non-Executive Director and Audit Committee chair of Trustpilot Group Plc since February 2021.

Rachel succeeds Stephen as chair of the Audit Committee on following finalisation of the 2023 accounts.

Directors' Report

The Directors present the Directors' Report for the audited consolidated financial statements for Thame and London Limited for the year ended 31 December 2023.

Directors
The directors of the company who were in office during the year and up to the date of signing the financial statements are set out on page 60.

Results
Results for the Group are for the full year ended 31 December 2023, with comparatives for the full year ended 31 December 2022.

For 2023, the Group made EBITDA (adjusted)(1) Profit of £243.9m (2022: £212.9m), Operating Profit of £324.4m (2022: £263.6m) and a Profit Before Tax of £33.8m (2022: Loss of £0.5m).

Ownership
At 31 December 2023, the Directors regarded Anchor Holdings SCA Luxembourg as the ultimate controlling party.

The Company is currently majority-owned indirectly by funds managed by GoldenTree Asset Management LP. A minority stake is held by certain senior managers under the Management Incentive Plan.

GoldenTree Asset Management LP is a global asset management firm that specialises in opportunities across the credit universe in sectors such as high yield bonds, leveraged loans, distressed debt, structured products, emerging markets, private equity and credit-themed equities. The firm was founded in 2000 with offices in New York, West Palm Beach, London, Singapore, Sydney, Tokyo, Dubai and Dublin, and has approximately $53 billion in assets under management.

Statement of Corporate Governance Arrangements
For the year ended 31 December 2023, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies.

The strategic report discusses the Group's corporate governance arrangements in the section "Corporate Governance" on pages 48 to 52.

Statement with respect to Employee Engagement
The strategic report discusses the Group's approach with respect to employee engagement in the section entitled "Stakeholder Engagement" on page 48 and further clarity is provided as part of the discussion with respect to the application of Principle 6 of the adopted Wates principles on corporate governance in the section "Corporate Governance" on pages 48 to 52.

Statement with respect to Business Relationships
The strategic report discusses the Group's approach toward individual stakeholders and further clarity provided as part of the section entitled "Stakeholder Engagement" on page 48.

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

Directors' and officers' insurance and indemnities
The Company maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against its directors and officers. The Company has also granted indemnities to each of its directors to the extent permitted by law. The indemnities, which constitute qualifying third-party indemnity provisions as defined by section 234 of the Companies Act 2006, were in force during 2023, are in place at the date the financial statements are approved and will remain in force for all current Directors.

(1)EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA were recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years. See APM glossary pages 125-134 for further details and statutory reconciliations.

Directors' Report (continued)

Employees
Travelodge has policies for resourcing, and equality and diversity which clearly sets out our commitment to equal opportunities. Our resourcing policy draws attention to making reasonable adjustments for those with potential disabilities, and the equality & diversity policy highlights the rights of disabled colleagues. In accordance with our equality statement and the Equality Act 2010, we consider reasonable adjustments during our recruitment process to support inclusion of candidates who may have disabilities. We are committed to ensuring that the abilities of everyone at Travelodge are recognised and valued at all levels of the organisation, including anyone working with a disability.

Going concern
The strategic report discusses the Group's assessment of the appropriateness of the going concern assumption on pages 18.

Future developments
Commentary in respect of likely future developments in the business has been included in the Outlook section of the Chief Executive Officer's report on page 4 and in the assessment of the going concern assumption on pages 75 – 76.

Taxation
The Underlying current tax credit for 2023 of £7.9m (2022: tax charge £0.3m) breaks down between a current tax charge of £2.3m (2022: £1.0m) and a deferred tax credit of £10.2m (2022: £0.7m).

There was a Non-Underlying tax credit of £1.7m for 2023 (2022: £0.1m) in respect of the allowable tax items with the Non-Underlying charge in the year.

Non-Underlying cash tax payments of £nil were made during the year ended 31 December 2023 in resolution of an HMRC tax enquiry, which had been previously provided for (2022: £3.6m payment).

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

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

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

Jo Boydell

Chief Executive Officer

28 March 2024

Officers and Professional Advisors

DIRECTORS

Martin Robinson, Chairman
Jo Boydell
Aidan Connolly (appointed 3 April 2023)
Stephen Shurrock
Helen Normoyle
Rachel Kentleton (appointed 1 November 2023)

COMPANY SECRETARIES

Jo Boydell
Katherine Thomas

REGISTERED OFFICE

Sleepy Hollow
Aylesbury Road
Thame
Oxfordshire
England
OX9 3AT

BANKERS

Barclays PLC
1 Churchill Place
London
E14 5HP

SOLICITORS

Addleshaw Goddard
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

INDEPENDENT AUDITORS

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102 Section 1A have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

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

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

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

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

Jo Boydell
Chief Executive Officer

28 March 2024

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

Report on the audit of the financial statements

Opinion

In our opinion:

- Thame and London Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Parent Company Balance Sheets as at 31 December 2023; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Audit scope

- The scope of our work was focussed on the main UK trading entity, Travelodge Hotels Limited.
- We performed audit work over significant balances in the company (Thame and London Limited) and TVL Finance plc

Key audit matters

- Recognition of deferred tax assets (group)
- Application of hedge accounting (group)
- Errors in the right of use assets and lease liabilities on additions, modification and remeasurement (group)
- Recoverability of the amounts owed by group undertakings (parent)

Materiality

- Overall group materiality: £6,000,000 (2022: £4,550,000) based on approximately 2.5% (2022: 0.5%) of EBITDA (adjusted) (2022: Consolidated revenue).
- Overall company materiality: £1,600,000 (2022: £2,099,000) based on approximately 1% (2022: 1%) of Total Liabilities (2022: Total Liabilities).
- Performance materiality: £4,500,000 (2022: £3,410,000) (group) and £1,200,000 (2022: £1,574,000) (company).

The scope of our audit

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

Key audit matters

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

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

The recognition of deferred tax assets and the application of hedge accounting are new key audit matters this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets (group) *Refer to the accounting policy in note 2.10, the critical accounting estimates and judgements in note 3, and note 24 for the deferred tax asset disclosure respectively.* A deferred tax asset (net of deferred tax liabilities) of £15.8m has been recognised. A deferred tax asset must be recognised to the extent that recovery is probable. Estimation is required to establish this. Full utilisation of the deferred tax asset is forecast to be beyond the period of the Board approved budget. The inherent uncertainty in longer-term forecasts has led the Group to apply a risk weighting adjustment to the forecasts. The risk weighting is calculated by reducing the RevPAR growth included within the Board approved budget and reducing the number of new hotel openings anticipated in the outer years of the forecasts. We focused on the valuation of the deferred tax asset due to the size of the balance and the estimates involved in determining the future taxable income forecasts and the risk-weightings applied to the calculation.	We obtained management's taxable income forecast and ensured it was consistent with the Board approved budget. We tested management's forecasts of future taxable profits, which supported the amounts recognised as a deferred tax asset, and considered the likelihood of these forecasts being achieved. We obtained an understanding of how management had developed its forecast for the future cash flows, including obtaining a detailed understanding of the key assumptions made in developing these forecasts. We satisfied ourselves that the short-term forecasts were reasonable and had been prepared with appropriate Board involvement. In forming this conclusion, we benchmarked projections to credible third parties where available. We assessed the appropriateness of the risk-weighting, focussing on the reasonableness of assumptions applied, including the RevPAR growth and new hotel openings.

Key audit matter	How our audit addressed the key audit matter
	Given the estimation uncertainty inherent in the forecasting process, we re-performed the sensitivity analysis. We considered the disclosure in the Annual Report and are satisfied that this is adequate and that the sensitivities disclosed are appropriate.
Application of hedge accounting (group) *Refer to the accounting policy in note 2.18, the critical accounting estimates and judgements in note 3, and notes 23 for the Derivative financial instruments disclosure respectively.* On 28 April 2023 the group issued £550m of new bonds including €250m denominated in Euros. In order to hedge the currency and interest rate risk on these bonds the group entered into new derivatives contracts. The new contracts include an FX forward, cross currency swap, cap and collar and an FX option. They are deemed to be complex financial instruments. As a result the 31 December 2023 balance sheet includes an £8.7m financial derivatives liability. We focused on this area because of the inherent judgement in the application of hedge accounting. The judgements include an assumption over the expected settlement of the hedged item, the partial discontinuation of the FX Forward and rollover into the cross currency swap and judgements over the economic relationship at inception through the assessment of ineffectiveness.	We inspected management's hedge documentation and strategy at inception of the instruments along with the derivative agreements to verify the terms of the contracts. Given the inherent judgments involved, we reviewed management's assessment of the economic relationship and hedge documentation at inception to confirm the applicability of the hedge accounting. Our review included evaluating the hedge effectiveness assessment. We satisfied ourselves that the criteria for hedge accounting was met. We reviewed management's disclosures in the financial statements for appropriateness especially in relation to estimates and key judgements. We were comfortable with the presentation and disclosure of the judgements, estimates and required disclosures under the accounting standards. We engaged our PwC valuations specialists to assess the assumptions used in the valuation of the derivative instruments at the year end and perform a recalculation. Based on the evidence obtained, we are satisfied that the key judgements relating to the applicability of the hedge accounting are supportable and the disclosures are appropriate as at the balance sheet date.
Errors in the right of use assets and lease liabilities on additions, modification and remeasurement (group) *Refer to the accounting policy in note 2.8, the critical accounting estimates in note 3, and notes 16 and 21 for the right of use (ROU) asset and lease liability disclosure respectively.* The Group has £2,211.3m of ROU assets and £2,609.9m of Lease Liabilities as at 31 December 2023. The ROU asset and lease liability consists of c.600 hotels, with an average lease life between 25 and 35 years. During the contractual life of the lease, modifications are made to rent cost and/or lease life that impact the accounting treatment. During the year management modified 122 leases. There were also five additions of new hotels in the year. Subjectivity is inherent in the estimation involved when calculating the discount rate (IBR) applied to new and modified leases. The number of additions and modifications during the year has increased the risk of error due to the number of inputs involved in calculating the ROU asset and lease liability. The Group capitalises pre-opening costs for leases when appropriate, determining whether these are directly attributable to the lease or whether they meet the definition	We used our valuations specialists to assess the discount rate used to calculate the lease liabilities arising on new leases and from changes due to lease modifications. We satisfied ourselves that the assumptions used in the build up of the discount rate were reasonable. We evaluated the appropriateness of management's disclosures in relation to estimates and key judgements. We satisfied ourselves that any reasonable change in the discount rate that results in a material adjustment to the ROU asset and lease liability has been disclosed. We tested the accuracy of the inputs for a sample of lease additions, rent reviews and modifications and agreed these to the signed lease documents. We then reperformed a sample of the ROU asset and lease liability calculations and compared our results to the lease workings. We satisfied ourselves that there are no material differences arising from the recalculations.

Key audit matter	How our audit addressed the key audit matter
of other costs capitalised under property, plant and equipment. We focused on this area because of the judgements involved in the determination of the capitalisation criteria.	We tested a sample of the capitalised costs in the year to supporting evidence and assessed these against the capitalisation criteria listed in the accounting standards. We satisfied ourselves that the amounts capitalised under ROU were materially correct. Based on the evidence obtained, we are satisfied that the key judgements and estimates relating to the right of use of assets and lease liabilities and the associated disclosures are supportable.
Recoverability of the amounts owed by group undertakings (parent) *Refer to the accounting policy in note 2 and note 4 of the Parent Company financial statements for management's disclosure.* At the balance sheet date, the Company has amounts recoverable of £152.2m from other group undertakings (2022: £206.9m). We have focused our testing on the recoverability of this balance given this is a significant balance in the Parent Company financial statements. The carrying amount of the Parent Company's debtors represents 100% of the Parent Company's total assets (2022: 100%). Management performed a trigger assessment of the recoverability of the amounts owed by group undertakings, where they determined that no objective evidence of impairment existed.	Our audit procedures performed included assessing management's view of the recoverability of the amounts owed by group undertakings to understand the impairment risk associated with the receivables with respect to the requirements of FRS 102. We reviewed management's trigger assessment of the recoverability of the amounts owed by group undertakings to confirm that there was no objective evidence that an impairment exists. Based on the work performed, we did not identify any material misstatements relating to the recoverability of the carrying value of receivables from group undertakings at the balance sheet date.

How we tailored the audit scope

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

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls and the industry in which they operate. We have obtained 98% coverage over both Group revenue and (EBITDA adjusted).

We performed a full scope audit on the main UK trading entity Travelodge Hotels Limited.

We performed audit work over significant balances in the company (Thame and London Limited) and TVL Finance plc.

The impact of climate risk on our audit

In planning our work, we were mindful of the increased focus on the impacts of climate change risk on the companies and their financial reporting. As part of our audit we made enquiries of management to understand the process adopted to assess the extent of the potential impact of climate change on the Group's financial statements. The Directors consider that the impact of climate change does not give rise to a material financial statement impact. We used our knowledge of the Group to evaluate the Directors' assessment. We particularly considered how climate change risks could impact the assumptions made in the forecasts prepared by management and used in their impairment and going concern assessments. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit. Our procedures did not identify any material impact as a result of climate risk on the Group and parent company's financial statements.

Materiality

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

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

	Financial statements – group	**Financial statements - company**
Overall materiality	£6,000,000 (2022: £4,550,000).	£1,600,000 (2022: £2,099,000).
How we determined it	approximately 2.5% (2022: 0.5%) of EBITDA (adjusted) (2022: Consolidated revenue)	approximately 1% (2022: 1%) of Total Liabilities (2022: Total Liabilities)
Rationale for benchmark applied	EBITDA (adjusted) continues to be the focus for management and therefore we have determined this to be the most appropriate benchmark for materiality. This is a change from the prior year where revenue was used as a benchmark while the Group was still recovering from the impacts of the pandemic.	We believe that total liabilities is the key performance benchmark of the parent company, as it is a holding company for the group and does not trade.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The materiality allocated across components was £5,700,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £4,500,000 (2022: £3,410,000) for the group financial statements and £1,200,000 (2022: £1,574,000) for the company financial statements.

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £300,000 (group audit) (2022: £227,000) and £300,000 (company audit) (2022: £227,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- Critically assessing the assumptions within the models including assessing the historical accuracy of management's forecasts and obtained corroborating evidence for the assumptions used, including forecast revenue per available room (RevPAR);
- Evaluating the directors' assessment of the continuous demand for hotel accommodation, the potential impact of inflation, energy costs and the ability of the Group to manage costs, agreeing to third party evidence where available and ensuring they align to our understanding of the business;
- Obtaining and reviewing the Group's financing agreements;
- Performing independent sensitivity analyses to the severe but plausible case to assess the impact on liquidity headroom; and
- Confirming that consistent assumptions have been used across going concern, impairment and other key areas of estimation.

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, employment legislation and data protection legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as taxation legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate reported results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Evaluating management's controls designed to prevent and detect irregularities;
- Making enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in significant accounting estimates;
- Reviewing Board meeting and other minutes to identify any non-compliance; and
- Identifying and testing journal entries meeting certain criteria which included journal entries posted with unusual account combinations.

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Diane Walmsley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 March 2024

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023			2022		
		Underlying	Non-underlying	Total	Underlying	Non-underlying	Total
	Note(s)	£m	£m	£m	£m	£m	£m
Revenue	4	1,035.2	-	1,035.2	909.9	0.9	910.8
Operating Expenses	6, 8	(542.1)	(14.4)	(556.5)	(462.3)	(8.4)	(470.7)
Rent	6	4.8	0.9	5.7	3.4	(13.4)	(10.0)
Foreign exchange (losses)/gains		0.2	-	0.2	-	-	-
Other Income	6, 7	0.6	-	0.6	0.6	-	0.6
Depreciation & Amortisation	6, 8	(163.8)	-	(163.8)	(158.0)	-	(158.0)
Impairment reversal	6, 8	-	7.7	7.7			
(Loss)/Profit on disposal of fixed assets	8	(5.0)	0.3	(4.7)	(7.2)	(1.9)	(9.1)
Operating Profit / (Loss)	4	329.9	(5.5)	324.4	286.4	(22.8)	263.6
Finance Costs	8, 11	(295.1)	(4.2)	(299.3)	(262.7)	(3.3)	(266.0)
Finance Income	5(2)	7.9	0.8	8.7	1.9	-	1.9
Profit / (Loss) before Tax	4	42.7	(8.9)	33.8	25.6	(26.1)	(0.5)
Income Tax	12	7.9	1.7	9.6	(0.3)	0.1	(0.2)
Profit / (Loss) for the year		50.6	(7.2)	43.4	25.3	(26.0)	(0.7)

Non-underlying items are detailed as they relate to items that are considered to be significant in nature and quantum, and not in the normal course of business. See Note 8 for details (page 88).

