TVL FINANCE PLC

YEAR ENDED 31 December 2023

REPORT TO NOTEHOLDERS

£330.0 million 10.250% SENIOR SECURED NOTES DUE 2028

€250.0 million SENIOR SECURED FLOATING RATE NOTES DUE 2028

(the “Notes”)

CONTENTS

Capitalised terms not otherwise defined in this report shall have the meanings assigned to such terms in the offering memorandum of TVL Finance PLC dated 21 April 2023 relating to TVL Finance PLC's Senior Secured Notes (the "Offering Memorandum").

PRESENTATION OF FINANCIAL DATA

The report summarises certain preliminary consolidated financial data and operating data of Thame and London Limited and its subsidiaries, which include TVL Finance PLC.

This report been prepared on the basis of a calendar year from 1 January to 31 December. For management reporting purposes we use a 5-4-4 week accounting calendar. This accounting method divides our fiscal year into four quarters, each comprising two periods of four weeks and one period of five weeks. We have adopted this accounting method because it allows us to manage our business on the basis of 52 weekly periods which consistently end on the same weekday. In order to align this method with our quarterly and statutory annual accounting period, we make certain adjustments to our results at the end of each fiscal quarter, in accordance with International Financial Reporting Standards ("IFRS").

The summary financial information provided in this report has been derived from our records for the period from 1 January 2023 to 31 December 2023 and 1 January 2022 to 31 December 2022, which are maintained in accordance with IFRS.

We continue to present certain non-IFRS information in this report. Non-IFRS information includes, among others, "EBITDA (adjusted)", which represents earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. Our non-IFRS information is not defined under IFRS or any other generally accepted accounting principles. In order to facilitate the comparability of the underlying business and clarify the calculation of our non-IFRS information, additional columns have been added in some areas of the document to reflect the position in line with IFRS.

Management believe that EBITDA (adjusted) is meaningful for investors because it provides an analysis of our operating results, profitability and ability to service debt and because EBITDA (adjusted) is used by the management to track our business performance, establish operational and strategic targets and make business decisions. The most directly comparable IFRS measure to EBITDA (adjusted) is profit/(loss) for the period. Non-IFRS information have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results or any performance measures under IFRS.

DISCLAIMER

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

FORWARD LOOKING STATEMENTS

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

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

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

TVL Finance plc

Update for the year ended 31 December 2023

Very strong trading performance, delivering another year of record financial results.

Headlines (year ended 31 December 2023)

- Total revenue up 13.7% 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 4.4pts ahead of the competitive segment[2] vs 2019
- EBITDA (adjusted)[3] of £243.9m (2022: £212.9m) with EBITDA margin of 23.6% (2022: 23.4%)
- Cash of £195.7m at 31 December 2023
- Refinancing completed in April 2023
- Total network is 598 hotels and 46,046 rooms as at 31 December 2023
- Four new hotels opened in the year, including one in Spain

Headlines (quarter ended 31 December 2023)

- Total revenue up 5.5% to £253.2m (2022: £240.0m)
- Occupancy up 0.7 pts to 83.4% (2022: 82.6%)
- Average room rate[1] up 3.8% at £69.02 (2022: £66.52)
- RevPAR[1] up 4.7% to £57.54 (2022: £54.96)
- RevPAR performance 0.9pts below the competitive segment vs 2019[2]
- EBITDA (adjusted)[3] profit of £42.7m (2022: £48.5m)

Jo Boydell, Travelodge's Chief Executive said:

"I am delighted that Travelodge has delivered another record performance in 2023, with revenue above £1 billion for the first time. Our results reflect the hard work and commitment of our teams and the underlying strength of our business. We saw several record-breaking trading days and weeks during the year, with highlights including Wimbledon, driving our highest ever revenue in London, and Eurovision, our biggest event of the year, as well as strong demand for networking at business conferences and trade fairs, such as World Travel Market which saw over 40,000 people attend.

1 Revenue per available room, Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 29 December 2022 to 27 December 2023 (2022 comparatives for the period from 30 December 2021 to 28 December 2022). For the quarter 28 September 2023 to 27 December 2023 (2022 comparatives for the quarter from 29 September 2022 to 28 December 2022).

2. Our competitive segment is the Midscale and Economy Sector of the UK hotel market as reported by Smith Travel Research (STR), an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance. STR reporting from Q2 2023 amended methodology to excluded temporary room closures (with comparisons restated)

3 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 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.