The management measure for profitability is EBITDA (adjusted) and full details of how this is calculated are in the CFO report on page 11 and in the glossary of page 127.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	£m	£m
Profit/(Loss) for the year	43.4	(0.7)
Items that will subsequently be reclassified into profit and loss:		
Costs of hedging	(0.5)	-
Gains / (losses) on cash flow hedges	(4.2)	-
Currency translation differences	(0.1)	(0.1)
Total other comprehensive income/(expense) for the year	38.6	(0.8)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital	Other Reserves	Foreign Exchange Reserve	Cash Flow Hedge Reserve	Accum-ulated Losses	Total Equity
	£m	£m	£m	£m	£m	£m
At 1 January 2023	-	5.7	(0.1)	-	(755.0)	(749.4)
Profit for the year	-	-	-	-	43.4	43.4
Other comprehensive expense						
Currency translation differences	-	-	(0.1)	-	-	(0.1)
Costs of hedging	-	-	-	(0.5)	-	(0.5)
Gains / (losses) on cash flow hedges	-	-	-	(4.2)	-	(4.2)
Total comprehensive income/(expense)	-	-	(0.1)	(4.7)	43.4	38.6
Transactions with owners						
Recognition of share-based payments (note 26)	-	6.8	-	-	-	6.8
Total transactions with owners	-	6.8	-	-	-	6.8
At 31 December 2023	-	12.5	(0.2)	(4.7)	(711.6)	(704.0)

	Share Capital	Other Reserves	Foreign Exchange Reserve	Cash Flow Hedge Reserve	Accum-ulated Losses	Total Equity
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2022	-	-	-	-	(754.3)	(754.3)
Loss for the year	-	-	-	-	(0.7)	(0.7)
Other comprehensive expense						
Currency translation differences	-	-	(0.1)	-	-	(0.1)
Total comprehensive expense	-	-	(0.1)	-	(0.7)	(0.8)
Transactions with owners						
Recognition of share-based payments (note 26)	-	5.7	-	-	-	5.7
Total transactions with owners	-	5.7	-	-	-	5.7
At 31 December 2022	-	5.7	(0.1)	-	(755.0)	(749.4)

THAME AND LONDON LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	**2023** **£m**	**2022** **£m**
NON CURRENT ASSETS			
Intangible assets	14	153.5	154.3
Property, plant and equipment	15	149.8	120.6
Right of use assets	16	2,211.3	2,198.9
Deferred tax asset	24	15.8	4.7
		2,530.4	2,478.5
CURRENT ASSETS			
Inventory	17	1.8	1.7
Trade and other receivables	19	32.4	26.6
Current tax assets	12	0.9	-
Cash and cash equivalents	18	195.7	154.2
		230.8	182.5
TOTAL ASSETS		2,761.2	2,661.0
CURRENT LIABILITIES			
Trade and other payables	20	(156.4)	(161.6)
Corporate tax creditor	12	(1.4)	-
Lease liabilities	21	(81.9)	(46.5)
Provisions	0	(0.4)	(1.2)
		(240.1)	(209.3)
NON- CURRENT LIABILITIES			
Senior secured bond related debt	22	(533.8)	(499.5)
Investor loan	22	(152.2)	(206.9)
Lease liabilities	21	(2,528.0)	(2,492.8)
Provisions	0	(2.4)	(1.9)
Financial derivative liability	23	(8.7)	-
		(3,225.1)	(3,201.1)
TOTAL LIABILITIES		(3,465.2)	(3,410.4)
NET LIABILITIES		(704.0)	(749.4)
EQUITY			
Share capital	27	-	-
Other reserves	26	12.5	5.7
Cash flow hedge reserve		(4.7)	-
Foreign exchange reserve		(0.2)	(0.1)
Accumulated losses		(711.6)	(755.0)
TOTAL EQUITY		(704.0)	(749.4)

These financial statements on pages 70 to 119 were approved by the Board of Directors on 28 March 2024 and signed on their behalf by:

Aidan Connolly
Director

28 March 2024

Thame and London Limited Company registration number 08170768

THAME AND LONDON LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	£m	£m
CASH GENERATED FROM OPERATING ACTIVITIES (Note 3030)	479.1	483.2
Corporate tax	(1.7)	(3.6)
Net cash generated from operating activities	477.4	479.6
INVESTING ACTIVITIES		
Interest received	7.0	1.8
Purchases of property, plant and equipment and intangible assets	(81.0)	(74.8)
Net cash used in investing activities	(74.0)	(73.0)
FINANCING ACTIVITIES		
Finance fees paid	(2.6)	-
Interest paid	(49.9)	(42.7)
IFRS 16 lease rental capital payments	(50.8)	(52.9)
IFRS 16 lease rental interest payments	(208.3)	(194.4)
Issue of fixed rate notes	330.0	-
Issue of floating rate notes	219.3	-
Finance issue transaction costs	(20.4)	(3.3)
Investor loan repayment	(75.0)	-
Redemption of fixed rate bonds	(439.2)	-
Redemption of floating rate bonds	(65.0)	-
Repayment of revolving credit facility	-	(40.0)
Repayment of Super Senior Term Loan	-	(61.9)
Net cash from financing activities	(361.9)	(395.2)
Net increase in aggregate cash and cash equivalents	41.5	11.4
Cash and cash equivalents at beginning of the year	154.2	142.8
Cash and cash equivalents at end of the year	195.7	154.2

The Glossary on pages 125 to 134 demonstrates the reconciliation of the above measures to the alternative performance measures.

1 GENERAL INFORMATION

Thame and London Limited, ("the Company") is a private company limited by share capital and was incorporated in the United Kingdom on 7th August 2012. The Company is domiciled in the UK. The address of its registered office and principal place of business are disclosed in the Officers and Professional Advisors page on page 60. The Company acquired the Travelodge Hotels Limited business on 12th October 2012. The principal activities of the parent Company and its subsidiaries (together "the Group") are disclosed in the Directors' report.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Going concern

In assessing the appropriateness of the going concern assumption, the Board has considered the possible cash requirements of the Group and Company to the end of 2025, taking a balanced view from the cost of living crisis, current macro-economic environment and political pressures the range of trading outcomes and mitigating actions which could be taken.

Availability of funding

We completed a refinancing in April 2023, redeeming the senior secured floating and fixed rates due 2025 with new senior secured fixed (£330m) and floating rate (€250m) notes due 2028, alongside the revolving credit facility ("RCF").

There are currently no drawings under the Group's £50m RCF, which has quarterly springing net leverage covenant tests, and remains undrawn under both our base case and severe but plausible scenario.

Base case scenario

Our base case forecast, to the end of 2025, reflects a return to normal levels of trading, in line with historical trading patterns and the latest available external forecasts, and we expect to continue to outperform the competitive segment. Overall, we expect LfL RevPAR to be ahead of 2023 levels, with total revenue benefiting from new openings since 2023.

Our most significant cost is rent, with each lease reviewed on a five-yearly cycle in line with the relevant inflationary uplift, typically RPI or CPI, with a significant proportion having caps and collars in place. Other costs include wages, impacted by the National Living Wage, and are assumed to increase in line with the forecasts published by the Office for Budget Responsibility, with supply costs increased in line with inflation or specific supply chain increases. The majority of our energy costs are hedged giving greater certainty over our costs.

We consider the base case to be reflective of the range of outcomes we face and there are also a number of potential upsides and mitigations that have not been included, such as the potential for additional demand as a result of the cost of living crisis as customers continue to seek out good value, staycation demand, events and inbound demand.

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

Severe but plausible downside scenarios

Our performance could be influenced by the continued macro-economic uncertainty, including the cost of living crisis, and its potential impact on demand and consumer choices. Whilst there are a number of positive demand drivers the Board has therefore considered a severe but plausible downside scenario, considering a significant decline in RevPAR and higher inflation than the base case.

Our base case assumes moderate RevPAR growth vs 2023 and outperformance of the MS&E segment. The severe but plausible scenario assumes 2024 declines vs 2023 by 4%, which is more than half the decline experienced by the Midscale & Economy segment during the Global Financial Crisis, when the UK economy contracted by more than 4% points, which is significantly worse than current forecasts for UK GDP in 2024.Our base forecasts already include higher inflationary increases across the supply chain and contractually agreed costs for a number of significant supplies. Under our severe but plausible scenario, we consider the impact in the event that RPI and CPI were two percentage points higher than our base forecast 2024. The most significant cost impacted by higher inflation, in addition to the base forecast, is rent. Each lease is reviewed on a five-yearly cycle and this review cycle for the estate is broadly spread evenly over a five-year period, the impact against the base case to the end of 2025 as a result of higher inflation would increase rent by a limited amount due to the timings of reviews.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern (continued)

In this severe but plausible downside scenario and before potential mitigation which could reasonably be expected to be available, the group retains significant liquidity and complies with banking covenants.

Conclusion
Based on the above, taking account of current trading performance, reasonably possible changes in trading performance, and the contribution by Thame and London Limited to the recently completed hotel acquisition by the newly created Travelodge PropCo Group and future contributions in relation to the Spanish hotel acquisition, the Directors believe that it remains appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2.2 Basis of Accounting

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to the Group reporting under those standards as at 31 December 2023.

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

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

The Group's exposure to interest rate risk, credit risk, liquidity risk, currency risk and capital risk is discussed in note 20.

2.3 Changes in accounting policies

The accounting policies adopted in these consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements in 2022, except for the adoption of the new standards and policies applicable for 2023. The significant accounting policies adopted are set out below.

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 - disclosure of Accounting Policies
- Amendments to IAS 8 definition of Accounting Estimates.
- Amendments to IAS 12- Deferred Tax Related to Assets and liabilities Arising from a single Transaction.

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

2.4 New standards and interpretations not yet effective

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 Non-current Liabilities with Covenants – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Amendments to IAS 21 to clarify the accounting when there is a lack of exchangeability

2.5 Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Group and entities controlled by the Group and its subsidiaries up to 31 December 2023. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Uniform accounting policies are adopted across the Group.
The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or disposal, as appropriate.
All intra-Group transaction balances, income and expenses are eliminated on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Revenue recognition

The Group's principal performance obligation is to provide budget hotel accommodation and other goods and services to guests. Revenue includes rooms revenue, food and beverage sales, Wi-Fi and car park sales, which are recognised when the guests stay, net of trade discount and VAT. When payment is received at the time of room booking, prior to arrival date, a liability for prepaid room purchases is recognised and held on the balance sheet as a contract liability. Revenue is recognised when the customer stays. Stays that span multiple nights are spread across the stay. A proportion of the prepaid room purchases would be non-refundable on cancellation of the room booking, with revenue being recognised once the booking is cancelled or the stay date passes. Car park sales are recognised upon customer booking and are received

Note 4 discloses the disaggregated revenues of the Group, detailing the revenue from hotel accommodation and food and beverage, as well as Other revenue, which is predominantly franchise and management fees, which are recognised in line with accommodation revenue at the point of stay.

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

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

2.7 Non-underlying items

Management classify non-underlying items to be those that are considered to be significant in nature and quantum and not in the normal course of business or are consistent with items that were treated as non-underlying in prior periods. Separate presentation of these items is intended to enhance understanding of the financial performance of the Group in the particular year under review and the extent to which results are influenced by material, unusual and/or non-recurring events. Non-underlying items are separately disclosed in note 8.

2.8 Leasing

The Group's leasing activities and how these are accounted for

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The lease liability is reduced by the lease capital repayment portion of the rental. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

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

Extension and termination options
a) Lessee options
Due to a property lease term typically being for fixed periods between 25 years and 35 years lessee there is usually insufficient evidence to support the consideration of lease extension and termination options until 3 years prior to the termination date (in line with our 3 year planning process) unless commercial negotiations have commenced sooner.

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

As a lessee
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentives received. End of lease restoration costs are excluded from the initial cost as lease properties are continuously maintained and refurbished.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined by the contractual terms of the leases, taking into account break clauses and lease extension options as set out above. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Foreign currencies

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

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

2.10 Taxation

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

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

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

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

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

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

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

2.11 IT software

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

2.12 Brand

The brand name acquired through the acquisition of the Travelodge Hotels Limited business was assigned a fair market value at the date of acquisition. The value for the brand name was derived by estimating the amount of royalty income that could be generated from the brand name if it was owned by an independent third-party using a royalty rate Travelodge Hotels Limited would expect to receive on forecast future revenues. This is considered to be the fair value. The resulting cash flow was discounted to the acquisition date using the Group's pre-tax weighted average cost of capital.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained indefinitely and is therefore not amortised. The Group supports the value of the brand name through investment in consumer marketing and advertising, public relations and hotel maintenance and refurbishment across the business. The value of the brand name is reviewed annually for impairment.

The brand name is considered a corporate asset by the Group. For the purposes of impairment testing the Group concluded that it is not possible to allocate out the value of the asset accurately across the individual cash-generating units of the Group and instead has been considered across the total combined cash generating units. The Group views the smallest possible cash-generating unit as each individual hotel. Please refer to note 14 for additional details.

2.13 Property, plant and equipment

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

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

- Freehold land is not depreciated.
- Freehold buildings are depreciated to their estimated residual values over periods up to fifty years.
- Long leasehold buildings are depreciated to their estimated residual values over fifty years or, where shorter, their remaining lease periods.
- Fixtures and fittings are depreciated over five years for plant and machinery, fixtures, fittings, equipment and over three years for information technology hardware.
- Assets under construction are not depreciated.

2.14 Assets under construction

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

2.15 Impairment of tangible and intangible assets

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

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

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

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

2.16 Inventory

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

2.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Items held at fair value in the financial statements include derivative financial instruments, brand name and financial liabilities including borrowing.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Derivative financial instruments and hedge accounting

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

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Derivatives are initially recognised at fair value (Note 2.16) on the date on which a derivative contract is entered into and subsequently at fair value. In the absence of quoted prices, the fair value of the derivative is estimated using external market information from bank institutions and derivatives markets participants, and using market accepted methodologies based on discount of future cash flows and option valuation models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The use of financial derivatives is governed by the Group’s policies approved by the Board of Directors, which provides written principles on the use of financial derivatives. Hedge relationships are designated and documented at inception, together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or forecast transaction, the nature of the risk being hedged, how management will assess hedge effectiveness, the hedge ratio and sources of hedge ineffectiveness.

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

The fair value of the derivative financial instruments are re-measured at the balance sheet date, considering the credit risk of both counterparties to the transaction, and any changes in the fair value that are designated and effective as hedges of future cash flows are recognised in other comprehensive income and the ineffective portion is recognised immediately in the income statement. The Group applies cash flow hedge accounting when hedging variable interest rate and/or currency risks on floating rate finance debt denominated in local currency or foreign currency respectively.

Hedge accounting is discontinued when the hedging relationship ceases to meet the qualifying criteria. This includes when the risk management objective changes or when the hedging instrument is sold, terminated or exercised.

Amounts reported in other comprehensive income are reclassified to the income statement when the hedged transaction affects profit or loss. As well, the Group considers time value of options and “currency basis” of derivative instruments as “cost of hedging” under IFRS9, deferring into other comprehensive income their “aligned” amount.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments. Cash equivalents such as money market funds, short term deposit and credit card debtors are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.20 Financial liabilities and equity

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

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial assets and liabilities are presented gross in the balance sheet unless the Group has a legally enforceable right to offset them. A right of set off is the Group's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty.

Financial liabilities such as the external bonds were reviewed to ensure they were fully extinguished and not a modification of the previous bonds by using the qualitative test to test for significant change.

2.21 Trade payables

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

2.22 Pension costs

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

2.23 Provisions

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

2.24 Ordinary share capital

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

2.25 Share Based Payments

The company's ultimate parent company, Anchor Holdings S.C.A. ("Anchor"), has issued share capital to management of the company under a Management Incentive Plan ("MIP"). Management will only receive value from their shareholding if there is an exit event and they remain in employment by the company or another group company at the date of exit. The arrangement represents an equity-settled share-based payment. If an exit event occurs and the sale proceeds are insufficient to cover management's entitlement on the exit event, the company is obligated to settle the arrangement. This arrangement represents a cash-settled share-based payment.

The company has issued warrants to a small group of employees for the option to acquire share capital in Anchor on an exit event. The employees will only receive value from their shareholdings if there is an exit event and they remain in employment by the company or another group company at the date of exit. The arrangement constitutes an equity-settled share-based payment. If an exit event occurs and the sale proceeds are insufficient to cover the employee's entitlement on the exit event, the company is obligated to settle the arrangement. This arrangement represents a cash-settled share-based payment.

Equity-settled

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using a Binomial Lattice model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Based Payments (continued)

The expense in relation to options over Anchor's shares granted to employees of the company is recognised by the company as a capital contribution.

Modifications and cancellations

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions (the "original fair value") and under the modified terms and conditions (the "modified fair value") are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Cash-settled

For cash-settled share-based payments the goods or services received are measured at fair value with a corresponding liability which is remeasured to fair value at each reporting date. Changes in fair value are recognised through profit or loss.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

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

Critical Accounting Judgements

Impairment Reversals
Management has reviewed impaired sites to determine if they meet the trigger requirement for a reversal assessment. Judgement has been used in defining the trigger, which is consistent outperformance of financial plans over more than one year. Management deems this judgement to be appropriate as it demonstrates that a site has consistently exceeded the expectation within the financial plans of the business which were used to indicate impairment in the first instance, and as such, gives a strong indication of a turnaround in future performance.

Between 2020 and 2021, impairments across 38 sites were recognised as a result of the reduced profitability of the hotels during the period of government restrictions. As a result of the assessment, 36 sites were reversed, to the value of £7.7m.

Brand life
The Group uses judgement to determine that the value of the brand name will be maintained indefinitely and is therefore not amortised. Management has used judgement to determine that the brand name will contribute to cash flows indefinitely, given its strength and longevity, which was first introduced into the UK in 1985.

Hedge Accounting
The Group carries out an assessment of the value of the derivatives. The key assumption about the future value is based on future currency exchange rates and interest rates, and Management applies judgement over the effectiveness of the derivative which is based on hypothetical forward rates. Determining the credit valuation adjustment ("CVA") / debit valuation adjustment ("DVA") when valuing the cross currency swap required application of management judgement to determine the appropriate valuation technique and suitable spread.

Estimates and judgements are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

3 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES (continued)

Critical Accounting Estimates

Discount rate - Leases
Management uses estimation in determining the appropriate discount rates to apply when new leases are entered into and lease modifications are calculated.

If a 2.25% point increase or deduction in discount rate was applied across the Travelodge Hotels Limited estate the total value of Right of use assets and Lease liabilities will decrease by £393m or increase by £517m respectively.

Share Based Payments
Vesting for the Management Incentive Plan is estimated to be 3 years from the first date of issue (June 2022). If the vesting period was only 2 years, the Share Based Payment charge in 2023 would increase by £3.6m. If the vesting period extended to 4 years, the Share Based Payment charge in 2023 would decrease by £1.7m.

Deferred Tax Asset

Tax assets are not recognised unless it is probable they will result in future economic benefit to the Group.

Management has estimated the extent to which deferred tax assets are recoverable, utilising Board approved forecasts as a base for future taxable income, against which the deferred tax asset can be offset.

The total available deferred tax asset is £91.3m (net of deferred tax liabilities), of which £15.8m has been recognised. The available deferred tax assets to the Group include those derived from historical losses in the UK of £56.3m, of which £20.1m has been recognised. The use of these UK losses is unrestricted. In a business like Travelodge with short lead time booking patterns, long term forecasting is inherently more uncertain. As a result, risk-weighted scenarios have been applied to the Board approved forecasts when estimating the amount of deferred tax asset to recognise. These scenarios reduce forecast revenue growth, and the most conservative scenario considered would reduce the deferred tax asset recognised to £4.9m, and the most optimistic would recognise a deferred tax asset of £36.1m.

The scenario which has been chosen to estimate the recognised deferred tax asset reduces RevPAR growth from year 2 onwards in a 5 year forecast. It also reduces volume growth by reducing the forecast number of hotel openings across that period. Based on this scenario, the available deferred tax asset would take 11 years to be fully utilised, assuming that the forecast taxable income from year 5 onwards remains at year 5 levels.

A 2%pt increase in assumed RevPAR growth from year 2 onwards on the risk weighted model used to determine the deferred tax asset results in a £17m increase in the deferred tax asset recognised.

Hedging and Derivatives
The hedged item is measured on a present value basis and as such is subjected to changes in future interest rates and exchange rates and the derivative valuation is provided by the financial intermediary to the arrangement. There is potential for differences to arise between the estimates used to determine the valuation of the hedged item and the derivative, although as both are based on future market yields, Management believe that the potential exposure is immaterial as shown in the sensitivity analysis on Derivative Liabilities in Note 23.

4 DISAGGREGATED REVENUE DISCLOSURES

	2023			**2022**		
	UK	**International**	**Total**	**UK**	**International**	**Total**
	£m	£m	£m	£m	£m	£m
Revenue[(1)]	1,016.5	18.7	1,035.2	896.0	14.8	910.8
Operating profit/(loss)[(2)]	318.0	6.4	324.4	259.0	4.6	263.6
Profit/(loss) before tax[(3)]	30.2	3.6	33.8	(1.8)	1.3	(0.5)

(1) UK Revenue includes £nil (2022: £0.9m) of non-underlying revenue relating to the release of expired vouchers issued in relation to cancelled stays during periods of lockdown.

(2) UK Operating profit/(loss) includes a £5.5m loss (2022: £22.8m loss) on non-underlying items.

(3) UK profit/(loss) before tax includes a £8.9m loss (2022: £26.1m loss) on non-underlying items.

	2023	**2022**
	£m	£m
Revenue from accommodation related sales[(1)]	971.1	857.9
Revenue from food and beverage sales	61.6	49.7
Other Revenue [(2)]	2.5	2.3
Underlying Revenue	**1,035.2**	**909.9**
Release of expired vouchers issued in relation to cancelled stays during periods of lockdown	-	0.9
Total Revenue	**1,035.2**	**910.8**

(1) Accommodation related sales includes Wi-Fi and car parking sales

(2) Other revenue includes revenue from franchise fees and managed hotels

5 ANALYSIS OF ASSETS AND LIABILITIES BY GEOGRAPHICAL REGION

	2023				2022			
	UK	International	Unallocated	Total	UK	International	Unallocated	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Property, plant and equipment	147.7	2.1	-	149.8	120.1	0.5	-	120.6
Right of use assets	2,181.7	29.6	-	2,211.8	2,170.0	28.9	-	2,198.9
Intangible assets	153.5	-	-	153.5	154.3	-	-	154.3
Deferred tax asset	11.1	4.7	-	15.8	-	4.7	-	4.7
Financial derivative asset	-	-	-	-	-	-	-	-
Inventory	1.8	-	-	1.8	1.7	-	-	1.7
Trade and other receivables	29.8	2.6	-	32.4	25.2	1.4	-	26.6
Corporation tax debtor	0.9	-	-	0.9	-	-	-	-
Cash and cash equivalents	190.2	5.5	-	195.7	150.5	3.7	-	154.2
Total assets	2,716.7	44.5	-	2,761.2	2,621.8	39.2	-	2,661.0
Liabilities								
Lease liabilities	(2,574.0)	(35.9)	-	(2,609.9)	(2,504.7)	(34.6)	-	(2,539.3)
Trade and other payables	(154.1)	(2.3)	-	(156.4)	(158.8)	(2.8)	-	(161.6)
Senior secured bond related debt	-	-	(533.8)	(533.8)	-	-	(499.5)	(499.5)
Corporation tax creditor	(1.4)	-	-	(1.4)	-	-	-	-
Super senior term loan	-	-	-	-	-	-	-	-
Investor loan	-	-	(152.2)	(152.2)	-	-	(206.9)	(206. 9)
Provisions	(2.8)	-	-	(2.8)	(3.1)	-	-	(3.1)
Financial derivative liability	-	-	(8.7)	(8.7)	-	-	-	-
Total liabilities	(2,732.3)	(38.2)	(694.7)	(3,465.2)	(2,666.6)	(37.4)	(706.4)	(3,410.4)

6 OPERATING EXPENSES

	2023 £m	2022 £m
Cost of goods sold	58.5	48.2
Employee costs (note 9) [3]	245.5	213.2
Fees payable to the Company auditors		
- audit for the parent company and consolidated financial statements	0.3	0.3
- audit fee for subsidiaries	0.2	0.2
Utilities (energy and water)	43.6	31.9
Business rates	33.8	37.9
Other hotel costs[5]	38.0	26.5
Other site insurance costs	9.5	8.8
Other operating expenses[2]	127.1	103.7
Operating expenses	556.5	470.7
Rent (receivable)/payable (third party landlords)[1]	(0.2)	13.6
Rent receivable[4]	(5.5)	(3.6)
Net rent	(5.7)	10.0
Other income (note 7)	(0.6)	(0.6)
Depreciation	160.1	154.1
Amortisation	3.7	3.9
Reversal of impairment of property plant & equipment and right of use assets[2]	(7.7)	-
Depreciation, amortisation and impairment reversals	156.1	158.0
Loss on disposal of fixed assets[2]	4.7	9.1
Total	711.0	647.2

(1) Rent (receivable)/payable of £(0.2)m (2022: £13.6m) relates to £nil (2022: £0.2m) of variable lease payments that are not included within right of use assets, £(0.2)m accrued rent payment in relation to the CVA (2022: £13.4m, note 8) and £nil (2022: £0.2m credit) relating to temporary rent reductions in Spain (note 16).

(2) Other Operating Expenses includes marketing expenses, IT system costs, booking commissions and fees, professional fees and security.

(3) Employee costs includes £14.4m of non-underlying items (note 8) in relation to the Share Based Payment charge for the 2022 management incentive programme, and bonus payments in relations to the group debt refinancing.

(4) Rent receivable relates to sublet income.

(5) Other hotel costs include maintenance costs, cleaning materials and equipment, refuse and hotel project costs.

The Group benefited approximately £nil (2022: £1.0m) from the hospitality business rates holiday, this applied only to Scottish and Welsh sites up to the end of March 22, in England there was no business rates holiday in 2022. The Group received Covid-19 business grants of c. £nil (2022: c. £2.0m), recognised within Business rates within Operating Expenses in the year of receipt.

7 OTHER INCOME

	2023 £m	2022 £m
Other income[1]	0.6	0.6
Total Other Income	0.6	0.6

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

8 NON-UNDERLYING ITEMS

	2023	2022
	£m	£m
Release of expired vouchers issued in relation to cancelled stays during periods of lockdown	-	0.9
Revenue	**-**	**0.9**
Share based payment scheme	(7.0)	(5.7)
Bonus amounts paid in relation to refinancing the Group's debt	(7.4)	-
Management incentive scheme professional fees	-	(1.2)
Compensation for loss of office	-	(1.5)
Operating income / (expenses)	**(14.4)**	**(8.4)**
CVA excess cumulative EBITDA rent payment	0.9	(13.4)
Rent	**0.9**	**(13.4)**
Reversal of impairment of property plant & equipment and right of use assets	7.7	-
Depreciation, amortisation & impairment	**7.7**	**-**
Profit /(Loss) on disposal of assets	0.3	(1.9)
Profit /(Loss) on disposal of assets	**0.3**	**(1.9)**
Total non-underlying operating credit	**(5.5)**	**(22.8)**
Early settlement fees on super senior term loan	-	(3.3)
Bond refinancing fees	(4.2)	-
Finance costs	**(4.2)**	**(3.3)**
Discount on bond repurchase	0.8	-
Finance income	**0.8**	**-**
Total non-underlying debit (before taxation)	**(8.9)**	**(26.1)**
Provision for estimated tax liability	-	0.1
Total non-underlying debit	**(8.9)**	**(26.0)**
Corporation tax benefit of non-underlying debit	1.7	-
Total non-underlying impact	**(7.2)**	**(26.0)**

Non-underlying items (before taxation) were a net charge of £8.9m for the year ended 31 December 2023 (31 December 2022: charge of £26.1m). The Group's policy in respect of non-underlying items is described in Note 2.

8 NON-UNDERLYING ITEMS (continued)

Within Operating Expenses, there are non-underlying charges of £7.4m for employee bonuses in relation to the bond refinancing in the year (not in the ordinary course of business and not a recurring cost) and £7.0m relating to the management incentive plans issued in 2022. The incentive plans are considered to be non-underlying given they are a one-off issuance and the timing and value of the vesting are linked to an exit event, the timing of which is uncertain.

In 2022, £13.4m was accrued in the accounts to pay Eligible Compromised Landlords under the CVA. A payment of £12.4m was made in April 2023. The unutilised balance of £0.9m was released in the year with £0.1m remaining on balance sheet for amounts still due. This is non-underlying, given it is a non-recurring, one off event linked to the 2020 CVA and not representative of the normal course of business.

During 2020 and 2021, we impaired the assets of a number of hotels due to the significant downturn in performance and a reduced forecast of future profitability. We have reassessed these hotels in 2023, given the turnaround in performance seen consistently over the past 2 years, and we have reversed impairments to the value of £7.7m. The impairment and subsequent reversal only occurred to a select number of properties and do not take place regularly, leading them to be reported as non-underlying items.

Non-cash gain on disposal of assets of £0.3m relates to the forced closure of our hotel in Bedford Wyboston following a compulsory purchase order from National highways to allow for the building of a new road in the area which is considered to be non-underlying as it is not in the normal course of business.

In finance costs, a £2.8m charge in respect of early settlement fees on the repayment of the fixed and floating bonds incurred when the loan was settled in April 2023 (see Note 20). The early repayment of the bonds is a one off event that would not be a normal course of action and is therefore non-underlying in nature. The refinancing process incurred associated costs of £1.4m which are considered non-underlying. The repurchase of £15.8m nominal value bond debt in January 2023 achieved a discount of £0.8m which is not considered in the normal course of business and is therefore non-underlying in nature.

Non-underlying items (before taxation) were a net charge of £26.1m for the year ended 31 December 2022, being the CVA accrued cost of £13.4m, a £1.9m loss on disposal of assets where break clauses were instigated as a direct result of the CVA, a £0.9m revenue credit from the release of expired vouchers issued in relation to cancelled stays during periods of lockdown and a £8.4m charge from other provision reassessments (including legal and advisors' fees and management incentives relating to the restructuring of the Group's debt and other non-underlying corporate activities provisions). Finance costs of £3.3m where in respect of early settlement fees incurred on the super senior term loan when it was settled in October 2022.

9 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	2023 £m	2022 £m
Directors' emoluments		
Directors' emoluments	7.4	3.0
Fees	-	-
Pension costs	-	-
Share Based Payments	4.2	2.4
Compensation for loss of office	-	3.6
Total	11.6	9.0
Includes:		
Remuneration of the Chairman	3.1	2.4
Remuneration of the highest paid Director	3.7	4.1

	2023 Number	2022 Number
Number of Directors accruing benefits under the defined contribution scheme	-	-

	2023 £m	2022 £m
Employees costs during the year (including Directors)		
Wages and salaries	219.9	191.3
Social security costs	13.3	11.6
Other pension costs	5.3	4.6
Cost of employee share scheme (Note 26)	7.0	5.7
Total employee costs	245.5	213.2

In 2023, £4.3m of directors' emoluments (which exclude employer's national insurance) (2022: £nil) was in respect of incentives paid in relation to the refinancing and other exceptional corporate activities, which have been charged to non-underlying items (together with employer's national insurance).

Number of Directors who received shares under long term incentive schemes was 3 (2022: 3).

Number of Directors who exercised share options during the year was nil (2022: nil).

One of the non-executive directors of the Group is remunerated at the direction of the ultimate owner.

Equity Share Based Payment charges of £7.0m (2022: £5.7m), have arisen due to the Management Incentive Plan introduced in 2022 (further described in Note 26). The amount attributable to the highest paid director in the year was £1.1m.
During the prior year the Group extended non-interest bearing loans to participants in its Management Incentive Plan, to the total value of £1.5m (£1.2m of which was to related parties, Note 26).

In 2023, £3.2m (2022: £3.0m) of employee costs were capitalised during the year in respect of employees working on IT and hotel refit capital projects.

9 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

		2023 Number	2022 Number
Average FTE number of persons employed[1]			
Monthly			
	- UK	1,709	1,584
	- International	86	75
		1,795	1,659
Weekly			
	- UK	6,314	6,248
	- International	-	-
		6,314	6,248
		8,109	7,907

		2023 Number	2022 Number
Total number of persons employed[2]	- UK	12,891	12,206
	- International	96	81
		12,987	12,287

The total number of employees at the year ended 31 December 2023 includes all employees whether full time or part time. The average FTE number of employees has been calculated as the average FTE number of people who were included on the Group's payroll during the year.

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

10 FINANCE INCOME

	2023			2022		
	Received	Accrued	Total	Received	Accrued	Total
	£m	£m	£m	£m	£m	£m
Interest on bank deposits	7.0	0.8	7.8	1.3	0.5	1.8
Interest on related party loans (note 26)	-	0.1	0.1	-	0.1	0.1
Discount on bond repurchase	0.8	-	0.8	-	-	-
Finance income	7.8	0.9	8.7	1.3	0.6	1.9

11 FINANCE COSTS

	2023	2022
	Total	**Total**
	£m	**£m**
Finance fees	11.3	5.2
Interest on bank loans	1.4	7.2
Swap interest	2.1	-
Interest on fixed and floating rate bonds	50.8	35.6
Interest on lease liabilities	209.2	194.4
Finance costs before interest on investor loan - underlying	274.8	242.4
Interest on investor loan	20.3	20.3
Finance costs - underlying	295.1	262.7
Non-underlying items:		
Fees in relation to refinancing of debt	4.2	3.3
Finance costs	299.3	266.0

12 INCOME TAX

	2023 £m	2022 £m
Current tax		
Current tax on profits for the year	2.3	1.0
Adjustment in respect of previous years	(0.8)	-
Provision for uncertain tax position	-	(0.1)
	1.5	0.9
UK corporation tax	1.2	0.7
Foreign tax	0.3	0.2
Total current tax (credit) / charge	1.5	0.9
Deferred tax		
Current year (credit) / charge	(7.6)	(0.7)
Effect of change in tax rate	(3.5)	-
Total deferred tax (credit) / charge (note 24)	(11.1)	(0.7)
Income tax charge	(9.6)	0.2

The main rate of UK corporation tax was 23.52% (2022: 19.0%) being a blended rate due to the change in tax rate substantially enacted in April 2023 which increased the rate of corporation tax to 25% as at the balance sheet date.

Deferred tax balances have been measured at a rate of 25.0% (2022: 25.0%), being the rate applicable at the balance sheet date and the rate at which the deferred tax is expected to unwind.

Current corporation tax is calculated at 23.52% (2022: 19.0%) of the estimated assessable profit for the year.

12 INCOME TAX (continued)

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

	2023 £m	2022 £m
Profit / (loss) before tax	33.8	(0.5)
Tax at the UK corporation rate of 23.52% (2022: 19.0%)	8.0	(0.1)
Tax effect of:		
Items not deductible for tax purposes	7.4	1.9
Losses where no DTA is recognised	(20.7)	(0.9)
Adjustment in respect of previous years	(0.8)	-
Effect of change in tax rate	(3.5)	-
Effect of overseas tax rates	-	0.0
Provision for uncertain tax position	-	(0.1)
Other	-	(0.6)
Income tax charge for the year	(9.6)	0.2

The deferred tax credit arising is comprised as follows:

	Intangible and Right of Use assets	Tax losses and hold-over relief	Accelerated tax depreciation	Total
2023	**£m**	**£m**	**£m**	**£m**
(Credit)/ charge due to movement in the year (note *24*)	(1.9)	(20.1)	10.9	(11.1)
(Credit)/ charge to income statement	**(1.9)**	**(20.1)**	**10.9**	**(11.1)**
2022				
(Credit)/ charge due to movement in the year (note *24*)	3.5	0.3	(3.1)	0.7
(Credit)/ charge to income statement	**3.5**	**0.3**	**(3.1)**	**0.7**

There was a non-underlying tax credit of £0.1m in the year ended 31 December 2022 in respect of a provision set up for the estimated liability arising from settlement of an HMRC enquiry into prior period.

13 SUBSIDIARIES

The subsidiaries of the Group are listed below.

2023 & 2022				
Name of subsidiary undertaking	**Registered address**	**Business description**	**Country of Incorporation**	**% of equity held**
Travelodge Hotels Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Trading Company	Great Britain	100
Travelodge Hoteles Espana SL	Calle Santa Leonor, 34, 28037, Madrid, Spain	Trading Company	Spain	100
Full Moon Holdco 4 Limited*	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 5 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 6 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Full Moon Holdco 7 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
TVL Finance PLC	47 Esplanade, St Helier, Jersey, JE1 0BD	Financing Company	Jersey	100
TLLC Holdings2 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Holding Company	Great Britain	100
Travelodge Holdings (Malta) Limited	The Landmark, Level 1, Suite 2, Triq L-Iljun, Qormi QRM3800, Malta	Holding Company	Malta	100
FullMoonPropco1 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Trading Company	Great Britain	100
Travelodge Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Dormant Company	Great Britain	100
TLLC 2018 Limited	Sleepy Hollow, Aylesbury Road, Thame, Oxon, OX9 3AT	Dormant Company	Great Britain	100

* Directly owned
All shares held are ordinary shares

The following UK subsidiaries will take advantage of the audit exemption set out in section 479A of the Companies Act 2006 for the year ended 31 December 2023. In addition as dormant companies, Travelodge Limited and TLLC 2018 Limited claim exemption for preparing individual accounts under section 394A and filing individual accounts under section 448A of the Companies Act 2006 for the year ended 31 December 2023.

The Company will guarantee the debts and liabilities of the following UK subsidiary undertakings at the balance sheet date in accordance with section 479C of the Companies Act 2006. The Company has assessed the probability of loss under the guarantee as remote.

Name of subsidiary undertaking	**Company number**
Full Moon Holdco 4 Limited	05893849
Full Moon Holdco 5 Limited	05893854
Full Moon Holdco 6 Limited	05893977
Full Moon Holdco 7 Limited	09657187
TLLC Holdings2 Limited	04588957

14 INTANGIBLE ASSETS

Intangible assets 2023:	Brand[1]	Assets under construction[2]	IT Software[3]	Total
	£m	£m	£m	£m
Cost				
At 1 January 2023	145.0	3.2	12.6	160.8
Additions - Capital expenditure	-	1.8	1.1	2.9
Transfers between categories	-	-	-	-
Write off fully depreciated assets	-	-	(1.3)	(1.3)
At 31 December 2023	145.0	5.0	12.4	162.4
Accumulated amortisation				
At 1 January 2023	-	-	(6.5)	(6.5)
Charge for the year	-	-	(3.7)	(3.7)
Write off fully depreciated assets	-	-	1.3	1.3
At 31 December 2023	-	-	(8.9)	(8.9)
Carrying amount				
At 31 December 2023	145.0	5.0	3.5	153.5
At 31 December 2022	145.0	3.2	6.1	154.3

Intangible assets 2022:	Brand[1]	Assets under construction[2]	IT Software[3]	Total
	£m	£m	£m	£m
Cost				
At 1 January 2022	145.0	2.6	14.1	161.7
Additions - Capital expenditure	-	6.7	-	6.7
Transfers between categories	-	(6.1)	3.3	(2.8)
Write off fully depreciated assets	-	-	(4.8)	(4.8)
At 31 December 2022	145.0	3.2	12.6	160.8
Accumulated amortisation				
At 1 January 2022	-	-	(7.5)	(7.5)
Charge for the year	-	-	(3.8)	(3.8)
Write off fully depreciated assets	-	-	4.8	4.8
At 31 December 2022	-	-	(6.5)	(6.5)
Carrying amount				
At 31 December 2022	145.0	3.2	6.1	154.3
At 31 December 2021	145.0	2.6	6.6	154.2

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

(2) Assets under construction predominantly consists of costs in relation to investment in IT software. Once complete the costs are transferred to the appropriate asset category.

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

14 INTANGIBLE ASSETS (continued)

The brand name acquired through the acquisition of the Travelodge Hotels Limited business was assigned a fair market value at the date of acquisition. The value of the brand name is reviewed annually for impairment. This is derived by estimating the amount of royalty income that could be generated from the brand name if it was owned by an independent third party using a royalty of 4.0% on forecast future revenues, which is considered to be the fair value at the balance sheet date. The sales forecast is based on the Board approved five-year plan for the period 2024 - 28 and an estimated long term growth rate of 2.0% (2022: 2.0%). The estimated tax impact on the future cash flows has been deducted. The cash flows are taken into perpetuity. The key assumptions are consistent with past experience and with external sources of information. This is discounted from the pre-tax weighted average cost of capital of 9.2% (2022: 8.9%) which is calculated using the Capital Asset Pricing Model and referencing inputs from a portfolio of similar hotel businesses. The Group considers the value of the brand name, which was first introduced into the UK in 1985, will be maintained indefinitely and is therefore not amortised. A sensitivity was performed and confirmed that the royalty rate could be reduced to 0.8% (2022: 0.9%) or the discount factor rate would need to increase to 26.7% (2022: 30.4%) before an impairment is triggered.

No impairments of brand name were recorded in 2023 or 2022.

Other than brand, there are no intangible assets with indefinite lives. IT Software has been assessed as having finite lives and are amortised under the straight – line method over three years from the date the asset became fully operational.

15 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment - 2023	Assets under construction(1) £m	Freehold land, freehold and long leasehold buildings(2) £m	Fixtures and fittings(3) £m	Total £m
Cost				
At 1 January 2023	6.0	1.8	216.5	224.3
Additions - Capital expenditure	76.4	-	1.3	77.7
Movement on capital creditors(4)	4.8	-	(5.1)	(0.3)
Transfers	(67.2)	-	67.2	-
Write off fully depreciated assets	-	-	(49.4)	(49.4)
Disposals	-	-	(12.1)	(12.1)
At 31 December 2023	20.0	1.8	218.4	240.2
Accumulated depreciation				
At 1 January 2023	-	(0.2)	(103.5)	(103.7)
Charge for the year	-	-	(43.3)	(43.3)
Write off depreciation on fully depreciated assets	-	-	49.4	49.4
Disposals	-	-	6.6	6.6
Impairment reversal	-	-	0.6	0.6
At 31 December 2023	-	(0.2)	(90.2)	(90.4)
Carrying amount				
At 31 December 2023	20.0	1.6	128.2	149.8
At 31 December 2022	6.0	1.6	113.0	120.6

Property, plant and equipment - 2022	Assets under construction(1) £m	Freehold land, freehold and long leasehold buildings(2) £m	Fixtures and fittings(3) £m	Total £m
Cost				
At 1 January 2022	2.2	1.8	203.8	207.8
Additions - Capital expenditure	68.0	-	0.2	68.2
Movement on capital creditors(4)	-	-	2.6	2.6
Transfers	(64.2)	-	64.3	0.1
Write off fully depreciated assets	-	-	(34.1)	(34.1)
Disposals	-	-	(20.3)	(20.3)
At 31 December 2022	6.0	1.8	216.5	224.3
Accumulated depreciation				
At 1 January 2022	-	(0.2)	(105.1)	(105.3)
Charge for the year	-	-	(45.0)	(45.0)
Write off depreciation on fully depreciated assets	-	-	34.1	34.1
Disposals	-	-	12.5	12.5
Impairment	-	-	-	-
At 31 December 2022	-	(0.2)	(103.5)	(103.7)
Carrying amount				
At 31 December 2022	6.0	1.6	113.0	120.6
At 31 December 2021	2.2	1.6	98.7	102.5

(1) Assets under construction predominantly consists of on-going capital maintenance and refit projects. Once complete the costs are transferred to the appropriate asset category.
(2) Freehold, freehold and long leasehold buildings includes freehold land stated at cost of £20,100 (2022: £20,100) which is not depreciated. Freehold land and long leasehold properties are stated at cost. Depreciation is provided on cost in equal annual instalments over the estimated remaining useful lives of the assets.
(3) Fixtures and fittings are initially measured at cost and are depreciated over 3 to 5 years.
(4) Movement on capital creditors represents the year on year movement in accrued capital expenditure at year end.

15 PROPERTY, PLANT AND EQUIPMENT (continued)

In line with its accounting policy, the Group assesses the carrying value of all cash generating units (CGU), which would include individual hotels, where there are indications of potential impairment. Impairment reviews are performed annually at the Group's year end of 31 December. The Group considers each trading site to be a CGU. A trading site will offer a combination of accommodation and food and beverage services. Some trading sites provide food and beverage services only. In assessing whether an asset has been impaired, the carrying value of the CGU is compared with its recoverable amount. The recoverable amount is the higher of its value in use and its fair value less costs of disposal and this is calculated for each site at year end.

In order to form an estimate of the fair value, the Company prepares cash flow forecasts derived from the most recent financial budgets and financial plans approved by the Directors and extrapolates cash flows beyond this time based on an estimated long term growth rate of 2.0% (2022: 2.0%). The key assumptions are consistent with past experience and with external sources of information. Reviews are performed on a site by site basis over the length of the lease. The Directors have considered the Company's financial projections and the assumptions which underpin those projections including future growth of the budget hotel sector, brand demand and occupancy.

The financial projections include the expected estimated cash outflows in order to meet the Group’s net zero commitment by 2050. The impact of climate change initiatives are considered to be immaterial in the short to medium term.

The discount rate assumption has been calculated with reference to the market-weighted average pre-tax cost of capital based on a portfolio of similar hotel businesses using the Capital Asset Pricing Model as a starting point. As permitted by IAS 36, this is then adjusted to reflect the estimated incremental borrowing cost of leasing for each asset based on market rates at the date of the review, in line with the methodology for assessing the variation in the discount rate by asset used to calculate the discount rate which has been used to derive the lease liabilities included on the balance sheet as a result of IFRS 16. This resulted in a weighted average pre-tax discount rate of 9.2% (2022: 8.9%).

As a result of this review, an impairment charge of £nil (2022: £nil) has been made in the year and £0.6m (2022: £nil) of the previously recognised impairment has been reversed.

16 RIGHT OF USE ASSETS

An analysis of Right of use assets for 2023 is given below:

	Property £m	Total £m
Cost		
At 1 January 2023	3,030.4	3,030.4
New leases (1)	19.9	19.9
Rent reviews and adjustments	103.3	103.3
Disposals	(0.8)	(0.8)
Foreign Exchange Translation Adjustment	(0.8)	(0.8)
At 31 December 2023	3,152.0	3,152.0
Accumulated depreciation		
At 1 January 2023	(831.5)	(831.5)
Depreciation charge for the year	(116.8)	(116.8)
Disposals	0.3	0.3
Foreign Exchange Translation Adjustment	0.2	0.2
Impairment reversal (note 6, 8)	7.1	7.1
At 31 December 2023	(940.7)	(940.7)
Carrying amount		
At 31 December 2023	2,211.3	2,211.3
At 31 December 2022	2,198.9	2,198.9

16 RIGHT OF USE ASSETS (continued)

New leases related to 5 sites that opened during the year (5 sites in 2022). Lease adjustments of £103.3m in 2023 mainly consist of rent reviews, including a regear of 122 hotels leased by LXI REIT. Lease adjustments of £134.6m in 2022 mainly consisted of rent reviews.

An analysis of Right of use assets for 2022 is given below:

	Property £m	Total £m
Cost		
At 1 January 2022	2,851.4	2,851.4
New leases	87.8	87.8
Transfers (2)	2.9	2.9
Rent reviews and adjustments	134.6	134.6
Disposals	(46.8)	(46.8)
Foreign Exchange Translation Adjustment	0.5	0.5
At 31 December 2022	3,030.4	3,030.4
Accumulated depreciation		
At 1 January 2022	(734.4)	(734.4)
Depreciation charge for the year	(109.3)	(109.3)
Disposals	10.9	10.9
Foreign Exchange Translation Adjustment	1.3	1.3
At 31 December 2022	(831.5)	(831.5)
Carrying amount		
At 31 December 2022	2,198.9	2,198.9
At 31 December 2021	2,117.0	2,117.0

(1) Includes £0.5m of initial direct costs, £0.3m of which were included in capital creditors in 2022

(2) Transfers relate to initial direct costs reclassified from assets under construction within intangible assets

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

In line with its accounting policy, the Group assesses the carrying value of all cash generating units where there are indications of potential impairment. Where an impairment trigger is identified, the assessment is performed annually at the Group's year end of 31 December.

As a result of this review, an impairment charge of £nil (2022: £nil) has been made in the year.

During 2020 and 2021, we impaired the assets of a number of hotels due to the significant downturn in performance and a reduced forecast of future profitability. We have reassessed these hotels in 2023, given the turnaround in performance seen consistently over the past 2 years, and we have reversed Right of use impairments to the value of £7.1m (2022: £nil).

17 INVENTORY

	2023 £m	2022 £m
Finished goods held for resale	1.8	1.7
Total	1.8	1.7

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the basis of first in, first out and net realisable value is the estimated selling price less any costs to sell. Inventories recognised as an expense during the year ended 31 December 2023 amounted to £21.8m (2022: £17.3). These were included in cost of goods sold. Write-downs of inventories to net realisable value amounted to £nil (2022: £nil).

18 CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash at bank and in hand	54.6	90.7
Other Cash(1)	6.2	3.5
Money market funds (2)	70.0	30.0
Short term deposits(3)	64.9	30.0
Total	195.7	154.2

(1) Other cash includes £5.8m (2022: £3.1m) of credit card debtors which are sales taken on card awaiting to into a main bank account.
(2) This balance relates to liquid funds invested in mutual funds by banks the Company uses. See note 22 for further information on the credit risks relating to these funds.
(3) Short term deposits are made for varying periods of time between one day and three months depending on the immediate cash requirements of the Group. They earn interest at the respective short- term deposit rates. The Group does not have material cash balances which are subject to contractual or regulatory restrictions. For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the amounts as disclosed above.

19 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amount receivable	10.4	11.0
- Expected credit losses	(0.5)	(0.4)
- Net amounts receivable	9.9	10.6
Other amounts receivable	6.7	4.9
Other taxation	-	-
Accrued income(2)	1.2	1.0
Prepayments(1)	12.5	8.4
Loans to related parties and key management personnel (note 29)	2.1	1.7
Total	32.4	26.6

(1) Prepayments mainly include prepayments of property costs, marketing, finance costs and system costs.
(2) Accrued income is made up of £1.1m (2022: £nil) accrued income, £0.1m (2022: £nil) accrued rent receivable and £nil (2022: £1.0m) accrued supplier rebates.

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group estimates expected credit losses based on historical experience. A trade receivable is recognised when the amount due is unconditional, the allowance for expected credit loss relating to trade and other receivables at the year end was £0.5m (£0.4m 2022). During the year, credit losses of £nil (£0.2m 2022) were recognised within operating costs in the consolidated income statement.

Trade Receivable Ageing

	2023 £m	2022 £m
Current	8.7	8.7
Past due:		
30 days	0.2	0.3
60 days	0.5	0.2
90+ days	1.0	1.8
Total	10.4	11.0

20 TRADE AND OTHER PAYABLES

	2023 £m	2022 £m
Trade payables	(9.9)	(10.6)
Other payables[1]	(14.1)	(10.4)
Social security and other taxation [2]	(6.3)	(15.7)
Accruals	(77.9)	(67.3)
Deferred income	(1.0)	(1.0)
Contract liabilities - Prepaid room purchases [3]	(42.2)	(37.6)
Capital payables	(5.0)	(5.6)
CVA excess cumulative EBITDA rent payment[4]	-	(13.4)
Amounts falling due within one year	(156.4)	(161.6)

(1) Other payables include bank and bond interest accrued £10.8m (£8.0m 2022), bond issue costs accrued £0.1m (£0.1m 2022) and pension fund contributions £1.0m (£0.8m 2022).
(2) Social security and other taxation includes VAT creditor of £3.3m (2022: £12.2m).
(3) Prepaid room purchases of £42.2m (2022: £37.6m) relate to cash received at the time of room booking prior to arrival date and is recognised when customers stay. 54.1% (2022: 49.4%) would be non-refundable on cancellation of the room booking, with revenue being recognised once the booking is cancelled, the stay date passes or the voucher expires. Customer stays are within 1 year of the booking date so contract liabilities at the start of the year are recognised within revenue in the year
(4) Relates to a one off rent payment to landlords in relation to the Excess Cumulative EBITDA payment clause in the 2020 CVA,totalling £12.5m in 2023. See Note 8 for further details.

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

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

21 LEASE LIABILITIES

The Group leases various buildings which are used within the Travelodge business. The leases are non- cancellable leases with varying terms, escalation clauses and renewal rights. These include variable payments that are not fixed in amount but based upon a percentage of sales.

	2023 £m	2022 £m
Opening Balance	(2,539.3)	(2,402.7)
New leases	(19.4)	(87.8)
Lease Adjustments	(103.3)	(134.6)
Foreign Exchange Translation Adjustment	0.9	(1.6)
Finance Costs	(209.2)	(194.4)
Payments	259.1	247.3
Disposals	1.3	34.5
Closing Balance	(2,609.9)	(2,539.3)
Amounts falling due within one year	(81.9)	(46.5)
Amounts falling due over one year	(2,528.0)	(2,492.8)
	(2,609.9)	(2,539.3)

New leases related to 5 sites that opened during the year (5 sites in 2022). Lease adjustments of £103.3m in 2023 mainly consist of rent reviews, including a regear of 122 hotels leased by LXI REIT. Lease adjustments of £134.6m in 2022 mainly consisted of rent reviews.

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

Lease liabilities have been discounted at a weighted average discount rate of 9.2% (2022: 8.9%) with a range between 5.0% and 12.5% (2022: 5.0% to 11.0%) and represent leases with a weighted average remaining length, including landlord extension options, from the balance sheet date of 22.6 years (2022: 22.7 years).

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

Lease payments charged/(credited) to Income Statement

	Total 2023 £m
Variable lease payments charge not included within right of use assets	0.7
Income from subleasing right of use assets	(5.5)
CVA payment to compromised landlords[1]	-
	(4.8)

	Total 2022 £m
Variable lease payments charge not included within right of use assets	0.2
Income from subleasing right of use assets	(3.6)
CVA payment to compromised landlords[1]	13.4
	10.0

[1] Relates to the non-underlying accrual in 2022 for the Excess Cumulative EBITDA rent payment clause in the 2020 CVA as a result of the cumulative performance of the Group during its 2020, 2021 and 2022 years (see Note 8).

The total cash outflow for leases in 2023 was £259.1m (2022: £247.3m).

22 FINANCIAL ASSETS AND LIABILITIES

Risk

The Group's principal financial instruments comprise derivatives, bank loans, senior unsecured bonds, cash, short-term deposits, trade receivables and trade payables. The Group's financial instruments policies can be found can be found in the accounting policies in Note 2. The Board agrees policies for managing the financial risks summarised below:

Capital risk management

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

The group aims to maintain sufficient funds for working capital and future investment in order to meet growth targets. The Group may transact sale and leaseback transactions as part of its plans to provide further funding for growth. The revolving credit facility which was undrawn at the end of 2022, was replaced in April 2023 with a new 54 month £50m revolving credit facility (RCF).Under the new 2023 RCF, the Group's covenant requirements, which apply if drawings under the RCF are £32m or more, are tested at the end of March, June, September and December to ensure a leverage ratio (Net leverage to EBITDA) of 5.5:1 or lower. At the 2023 year end, the new RCF remained undrawn. The Board regularly reviews the Group's funding strategy as part of the business planning and budgeting processes.

Interest rate risk

The Group finances its operations through borrowings. The Group has borrowings at fixed and floating rates with a portion of its debt instruments designated in Euros at floating EURIBOR rates and the balance in sterling at fixed rates. As noted below, the Group has elected to mitigate the currency exposure on the Euro designated debt with a currency derivative entered into contemporaneously with the drawdown of the loan instrument. The cross currency swap exchanges GBP at floating rates pegged to SONIA for Euros. To mitigate this interest rate risk the Group entered into an interest rate cap and collar option in June 2023.

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. Interest rate swaps are used where necessary to maintain a mix of fixed and floating rate borrowings to manage this risk, in line with the Group treasury policy. At the year end, 68% (2022: 38%) of Group debt was fixed for an average of 58 months at an average interest rate of 11.7% (2022: 13.6%).

In accordance with IFRS 7 Financial Instruments; Disclosures, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis of the hedging instruments in place at 31 December 2023. Consequently, the analysis relates to the situation at those dates and is not representative of the years then ended. The following assumptions were made:

- Balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move; and
- Gains or losses are recognised in equity or the consolidated income statement in line with the Group's accounting policies.

Based on the Group's net debt/cash position at the year end, a 1% change in SONIA rates would affect the Group's profit before tax by £1.4m (£4.7m 2022). The Group is unaffected by EURIBOR changes because of the cross currency derivative (note 23).

Liquidity risk

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

22 FINANCIAL ASSETS AND LIABILITIES (continued)

The tables below summarise the maturity profile of the Group's financial liabilities at 31.12.2023 and 31.12.2022 based on contractual undiscounted payments, including interest:

2023	**On Demand**	**Less than 12 months**	**More than 12 months**	**Total**
	£m	**£m**	**£m**	**£m**
Interest-bearing loans and borrowings	-	-	(792.2)	(792.2)
Investor loan note	-	-	(239.9)	(239.9)
Other financial liabilities	-	(365.0)	(5,450.5)	(5,815.5)
Non-derivative financial liabilities	-	**(365.0)**	**(6,482.6)**	**(6,847.6)**
Derivative contracts- receipts	-	15.6	193.0	208.6
Derivative contracts- payments	-	(19.9)	(205.3)	(225.2)
Derivative financial liabilities	-	**(4.3)**	**(12.3)**	**(16.6)**
Total financial liabilities	-	**(369.3)**	**(6,494.9)**	**(6,864.2)**

2022	**On Demand**	**Less than 12 months**	**More than 12 months**	**Total**
	£m	**£m**	**£m**	**£m**
Interest-bearing loans and borrowings	-	-	(589.1)	(589.1)
Investor loan note	-	-	(259.2)	(259.2)
Other financial liabilities	-	(340.5)	(5,180.3)	(5,520.8)
Total financial liabilities	-	**(340.5)**	**(6,028.6)**	**(6,369.1)**

Contractual undiscounted payments relating to lease liabilities due in more than 5 years includes £1.3m (£1.3m 2022) due between 5 and 10 years, £2.2m (£2.1m 2022) due between 10 and 20 years and £0.9m (£0.8m 2022) due in more than 20 years.

There were no derivatives held at 31 December 2022.

Credit risk

Due to the high level of cash held at the year end, the most significant credit risk faced by the Group is that arising on cash and cash equivalents. The Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying value of these instruments. The Group seeks to minimise the risk of default in relation to cash and cash equivalents by spreading investments across a number of counterparties and dealing in accordance with Group treasury policy which specifies acceptable credit ratings and maximum investments for any counterparty.
In the event that any of the Group's banks get into financial difficulty, the Group is exposed to the risk of withdrawal of currently undrawn committed facilities. This risk is mitigated by the Group having a range of counterparties to its facilities.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. No collateral is held against liquid funds. The Group is exposed to a small amount of credit risk attributable to its trade and other receivables. This is minimised by dealing with counterparties with good credit ratings. The amounts included in the balance sheet are net of expected credit losses, which have been estimated by management based on prior experience and any known factors at the year end.
The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

22 FINANCIAL ASSETS AND LIABILITIES (continued)

Currency exposures
As noted above, the Group issued a portion of its refinanced bond debt in Euros in April 2023. To mitigate the foreign exchange risk inherent in this instrument, the Group transacted a cross currency swap for €200m of the €250m floating rate bond split between two financial institutions. The Group also has a €50m natural hedge by holding funds in a Euro designated deposit account with a further financial provider.

At 31 December 2023, the Group had no material non-financial currency exposures that would give rise to net currency gains or losses being recognised in the income statement.

Net debt	**2023 £m**	**2022 £m**
Cash at bank and in hand	195.7	154.2
External debt redeemable:		
- Senior secured fixed rate bond	-	(65.0)
- Senior secured floating rate bond	-	(440.0)
- Sterling fixed rate notes	(330.0)	-
- Euro floating rate notes (including derivative liability)	(225.4)	-
- Issue costs	12.9	5.5
Senior secured bond related debt	(542.5)	(499.5)
Revolving credit facility	-	-
External debt	(542.5)	(499.5)
Net external debt	(346.8)	(345.3)
Investor loan note	(152.2)	(206.9)
Net debt before leases liabilities	(499.0)	(552.2)
Lease liabilities	(2,609.9)	(2,539.3)
Net debt including lease liabilities	(3,108.9)	(3,091.5)

Sterling loan notes
On 28 April 2023, the Group issued £330m of Sterling Loan Notes (maturity 28 April 2028) with interest of 10.25% pa paid semi-annually in October and April. The issue costs of £4.7m have been capitalised and are being amortised over the expected life of the Sterling Loan Notes.

Euro loan Notes
On 28 April 2023, the Group issued €250m of Euro Loan Notes (maturity 28 April 2028) with interest of 5.5% above three month EURIBOR paid quarterly in July, October, January and April. The issue costs of £4.4m have been capitalised and are being amortised over the expected life of the Euro Loan Notes.

Other costs resulting from the refinancing in April 2023 of £7.5m are being amortised over 3 years, which includes £0.3m of non-audit fees paid to auditor.

Senior secured floating rate bond
Senior secured floating rate sterling denominated notes of £440.0m were fully repaid in 2023. The notes were issued on 5 July 2019 with a termination date of 15 July 2025. In January 2023, £15.8m (nominal) of the senior secured notes was re-purchased under a managed buyback program at a small discount to par. In April 2023, the remaining £424.2m (nominal) of the senior secured notes was re-purchased at par.

Senior secured fixed rate bond
On 18 December 2020, senior secured fixed rate sterling denominated notes of £65.0m were issued with a termination date of 15 January 2025. In April 2023 we re-purchased the entire senior secured fixed rate sterling denominated notes of £65.0m, including a premium of 2%, accrued interest and fees, in full.

The balance of the non-amortised note issue costs for both the fixed and floating rate bonds of £4.9m was also written off at the date of re-purchase.

22 FINANCIAL ASSETS AND LIABILITIES (continued)

Revolving credit facility and super senior term loan
At the start of the year, a sterling denominated revolving credit facility of £40.0m was available to the Group until July 2024. All drawings had been repaid during 2022.

In April 2023 the Group secured a new revolving credit facility ("RCF") of £50.0m. The new RCF facility is available to the Group until October 2027. At 31 December 2023, the revolving credit facility was entirely undrawn.

Under the 2023 RCF, the Group's covenant requirements, which apply if drawings under the RCF are £32m or more, are tested at the end of March, June, September and December to ensure a leverage ratio (Net leverage to EBITDA) of 5.5:1 or lower.

Letter of credit facility
In April 2023, a new letter of credit facility of £30m was secured as part of the refinancing and replaces the original facility on a like for like basis. This new facility is available to the Group until October 2027. At the balance sheet date, letters of credit were in issue, but not called upon, to the value of £27.1m.

Investor loan notes
The Group holds investor loan note agreements with Anchor Holdings SCA to the value of £135.0m held in three tranches. The original investor loan note of £95m had an original termination date of January 2026, however this was amended as a result of the refinancing to be October 2028. The two subsequent tranches of £10m and £30m respectively have termination dates in 2033.

The interest rate charged on the investor loan note is 15%. Accrued interest for the year ended 31 December 2023 totalled £20.3m (2022: £20.3m) with the total cumulative accrued interest on the three tranches being £17.2m (2022: £71.9m) following a repayment of interest during the year of £75.0m (2022: £nil).

In April 2023, the Group repaid £50m of capitalised interest to Anchor Holdings SCA with a further £25m settled in August 2023.

22 FINANCIAL ASSETS AND LIABILITIES (continued)

	Cash £m	Lease liabilities £m	Senior secured fixed rate bond £m	Senior secured floating rate bond £m	Sterling Fixed Rate Notes £m	Euro Floating Rate Notes £m	Total External debt £m	Investor loan note £m	Total £m
Balance at 1 January 2023	154.2	(2,539.3)	(65.0)	(440.0)	-	-	(2,890.1)	(206.9)	(3,097.0)
New leases	-	(19.4)	-	-	-	-	(19.4)	-	(19.4)
Lease adjustments	-	(103.3)	-	-	-	-	(103.3)	-	(103.3)
Foreign exchange translation adjustments	-	0.9	-	-	-	-	0.9	-	0.9
Lease payments	-	259.1	-	-	-	-	259.1	-	259.1
Disposals	-	1.3	-	-	-	-	1.3	-	1.3
Interest on lease liabilities	-	(209.2)	-	-	-	-	(209.2)	-	(209.2)
Accrued investor loan interest	-	-	-	-	-	-	-	(20.3)	(20.3)
Repayment of fixed and floating rate bonds	-	-	65.0	440.0	-	-	505.0	-	505.0
Senior floating euro bond	-	-	-	-	-	(225.4)	(225.4)	-	(225.4)
Senior fixed rate bond	-	-	-	-	(330.0)	-	(330.0)	-	(330.0)
Investor loan interest paid	-	-	-	-	-	-	-	75.0	75.0
Cash movement in year	41.5	-	-	-	-	-	41.5	-	41.5
Net movement in year	41.5	(70.6)	65.0	440.0	(330.0)	(225.4)	(79.5)	54.7	(24.8)
Balance at 31 December 2023	**195.7**	**(2,609.9)**	**-**	**-**	**(330.0)**	**(225.4)**	**(2,969.6)**	**(152.2)**	**(3,121.8)**

22 FINANCIAL ASSETS AND LIABILITIES (continued)

	Cash £m	Lease liabilities £m	Senior secured fixed rate bond £m	Senior secured floating rate bond £m	Revolving credit facility £m	Super senior term loan £m	Total External debt £m	Invest or loan note £m	Total £m
Balance at 1 January 2022	142.8	(2,402.7)	(65.0)	(440.0)	(40.0)	(63.1)	(2,868.0)	(186.6)	(3,054.6)
New leases	-	(87.8)	-	-	-	-	(87.8)	-	(87.8)
Lease adjustments	-	(134.6)	-	-	-	-	(134.6)	-	(134.6)
Foreign exchange translation adjustments	-	(1.6)	-	-	-	-	(1.6)	-	(1.6)
Lease payments	-	247.3	-	-	-	-	247.3	-	247.3
Disposals	-	34.5	-	-	-	-	34.5	-	34.5
Interest on lease liabilities	-	(194.4)	-	-	-	-	(194.4)	-	(194.4)
Accrued investor loan interest	-	-	-	-	-	-	-	(20.3)	(20.3)
Repayment of term loan	-	-	-	-	-	61.9	61.9	-	61.9
Repayment of term loan capitalised interest	-	-	-	-	-	1.2	1.2	-	1.2
Repayment of revolving credit facility	-	-	-	-	40.0	-	40.0	-	40.0
Cash movement in year	11.4	-	-	-	-	-	11.4	-	11.4
Net movement in year	11.4	(136.6)	-	-	40.0	63.1	(22.1)	(20.3)	(42.4)
Balance at 31 December 2022	154.2	(2,539.3)	(65.0)	(440.0)	-	-	(2,890.1)	(206.9)	(3,097.0)

22 FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets and liabilities measured at amortised cost

The carrying value of trade and other receivables, cash and cash equivalents, and trade and other payables are considered to be reasonable approximations of their fair values largely due to the short- term maturities of these instruments. The fair value of the Group's borrowings is estimated at £713.1m. The fair value of the Group's borrowings is based on Level 1 valuation techniques where there is an active market for the instrument and on Level 2 valuation techniques otherwise.

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

	Amortised cost		Fair value		
	Financial assets £m	Financial liabilities £m	Financial assets £m	Financial liabilities £m	Carrying amount £m
At 31 December 2023					
Financial instrument categories					
Cash and cash equivalents	195.7	-	195.7	-	195.7
Financial assets at amortised cost (1)	18.7	-	18.7	-	18.7
Financial derivative liability	-	(8.7)	-	(8.7)	(8.7)
Revolving credit facility	-	-	-	-	-
Super senior term loan	-	-	-	-	-
Sterling Fixed Rate Note	-	(330.0)	-	(341.9)	(330.0)
Euro Floating Rate Note	-	(216.7)	-	(220.9)	(216.7)
Investor loan note	-	(152.2)	-	(150.3)	(152.2)
Financial liabilities(2)	-	(2,716.8)	-	(2,716.8)	(2,716.8)
	214.4	(3,424.4)	214.4	(3,438.6)	(3,210.0)
At 31 December 2022					
Financial instrument categories					
Cash and cash equivalents	154.2	-	154.2	-	154.2
Financial assets at amortised cost (1)	17.2	-	17.2	-	17.2
Financial derivative liability	-	-	-	-	-
Senior secured bond related debt	-	(505.0)	-	(473.6)	(505.0)
Revolving credit facility	-	-	-	-	-
Super senior term loan	-	-	-	-	-
Sterling Fixed Rate Note	-	-	-	-	-
Euro Floating Rate Note	-	-	-	-	-
Investor loan note	-	(206.9)	-	(206.9)	(206.9)
Financial liabilities(2)	-	(2,633.2)	-	(2,633.2)	(2,633.2)
	171.4	(3,345.1)	171.4	(3,313.7)	(3,173.7)

(1) Financial assets at amortised cost of £18.7m (2022: £17.2m) are made up of trade receivables £9.9m (2022: £10.6m), other receivables of £6.7m (2022: £4.9m) and loans to related parties of £2.1m (2022: £1.7m).

(2) Financial liabilities of £2,716.8m (2022: £2,633.2m) are made up of lease liabilities of £2,609.9m (2022: £2,539.3m), trade payables £9.9m (2022: £10.6m), capital payables £5.0m (2022: £5.6m), accruals £77.9m (2022: £67.3m) and other payables £14.1m (2022: £10.4m).

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

22 FINANCIAL ASSETS AND LIABILITIES (continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;
Level 3: inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The carrying value of trade and other receivables, cash and cash equivalents and trade and other payables are considered to be reasonable approximations of their fair value largely due to the short term maturities of these instruments.
The fair value of the Group's borrowings is estimated at £713.1m (2022: £680.5m). The fair value of the Group's borrowings is based on Level 1 valuation techniques where there is an active market for the instrument and on Level 2 valuation techniques otherwise.

As at 31 December 2023	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial liabilities measured at fair value through profit and loss				
Derivatives (interest rate collar)	-	(3.2)	-	(3.2)
Derivatives (cross currency swap)	-	(5.5)	-	(5.5)
Total	-	(8.7)	-	(8.7)

There were no derivatives held at 31 December 2022.

23 DERIVATIVE FINANCIAL INSTRUMENTS

In line with the Group's treasury policy, the Group has entered into three types of derivative instruments to mitigate the volatility and uncertainty through the income statement as a result of the 250m EUR floating notes issues in April 2023.

FX Forward and cross currency swap
In April 2023, an FX forward was taken out with external banking counterparties over €200m (£GBP) of EUR floating rate loan. In June 2023, the FX forward was rolled into a more structured cross currency swap, whereby the principal €200m was secured against GBP and the floating interest swapped from EURIBOR to SONIA. The instruments have been designated as cash flow hedge accounting instruments since their trade dates and are remeasured to fair value at the balance sheet date. The term of the hedging instruments is to April 2026, which management has deemed to be concurrent with the expected loan repayment date. The fair value movement of £4.7m (2022: £nil) has been recognised in Other Comprehensive Income (OCI). Ineffectiveness in the hedging arrangements of £0.3m (2022: £nil) has been recognised through the Income Statement.

At the year end 100% of Group's EUR debt exposure was fixed, by virtue of the 200m EUR Cross currency swap and a further 50m of EUR cash reserves.

SONIA Collar
In June 2023, a collar on SONIA rates was entered into, to protect the variability of SONIA GBP rates to which the Group is exposed as a result of the Cross Currency Swap of EUR £200m hedging the EUR notes, which leaves the final interest rate under the derivative linked to SONIA £3m. An amount of £177m has been hedged till April 2026, limiting the evolution of SONIA between 4.30% and 5.80% and 8%.

In accordance with IFRS7 Financial Instruments; Disclosures, the Group has undertaken sensitivity analysis on its financial instruments which are affected by changes in interest rates. This analysis has been prepared on the basis of a constant amount of net debt, a constant ratio of fixed to floating interest rates, and on the basis on the hedging instruments in place at the year end which reflects the position at that point in time. The following assumptions were made:

- Balance sheet sensitivity to interest rates applies only to derivative financial instruments, as the carrying value of debt and deposits does not change as interest rates move; and
- Gains or losses are recognised in equity or the consolidated income statement in line with the Group's accounting policies.

Based on the Group's net debt/cash position at the year end, a 1% change in SONIA rates would affect the Group's profit before tax by £1.4m (£4.7m 2022). The Group is unaffected by EURIBOR changes because of the cross currency derivative.

The sensitivity analysis below describes possible movements in GBP interest rates with all other variables held constant, showing the impact on profit before tax and equity.

Derivatives Liabilities (CCS and collar)	**Effect on fair value of financial instruments £m**	**Effect on profit before taxation £m**	**Effect on equity £m**
Increase of 100 basis points in GBP SONIA rates	3.2	-	3.2
Decrease of 100 basis points in GBP SONIA rates	(2.9)	-	(2.9)

23 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The sensitivity analysis below describes possible movements in EUR interest rates with all other variables held constant, showing the impact on profit before tax and equity.

Derivatives Liabilities (CCS)	Effect on fair value of financial instruments £m	Effect on profit before taxation £m	Effect on equity £m
Increase of 100 basis points in EUR rates	(1.3)	-	(1.3)
Decrease of 100 basis points in EUR Rates	(0.3)	-	(0.3)

The sensitivity analysis below describes possible movements in spot EURGBP rate with all other variables held constant, showing the impact on profit before tax and equity.

Derivatives Assets and Liabilities (CCS and options)	Effect on fair value of financial instruments £m	Effect on profit before taxation £m	Effect on equity £m
Increase of 10% (appreciation EUR)	20.2	-	20.2
Increase of 10% (depreciation EUR)	(19.9)	-	(19.9)

Fair Values

IFRS13 Fair Value Measurement requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. The classification uses the following 3 level hierarchy:

- Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – using other techniques for which all inputs, which have a significant effect on the recorded fair value, inputs, other than quoted prices within Level 1 are observable for the asset or liability, either directly or indirectly; and
- Level 3 – using techniques which use unobservable inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

23 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities measured at fair value	2023	2022
	£m	£m
Financial assets		
Derivative Financial instruments – Level 2	-	-
Financial Liabilities		
Derivative Financial instruments – Level 2	(8.7)	-

During 2023, there were no transfers between fair value measurement levels.
Derivative financial instruments includes £8.7m of liabilities (2022: £nil) due after one year.

Reconciliation of equity components and analysis of comprehensive income – Cross currency swap	Cash flow hedge reserve		
	Intrinsic value of options	Cost of hedging reserve	Total hedge reserves
	£m	£m	£m
Cross currency swap			
Change in Fair Value of hedging instrument recognised in other comprehensive income	(4.5)	-	(4.5)
Costs of hedging deferred and recognised in OCI	-	0.3	0.3
Reclassified to profit or loss	2.7	-	2.7
	(1.8)	0.3	(1.5)
Interest rate cap/collar			
Change in Fair Value of hedging instrument recognised in other comprehensive income	(2.4)	-	(2.4)
Costs of hedging deferred and recognised in OCI	-	(0.8)	(0.8)
Reclassified to profit or loss	-	-	-
	(2.4)	(0.8)	(3.2)
Balance as at 31.12.2023	(4.2)	(0.5)	(4.7)

There were no derivatives held at 31 December 2022

Cash flow hedges are expected to impact on the consolidated income statement in line with the liquidity risk table shown in Note 22.

23 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Effect of hedge accounting on the financial position and performance.

The effects of the interest rate swaps on the group's financial position and performance are as follows:

Derivatives	**2023**
	£m
Cross currency Swap	
Carrying amount	
Current liabilities – Financial derivative liability	-
Non-current liabilities – Financial derivative liability	(5.5)
Notional amount	€200m
Maturity date	28 April 2026
Hedge ratio	1:1
Change in fair value of outstanding hedging instruments	(1.5)
Change in value of hedged item used to determine hedge effectiveness	(4.1)
Weighted average hedged rate for the year	0.8850 GBP/EUR
Interest rate cap/collar	
Carrying amount	
Current liabilities – Financial derivative liability	-
Non-current liabilities – Financial derivative liability	(3.2)
Notional amount	£177m
Maturity date	28 April 2026
Hedge ratio	1:1
Change in fair value of outstanding hedging instruments	(3.2)
Change in value of hedged item used to determine hedge effectiveness	(3.2)
Weighted average hedged rate for the year	4.3% - 8.0%

There were no derivatives held at 31 December 2022

24 DEFERRED TAX

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

Deferred tax	**Balance at 1 Jan 2022**	**Effect of change in tax rate**	**Credited/ (Charged) to income statement**	**Balance at 31 Dec 2023**
Tax losses	3.3	1.2	18.9	23.4
Capital Allowances	35.4	-	(13.0)	22.4
Intangible assets	(36.2)	-	-	(36.2)
Share schemes	-	-	-	-
Leases	1.2	2.3	1.7	5.2
Other short term timing differences	1.0	-	-	1.0
Net deferred tax asset/(liability)	**4.7**	**3.5**	**7.6**	**15.8**
Amounts expected to be recovered in:				
No more than 12 months after the reporting year	-			3.7
More than 12 months after the reporting year	4.7			12.1
Net deferred tax asset/(liability)	**4.7**			**15.8**

The main rate of UK corporation tax was 25.0%. The deferred tax assets have been recognised at the rate expected to apply on utilisation.

There is an unrecognised deferred tax asset of £75.5m (2022: £99.1m) relating to tax losses and other timing differences.

The Group carries out an assessment of the recoverability of these losses for each reporting period and historically has only recognised deferred tax assets to the extent they exceed deferred tax liabilities within the Group, as management did not consider it probable that the Group would be able to utilise those temporary differences and losses in the future. As a result of recent performance, management now consider it probable that the Group will be able to recover a portion of the temporary differences and losses in the future as described in Note 2, and as a consequence have recognised additional deferred tax assets in excess of the deferred tax liabilities totalling £10.9m.

The UK deferred tax liability has been offset against the UK deferred tax asset, to the extent that a legal right of set-off exists. The deferred tax figures above include a deferred tax asset for Spain of £4.9m (2022: £4.7m) representing deferred tax where no legal right of set off exists.

To determine a reasonable loss utilisation forecast a risk weighting has been applied to the long term forecast over a 5 year period. On this basis it would take 11 years to fully utilise the losses accumulated.

Movement in net deferred tax asset/(liability)	**2023**	**2022**
	£m	**£m**
Beginning of year	4.7	3.7
Credit/(charge) to income statement	11.1	0.7
Currency translation	-	0.3
Reclassified from /(to) current tax	-	-
End of year	**15.8**	**4.7**

25 PROVISIONS

	2023 Property £m	Other £m	Total £m	2022 Property £m	Other £m	Total £m
At 1 January	(0.6)	(2.5)	(3.1)	(1.5)	(6.5)	(8.0)
Amount utilised	-	0.1	0.1	1.0	3.9	4.9
Release of provisions	-	-	-	-	0.1	0.1
Transfer to accruals	-	0.2	0.2	(0.1)	-	(0.1)
At 31 December	(0.6)	(2.2)	(2.8)	(0.6)	(2.5)	(3.1)
The balance can be analysed as:						
Due in less than one year	-	(0.4)	(0.4)	(0.3)	(0.9)	(1.2)
Due in greater than one year	(0.6)	(1.8)	(2.4)	(0.3)	(1.6)	(1.9)
Total	(0.6)	(2.2)	(2.8)	(0.6)	(2.5)	(3.1)

Provisions of £2.8m as at 31 December 2023 consist of public liability claims of £0.7m, onerous contract provisions of £0.5m relating to future rates liabilities and other provisions of £1.6m.

Public Liability
A provision of £0.9m was brought forward relating to the estimated claims against the Group from employees and the public. The claims result from alleged accidents and injuries sustained in the Group's premises. During the year, the provision was re-assessed and £0.2m transferred to accruals.

Onerous Contracts
These relate to the rates payable on 4 empty and historical subleased restaurant units and provision has been made for the period that the sublet or assignment of the lease is not possible. Provisions are expected to be utilised over a period of 5 years. The provision at the start of the year was £0.5m and £nil has been utilised in 2023.

Other Provisions
£0.2m was released during the year from the opening balance for other Provisions of £1.7m.

26 SHARE BASED PAYMENTS

Other reserves of £12.5m on the balance sheet within Total Equity, is in relation to the introduction of the Management Incentive Plan in 2022. The charge of £7.0m to the income statement for Equity Share Based Payments is described within this note.

Management Incentive Plan ("MIP")
Under the MIP, employees are issued Class L and Class L1, or Class K and Class K1 Ordinary Shares in Anchor Holdings S.C.A. ("Anchor"). A Class L, L1, K and K1 Shareholder employee can only benefit from the value of the Ordinary Shares if they are employed by the company or a group company on an exit event or partial exit.

The number of Shares in issue under the MIP are as follows:

	2023 Number of options	2023 Weighted average exercise price £	2022 Number of options	2022 Weighted average exercise price £
Class L/L1 shares				
Outstanding at 1 January	156,394	3.74	-	-
Issues during the year	-	-	156,394	3.74
Outstanding at 31 December	156,394	3.74	156,394	3.74

The options are exercisable upon a vesting event.

26 SHARE BASED PAYMENTS (continued)

	2023		2022	
Class K/K1 shares	**Number of options**	**Weighted average exercise price £**	**Number of options**	**Weighted average exercise price £**
Outstanding at 1 January	200	4,495	-	-
Issues during the year	-	-	200	4,495
Outstanding at 31 December	200	4,495	200	4,495

Warrants Agreement

Under the warrant agreements, employees are issued warrants to subscribe to Class L and Class L1 Ordinary Shares in Anchor Holdings S.C.A. ("Anchor"). Following exercise of the warrants, a Class L and Class L1 Shareholder can only benefit from the value of the Class L and Class L1 Ordinary Shares if they are employed by the company or a group company on an exit event or partial exit.

The number warrants granted to subscribe for Class L and Class L1 Shares are as follows:

	2023		2022	
Class L/L1 shares - warrants	**Number of options**	**Weighted average exercise price £**	**Number of options**	**Weighted average exercise price £**
Outstanding at 1 January	31,314	-	-	-
Issues during the year	-	-	31,314	-
Outstanding at 31 December	31,314	-	31,314	-

The warrants have not been exercised.

The subscription of Class L, L1, K and K1 Shares represent an equity-settled share-based payment. The warrants granted for the subscription of Class L and Class L1 Shares also represent an equity-settled share-based payment.

Equity-settled share-based payments

The weighted average fair value of options granted in the year was determined using the Binomial Lattice pricing model. The Binomial Lattice model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

Service conditions, which includes continued employment, are taken into account by adjusting the number of options expected to vest at each reporting date.

Estimation has been applied in determining the accounting charge, within the valuation model itself, such as revenue growth and the discount rate on a pre-IFRS 16 basis (10.9% June subscription, 11.4% November warrants issue), and the vesting date, which is assumed to be 3 years from the date of the first issue.

The resulting charge is £7.0m in respect of costs for employees (2022: £3.4m in respect of costs for employees, and a further £2.3m within the settlement arrangements of the CEO who left during 2022 for health reasons).

Cash-settled share-based payments

In addition to the MIP and warrant arrangements, the company and employees of the MIP and warrants have entered into an arrangement whereby the company is obligated to settle the arrangement in cash should the proceeds be insufficient to cover the Class L, L1, K and K1 shareholders' entitlement on an exit event. This arrangement represents a cash-settled share-based payment.

There is only a remote probability that the cash settled arrangement would arise, and therefore the value of the liability has been measured at nil. As a result, there is no liability for a future cash settlement recognised in the accounts.

27 SHARE CAPITAL

	2023 & 2022 Number of shares	2023 & 2022 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1

	2023 & 2022 Number of shares	2023 & 2022 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1

28 CAPITAL COMMITMENTS

Contracted future capital expenditure not provided for in these financial statements predominantly relates to expenditure on the refurbishment and maintenance of current hotels. At 31 December 2023 the capital commitment not provided for in the financial statements, subject to satisfactory practical completion, was £17.1m (2022: £10.5m).

29 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the Directors regard Anchor Holdings SCA as the ultimate parent undertaking and controlling party and controlling party, a company incorporated in Luxembourg. The Group is currently majority owned indirectly by funds managed by GoldenTree Asset Management LP. A minority stake is held by certain senior managers under the Management Incentive Plan.

Thame and London Limited is the parent undertaking of the largest and smallest Group of undertakings to consolidate these financial statements at 31 December 2023. The consolidated financial statements of Thame and London Limited are available from Sleepy Hollow, Aylesbury Road, Thame, Oxfordshire, OX9 3AT.

Anchor Holdings SCA has provided the Company with investor loans totalling £135.0m (2022: £135.0m). The original investor loan note of £95.0m has a termination date of January 2026 with two subsequent tranches drawn in 2020, for £10.0m and £30.0m respectively, having a termination date of 2033. £75m of the accrued interest relating to these loans was repaid during 2023 (2022: £nil). The loan accrues interest at 15.0% (2022: 15.0%) per annum.

Interest accrued in the year is £20.3m (2022: £20.3m) and the total balance including accrued interest was £152.2m (2022: £206.9m).

Travelodge Hotels Limited has agreed to make loan facilities available to Anchor Holdings SCA and Anchor Holdings G.P.S.A up to a maximum of £2.2m (2022: £2.2m) and £0.9m (2022: £0.6m) respectively. At the balance sheet date, Anchor Holdings SCA and Anchor Holdings G.P.S.A had utilised £1.2m (2022: £0.9m) and £0.7m (2022: £0.6m) respectively with no repayment of principal by either entity during the year (2022: £1.0m paid by Anchor Holdings SCA).

The loans accrue interest at 5.1% (2022: 5.1%) per annum. Interest accrued in the year was £0.1m (2022: £0.1m), with Anchor Holdings SCA making no payments of interest in 2023 (2022: £0.5m). The total interest accrued at the balance sheet date was £0.3m (2022: £0.2m).

During 2022 the Group extended non-interest bearing loans to participants in its Management Incentive Scheme, of which the value to related parties (Directors) totalled £1.2m.

30 NOTE TO THE CASH FLOW STATEMENT

	2023	2022
	£m	£m
Operating profit / (loss)	324.4	263.6
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	160.1	154.1
Amortisation of other intangible assets	3.7	3.9
Unrealised currency translation gain	(0.2)	-
Share based payments	7.0	5.7
Impairment reversal	(7.7)	-
Loss/ (Profit) on disposal of fixed assets	4.7	9.1
	167.6	172.8
Operating cash flows before movements in working capital	492.0	436.4
(Increase) in inventory	(0.2)	(0.4)
(Increase) in receivables	(4.9)	(1.8)
Increase / (decrease) in payables	(7.4)	50.3
Increase / (decrease) in provisions	(0.4)	(1.3)
Total working capital movement	(12.9)	46.8
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	479.1	483.2

31 POST BALANCE SHEET EVENTS

In January 2024, LXi REIT plc announced that it had exchanged contracts unconditionally on the sale of 66 Travelodge branded hotels to the Travelodge group for £210 million, in line with the book value on 30 September 2023. The transaction completed on 28 February 2024, with the assets now under the ownership of a new group of property entities within the wider Travelodge group. A new parent company, T&L Holdco Limited, has been established, which has the new property structure (under the new holding company "TL Prop Holdco Limited") as well as the existing operating entities (under Thame and London Limited) as subsidiaries. The leases currently in place with Travelodge Hotels Limited for the acquired hotels are unaffected, other than the change of Landlord.

The transaction was funded through financing by our ultimate parent, Golden Tree Asset Management and a new bank facility, which is now held as debt within the Property arm of the Group.

To support the funding of the acquisition price and transaction fees, Thame and London Limited contributed £31.0m, by way of repayment of the remaining accrued interest on the investor loan note and a part payment on the principal amount. The impact on the accounts of Thame and London Limited is a reduced shareholder debt.

We are in the process of completing a confidential acquisition of a small group of hotels, the cost of which is in the range of £30m-£40m. Full details will be announced on completion of the transaction.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Deficit £m
Balance at 1 January 2023	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2023	-	(3.0)	(3.0)

For the year ended 31 December 2022

	Called Up Share Capital £m	Profit and Loss Account £m	Total Shareholders' Deficit £m
Balance at 1 January 2022	-	(3.0)	(3.0)
Result for the financial year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 December 2022	-	(3.0)	(3.0)

PARENT COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2023

	Note	2023 £m	2022 £m
FIXED ASSETS			
Investments	3	-	-
CURRENT ASSETS			
Debtors	4	152.2	206.9
TOTAL CURRENT ASSETS		152.2	206.9
TOTAL ASSETS		152.2	206.9
Creditors: Amounts falling due within one year	5	(3.0)	(3.0)
TOTAL ASSETS LESS CURRENT LIABILITIES		149.2	203.9
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Investor loan	10	(152.2)	(206.9)
NET LIABILITIES		(3.0)	(3.0)
CAPITAL AND RESERVES			
Called up share capital	7	-	-
Profit and Loss account	8, 9	(3.0)	(3.0)
TOTAL SHAREHOLDERS' DEFICIT		(3.0)	(3.0)

The Company made no profit or loss in the year (2022: £nil).

These financial statements on pages 120 to 124 were approved by the Board of Directors and signed on its behalf by:

Aidan Connolly
Director

28 March 2024

Thame and London Limited — Company registration number 08170768

1 GENERAL INFORMATION

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

Basis of preparation

These financial statements have been prepared in accordance with the Companies Act 2006 and FRS 102, with sections 11 and 12 (certain exemptions of the reduced disclosure framework) applied as detailed below.

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

2 SIGNIFICANT ACCOUNTING POLICIES

Related party transactions

As permitted by FRS 102 (section 33) 'Related party disclosure' the Company has not disclosed related party transactions with wholly-owned subsidiaries, which are disclosed in the financial statements of the Group.

Employees

The Company has no employees (2022: nil).

Cash flow statement

Under FRS 102 (section 1), the Company is exempt from the requirement to prepare a cash flow statement as it has included the Company's cash flows in its own published consolidated financial statements.

Intercompany loans

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

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

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

Critical accounting judgements and estimation uncertainty

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

3 INVESTMENTS

	Shares in subsidiaries £
Cost and net book value	
At 1 January 2023	1
At 31 December 2023	1

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

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

4 DEBTORS

	2023 £m	2022 £m
Amounts owed by Group undertakings	152.2	206.9

Amounts owed by Group undertakings are repayable on demand.

The Group has three tranches of investor loan notes totalling £135.0m in issue as at 31 December 2023 (2022: £135.0m), with £95.0m having a termination date of January 2026 and the two subsequent tranches of £10m and £30m respectively have termination dates in 2033. Interest is accrued on these notes at 15% (2022: 15%).

Interest accrued in the year is £20.3m (2022: £20.3m) with the total cumulative accrued interest on the three tranches being £17.2m (2022: £71.9m) as there were payments made totalling £75.0m during the period (2022: £nil) relating to interest only. The total balance as at 31 December 2023 including accrued interest was £152.2m (2022: £206.9m).

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2023 £m	2022 £m
Amounts owed to Group undertakings	(3.0)	(3.0)

Amounts owed to Group undertakings are unsecured, non-interest bearing and repayable on demand.

6 CONTINGENT LIABILITIES

The Company will guarantee the debts and liabilities of the below UK subsidiary undertakings at the balance sheet date in accordance with section 479C of the Companies Act 2006.The Company has assessed the probability of loss under guarantee as remote.

Name of subsidiary undertaking	Company number
Full Moon Holdco 4 Limited*	05893849
Full Moon Holdco 5 Limited	05893854
Full Moon Holdco 6 Limited	05893977
Full Moon Holdco 7 Limited	09657187
TLLC Holdings2 Limited	04588957

* Directly owned

7 CALLED UP SHARE CAPITAL

	2023 & 2022 Number of shares	2023 & 2022 £
Authorised:		
Ordinary shares of £0.000001 each	1,000,000	1

	2023 & 2022 Number of shares	2023 & 2022 £
Called up, allotted and fully paid:		
Ordinary shares of £0.000001 each	1,000,000	1

8 PROFIT AND LOSS ACCOUNT

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

The Company made a result in the year of £nil (2022: result of £nil).

9 PROFIT AND LOSS ACCOUNT

	2023 £m	2022 £m
At 1 January	(3.0)	(3.0)
Result for the financial year	-	-
At 31 December	(3.0)	(3.0)

10 RELATED PARTY TRANSACTIONS AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the Directors regard Anchor Holdings SCA as the ultimate parent undertaking, a company incorporated in Luxembourg. The Company is currently majority owned indirectly by funds managed by GoldenTree Asset Management LP. A minority stake is held by certain senior managers under the Management Incentive Plan.

Thame and London Limited is the parent undertaking of the largest and smallest Group of undertakings to consolidate these financial statements at 31 December 2023. The consolidated financial statements of Thame and London Limited are available from Sleepy Hollow, Aylesbury Road, Thame, Oxfordshire, OX9 3AT.

Anchor Holdings SCA has provided the Company with investor loans totalling £135.0m (2022: £135.0m). The original investor loan note of £95m has a termination date of January 2026 and two subsequent tranches of £10.0m and £30.0m respectively have a termination date of 2033. £75m of the accrued interest relating to these loans was repaid during 2023 (2022: £nil). The loan accrues interest at 15.0% (2022: 15.0%) per annum.

Interest accrued in the year is £20.3m (2022: £20.3m) with the total cumulative accrued interest on the three tranches being £17.2m (2022: £71.9m) and the total balance as at 31 December 2023 including accrued interest being £152.2m (2022: £206.9m).

ALTERNATIVE PERFORMANCE MEASURE (APM)

The Group uses the non-statutory alternative performance measures 'EBITDA (adjusted)' and 'Free Cash Flow' to monitor the financial performance of the Group internally. 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 pre-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.

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

ALTERNATIVE PERFORMANCE MEASURE (APM) (continued)

Income Statement Measures

Reference	APM	Definition
I	Pre- IFRS 16	The performance under accounting principles prior to the adoption of IFRS 16.
II	EBITDA (adjusted)	Earnings before interest, tax, depreciation and amortisation and non-underlying items(III), on a pre-IFRS 16 basis, and before rent phasing adjustment(V). In this measure, the rent reductions agreed during the CVA were recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). The calculation for this measure is consistent with prior years.
III	Non-Underlying Items	Non-underlying items are related to items that are considered to be significant in nature and quantum and not in the normal course of business or are consistent with items that were treated as non-underlying in prior periods.
IV	Net rent payable / receivable	Net external rent payable / receivable is the net of rent receivable and rent payable (pre-IFRS 16) before the rent phasing adjustment. External rent payable (pre-IFRS 16) before the rent phasing adjustment reflects the rental amounts accrued adjusted for rent free periods by spreading these over the period to the next rent review date (usually around five years) and recognises the rental agreed, during the 2020 CVA in line with the actual rent paid in respect of each year.
V	Rent phasing adjustment	EBITDA (adjusted) is the measure used for internal management reporting. The rent phasing adjustment reflects the timing difference between the rent charge for the year in our internal management reporting measure EBITDA (adjusted) and the rent charge for the year under accounting standards pre-IFRS 16. In many of our leases we receive a rent free period at the beginning of the lease term. According to standards pre-IFRS 16, 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 pre-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. There was no CVA impact in the year ended 31 December 2023.
VI	Like-for-like RevPAR Like-for-like occupancy Like-for-like average room rates	Revenue per available room, occupancy and average room rate (net of VAT) for UK hotels that have been open for at least two years at the end of the current year on a management reporting period basis. For management reporting purposes we use a 5-4-4 week accounting calendar. This accounting method divides our fiscal year into four quarters, each comprising two periods of four weeks and one period of five weeks. We have adopted this accounting method because it allows us to manage our business on the basis of 52 weekly periods which consistently end on the same day of the week and our like-for-like reporting is prepared on this basis for consistency.

ALTERNATIVE PERFORMANCE MEASURE (APM) (continued)

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

	2023 £m	2022 £m
Statutory Profit/(Loss) before tax	33.8	(0.5)
Net Finance Costs	290.6	264.1
Operating Profit	324.4	263.6
Non-underlying Operating Items (see note 8)	5.5	22.8
Underlying Operating Profit	329.9	286.4
Depreciation, Amortisation – Underlying	163.8	158.0
Loss on disposal of fixed assets - Underlying	5.0	7.2
Rent payable[(1)]	(254.6)	(238.7)
Unrealised currency translation (gain) / losses	(0.2)	-
EBITDA (adjusted)[II]	243.9	212.9

(1) Since the adoption of IFRS 16, operating lease rent is no longer charged to the statutory profit & loss account. Rent payable reflects pre-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.

Reconciliation of Net external rent (payable) / receivable to Statutory Rent

	2023 £m	2022 £m
Statutory Rent	5.7	(10.0)
IFRS 16 rent expense	(254.6)	(238.7)
Exceptional CVA rent payment to compromised landlords	(0.9)	13.4
External rent (payable)	(249.8)	(235.3)

Income Statement on APM basis

The table below details the construct of EBITDA (adjusted)[II] and the reconciliation to statutory profit/(loss).

	2023			2022		
	Before IFRS 16[(1)] £m	**IFRS 16 impact** £m	**Total** £m	**Before IFRS 16[(1)]** £m	**IFRS 16 impact** £m	**Total** £m
Revenue by geographical region						
Revenue	**1,035.2**	**-**	**1,035.2**	**909.9**	**-**	**909.9**
Revenue UK	1,016.4	-	1,016.4	895.1	-	895.1
Revenue International	18.8	-	18.8	14.8	-	14.8
Key income statement items						
Revenue	**1,035.2**	**-**	**1,035.2**	**909.9**	**-**	**909.9**
Operating expenses	(542.1)	-	(542.1)	(462.3)	-	(462.3)
Of which cost of goods sold	*(58.5)*	-	(58.5)	*(48.2)*	-	(48.2)
Of which employee costs	*(231.1)*	-	(231.1)	*(206.1)*	-	(206.1)
Of which other operating expenses	*(252.5)*	-	(252.5)	*(208.0)*	-	(208.0)
Net external rent (payable) / receivable	(249.8)	254.6	4.8	(235.3)	238.7	3.4
Other income	0.6	-	0.6	0.6	-	0.6
EBITDA (adjusted)[(2)]	**243.9** [(2)]	**254.6**	**498.5** [(3)]	**212.9** [(2)]	**238.7**	**451.6** [(3)]
Rent phasing adjustment[(4)]	4.3	(4.3)	-	3.8	(3.8)	-
Unrealised currency gain	0.2	-	0.2	-	-	-
Loss on disposal of fixed assets	(5.5)	0.5	(5.0)	(7.2)	-	(7.2)
Depreciation	(41.6)	(118.5)	(160.1)	(40.7)	(113.4)	(154.1)
Amortisation	(13.9)	10.2	(3.7)	(14.2)	10.3	(3.9)
Operating profit / (loss) (before non-underlying items)	**187.4**	**142.5**	**329.9**	**154.6**	**131.8**	**286.4**
Finance costs before investor loan interest	(67.3)	(207.5)	(274.8)	(50.2)	(192.2)	(242.4)
Investor loan interest	(20.3)	-	(20.3)	(20.3)	-	(20.3)
Finance income	7.9	-	7.9	1.9	-	1.9
Profit/(loss) for the year (before non-underlying items)	**107.7**	**(65.0)**	**42.7**	**86.0**	**(60.4)**	**25.6**
Non-underlying items			(8.9)			-26.1
Profit/(loss) before tax			**33.8**			**(0.5)**

ALTERNATIVE PERFORMANCE MEASURE (APM) (continued)
Finance costs

	2023			2022		
	Paid	Balance sheet movement	Total	Paid	Balance sheet movement	Total
	£m	£m	£m	£m	£m	£m
Finance fees(1)	2.6	8.7	11.3	0.0	5.2	5.2
Interest on bank loans	1.4	-	1.4	9.5	(2.3)	7.2
Interest on fixed and floating rate bonds	48.4	2.4	50.8	33.2	2.4	35.6
Swap Interest	2.1	-	2.1	-	-	-
Interest on obligations under finance leases(1)	1.6	0.1	1.7	1.8	(0.1)	1.7
Unwinding of discount on provisions(1)	-	-	-	-	0.5	0.5
Finance costs before interest on investor loan and IFRS 16 – underlying	56.1	11.2	67.3	44.5	5.7	50.2
Interest on investor loan	75.0	(54.7)	20.3	-	20.3	20.3
Fees in relation to restructuring of debt	-	4.2	4.2	-	3.3	3.3
Finance costs (pre-IFRS 16[I])	131.1	(39.3)	91.8	44.5	29.3	73.8
IFRS 16 adjustment(1)	205.4	2.1	207.5	215.0	(22.8)	192.2
Finance costs	336.5	(37.2)	299.3	259.5	6.5	266.0

(1) The total IFRS 16 notional interest charge on lease liabilities is £209.2m (2022: £194.4m). The IFRS 16 adjustment excludes the following items already included within finance costs (pre-IFRS 16): £1.7m (2022: £1.7m) in respect of interest on finance leases, and £nil (2022: £0.5m) in respect of unwinding of discount on provisions.

ALTERNATIVE PERFORMANCE MEASURE (APM) (continued)

Cash Flow Statement Measures

Reference	APM	Definition
I	Pre-IFRS 16	The performance under accounting principles prior to the adoption of IFRS 16.
II	EBITDA (adjusted)	Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, the rent reductions agreed during the CVA were recognised in the year in which the benefit occurred (in order to closely reflect cash payments), and the benefit of rent free periods agreed in the ordinary course of rent negotiation, are spread on a straight line basis until the next rent review (normally five years from initial agreement). Non-underlying items have been removed as they are related to items that are considered to be significant in nature and quantum, and not in the normal course of business. The calculation for this measure is consistent with prior years.
III	Free Cash Flow	Cash generated before interest, non-underlying costs, spend on provisions and financing.
IV	Underlying Working Capital	Working capital movement is stated before non-underlying movements, before rent phasing adjustment and before the impact of IFRS 16.

Reconciliation of Cash flow from operating activities in the cash flow statement to Free Cash Flow

	2023	2022
	£m	£m
Cash Generated from Operating Activities	479.1	483.2
IFRS 16 lease rental capital payments	(50.8)	(52.9)
IFRS 16 lease rental interest payments	(208.3)	(194.4)
Finance lease rental interest payments	1.6	1.8
Cash spend on non-underlying items through working capital	19.8	4.9
Net cash flows from operating activities before non-underlying items	241.4	242.6
Capital expenditure	(81.0)	(74.8)
Free Cash Flow	160.4	167.8

Reconciliation of net cash flows from operating activities before non-underlying items to net cash generated from operating activities:

	2023 Pre-IFRS 16[I] £m	2022 Pre-IFRS 16[I] £m
EBITDA (adjusted)[II]	243.9	212.9
Working capital[IV]	(2.5)	29.7
Net cash flows from operating activities before non-underlying items	241.4	242.6
Cash spend on non-underlying items through working capital[(1)]	(19.8)	(4.9)
Cash flows from operating activities	221.6	237.7
Corporate tax	(1.7)	(3.6)
Net cash generated from / (used in) operating activities	219.9	234.1

(1) In 2023, net cash spend on provisions and non-underlying items of £19.8m includes £6.4m in relation to employee bonuses, £0.2m for professional fees in connection with the design and implementation of the 2022 management incentive plan, £12.5m payments to compromised creditors under the terms of the CVA, £0.3m of other non-underlying spend and £0.4m spend on other provisions. In 2022, net cash spend includes £3.9m tax enquiry settlement, £1.0m payments to compromised creditors under the terms of the CVA, £1.0m onerous lease payments, £1.4m outflow in respect of compensation for loss of office relating to the departure of the CEO in May 2022, £0.9m outflow for professional fees in connection with the design and implementation of a new senior management incentive plan and £0.3m spend on other provisions.

	2023 £m	2022 £m
Total working capital movement (note 30)	(12.9)	46.8
Less rent working capital movement	(7.4)	(24.7)
Working capital movement pre-IFRS 16[I]	(20.3)	22.1
Less non-underlying pre-IFRS 16 (provisions and non-underlying items)	13.5	3.8
Less rent phasing adjustment pre-IFRS 16[I]	4.3	3.8
Underlying Working capital[IV]	(2.5)	29.7

ALTERNATIVE PERFORMANCE MEASURE (APM) (continued)

Consolidated Cash Flow Statement Memorandum

Memorandum - Analysis of free cash flow[III]

	2023 £m	2022 £m
EBITDA (adjusted)[II]	243.9	212.9
Working capital[IV]	(2.5)	29.7
Net cash flows from operating activities before non-underlying items	241.4	242.6
Capital expenditure	(81.0)	(74.8)
Free cash flow[III] generated from / (used in) the year	160.4	167.8
Non-trading cash flow		
Finance fees paid	(2.6)	-
Interest paid	(49.9)	(42.7)
Interest income	7.0	1.8
Finance lease rental interest payments	(1.6)	(1.8)
Cash spend on provisions and non-underlying items(1)	(19.8)	(4.9)
Corporate tax(2)	(1.7)	(3.6)
Non-trading cash flow	(68.6)	(51.2)
Cash generated/ (used)	91.8	116.6
Opening Cash	154.2	142.8
Cash generated / (used)	91.8	116.6
Net refinancing proceeds	549.3	-
Repayment of fixed and floating rate bond	(504.2)	-
Proceeds of term loan	-	(61.9)
Drawdown of revolving credit facility		(40.0)
Proceeds of investor loan note	(75.0)	-
Finance issue costs	(20.4)	(3.3)
Closing Cash	195.7	154.2
Opening external net debt	(345.3)	(454.7)
Net increase in aggregate cash	41.5	11.4
Repayment of term loan and OID fee	-	61.9
Repayment of revolving credit facility	-	40.0
Repayment of external debt	499.5	-
Net refinancing proceeds	(533.2)	-
Net amortised bond transaction costs	(9.3)	(2.3)
Capitalised term loan interest	-	1.2
Net amortised revolving credit facility transaction costs	-	(2.8)
Closing external net debt	(346.8)	(345.3)

(1) In 2023, net cash spend on provisions and non-underlying items of £19.8m includes £6.4 in relation to employee bonuses, £0.2m for professional fees in connection with the design and implementation of a new senior management incentive plan, £12.5m payments to compromised creditors under the terms of the CVA, £0.3m of other non-underlying spend and £0.4m spend on other provisions. In 2022, net cash spend on provisions and non-underlying items of £4.9m included Includes £1.0m payments to compromised creditors under the terms of the CVA, £1.0m onerous lease payments, £1.4m outflow in respect of compensation for loss of office relating to the departure of the CEO in May 2022, £0.9m outflow for professional fees in connection with the design and implementation of a new senior management incentive plan and £0.3m spend on other provisions.

(2) In 2023, Corporate tax includes £0.5m, in respect of UK corporation tax for the year ended 31 December 2023, £0.5m for UK corporation tax for the year ended 31 December 2022 and £0.7m payment on account for Spanish corporation tax. In 2022, Corporate tax included £3.6m settlement of the HMRC tax enquiry.

ALTERNATIVE PERFORMANCE MEASURE (APM) (continued)

Balance Sheet Measures

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

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

Memorandum - Analysis of net funding

	Note	2023 £m	2022 £m
Cash at bank		195.7	154.2
External debt redeemable (excluding lease liabilities):			
Senior secured fixed rate bond	22	(330.0)	(65.0)
Senior secured floating rate bond	22	(225.4)	(440.0)
Revolving credit facility	22	-	-
Super senior term loan	22	-	-
Issue costs	22	12.9	5.5
Gross debt		(542.5)	(499.5)
External net debt		(346.8)	(345.3)
Finance Leases		(14.7)	(14.5)
Net debt before investor loan		(361.5)	(359.8)
Investor loan	20	(152.2)	(206.9)
Net debt		(513.7)	(566.7)

ALTERNATIVE PERFORMANCE MEASURE (APM) (continued)

Obligations under finance leases (pre-IFRS 16[I])
The Group has 4 properties (2022: 4 properties) which have been classified as finance leases with a weighted average lease term remaining of 47 years (2022: 45 years), including landlord options to extend leases which haven't yet been exercised.

	2023	2022
	£m	£m
Amounts payable under finance leases		
Due within one year	1.6	1.4
Due between two and five years	6.9	6.8
Due beyond five years	65.7	67.4
	74.2	75.6
Less future finance charges	(59.5)	(61.1)
Amounts due after settlement after 12 months (capital liability)	14.7	14.5

Onerous lease provisions
In reaching its EBITDA (adjusted), the Group has provided for operating lease rentals where these were above the market rate, causing the hotel to be loss making or where we consider it improbable that trading profits will be generated, or where the Group has subsequently vacated the property and rental income is less than the rental expense, or where it is probable that a previously sublet unit will revert to the Group. The element of the rental which is above market, causing the hotel to be loss making or where we consider it improbable that trading profits will be generated, or above any rental cost paid relating to vacated properties is charged against the provision. Provisions are also made for business rates that the Group is liable to on empty sites and on hotels where it is considered improbable that trading profits will be generated. The key estimation judgement in determining the onerous amount is the period over the remaining lease term that the property will remain either rented or vacant. The Directors have estimated these periods after considering both the quality and the location of each of the units provided for. The cash flows are discounted at 6.1% (2022: 5.8%) which represents a risk-free and pre-tax rate based on 25 year government gilt and further adjusted for property risk. Since 2019, under IFRS 16 the onerous lease provisions relating to rent are reclassified to right of use assets, leaving only the provisions relating to rates.

ALTERNATIVE PERFORMANCE MEASURE (APM) (continued)

Operating Lease Commitments pre-IFRS 16[I]

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

	Pre-IFRS 16[I] 2023			Pre-IFRS 16[I] 2022		
	UK	International	Total	UK	International	Total
	£m	£m	£m	£m	£m	£m
Due within one year	251.4	5.1	256.5	239.9	4.6	244.5
Due between two and five years	1,013.3	19.2	1,032.5	972.1	17.7	989.8
Due beyond five years	2,917.9	32.8	2,950.7	3,020.6	32.7	3,053.3
Total	4,182.6	57.1	4,239.7	4,232.6	55.0	4,287.6

	UK	International	Total	UK	International	Total
	Years	Years	Years	Years	Years	Years
Average lease term remaining	13.4	9.8	13.4	14.2	9.9	13.9

The leases are standard operating leases with normal commercial terms, typically 25 years (though a number of city centre and London properties have 35 year terms), subject to standard upward only rent reviews, with the majority based on RPI indices (though some with caps and collars, some at open market value and others based on CPI), with Group only renewal rights at the end of the lease. The figures above exclude landlord options to extend leases which have not yet been exercised (which are included in the lease liability under IFRS 16 per note 21).

Contractual undiscounted lease payments - maturity analysis

	Property 2023 £m	Total 2023 £m
Within one year	258.1	258.1
Greater than one year but less than five years	1,032.1	1,032.1
Greater than five years but less than ten years	1,306.6	1,306.6
Greater than ten years but less than fifteen years	1,235.3	1,235.3
Greater than fifteen years	1,876.5	1,876.5
Total undiscounted lease payments at 31 December 2023	5,708.6	5,708.6

	Property 2022 £m	Total 2022 £m
Within one year	246.6	246.6
Greater than one year but less than five years	1,003.6	1,003.6
Greater than five years but less than ten years	1,254.2	1,254.2
Greater than ten years but less than fifteen years	1,207.8	1,207.8
Greater than fifteen years	1,714.7	1,714.7
Total undiscounted lease payments at 31 December 2022	5,426.9	5,426.9

The figures above comprise both finance and operating leases and include landlord options to extend leases which have not yet been exercised (which are included in the lease liability under IFRS 16 per note 21).