Travelodge is well positioned in the budget hotel sector, with robust demand from our diverse mix of leisure and business customers who choose to stay with us for quality, affordable accommodation. We continue to invest in strengthening our brand proposition and driving future growth. Since launching our first new brand campaign for seven years in September 2023, we have seen a positive customer response, including improved brand awareness and consideration. Additionally, our hotel refit programme – our most significant transformation to date – saw 25% of the room estate refitted by the end of 2023 and we have plans to accelerate the programme to upgrade half of our rooms by the end of 2024.

In the first weeks of 2024, we are encouraged that in a traditionally quieter period, overall accommodation sales and forward bookings are ahead of 2023 levels. While we remain mindful of the challenging macroeconomic backdrop, including ongoing cost inflation, we are continuing to invest in the long-term future of the business including the acceleration of our refit programme and exploring opportunities to open new hotels in both the UK and Spain."

Summary

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.

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.

Strategic and Operational Update

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 and 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.

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.

A stay they can trust

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 85 Bar Cafe 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 over 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.

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.

Liquidity and Financing Update

We successfully completed a refinancing on 28 April 2023, repaid all existing bond debt and issued 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.

As part of the refinancing 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 have fully hedged the currency and interest rate risk on the €250 million floating rate notes.

Travelodge's liquidity position remains strong, and we ended the year with cash of £195.7m.

Reflecting the strong financial performance, our net third party debt ratio (frozen GAAP basis) at the end of December 2023 was 1.5x.

We continue to invest in the business, including accelerating our refit programme, which is delivering good commercial and customer benefits, and making other investments to support the growth of the business across development, quality, operational efficiency, technology and sustainability and will continue to review opportunities.

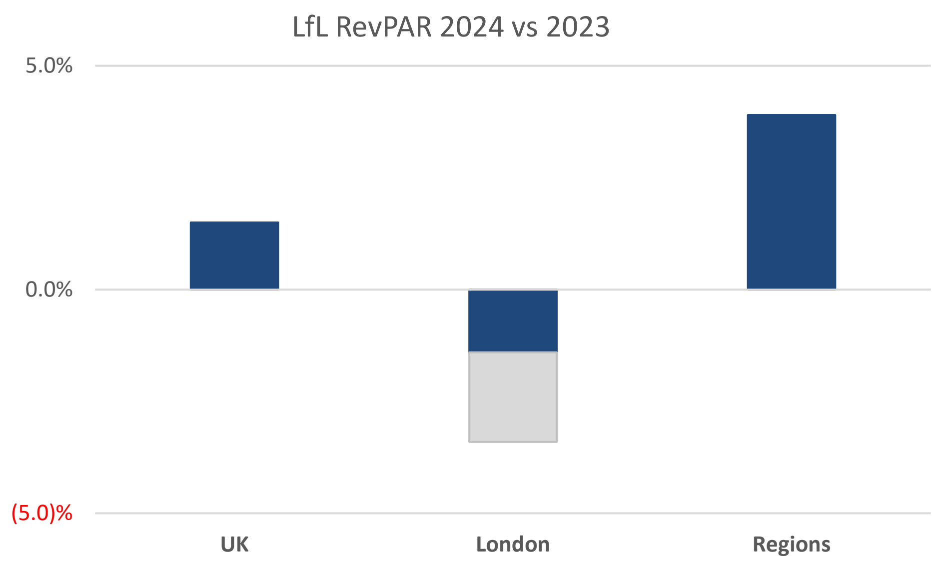
Cash balances as at 20 March were £250m, and we will keep our financing arrangements and strong cash position under review as we continue to support the growth of the business.

Trading Update

In what is our smallest trading quarter of the year, accommodation sales to date in 2024 are approximately 2% ahead of 2023 levels, and we have modestly outperformed the MSE competitive segment.

Overall, demand from business and leisure customers remains resilient, but reflects the lower number of events in the first quarter. The regions have performed much better than London, which has been additionally impacted by partial hotel closures as a result of our accelerated, optimised hotel refit programme. Adjusting for these off-line rooms impacts our London performance for the period by c. 2% points.

There are positive forward booking patterns, but these remain predominantly short-lead in line with historic trends, so we still have limited forward visibility.



Note: 2024: 29 Dec 2022 to 13 Mar 2024. 2023: 30 Dec 2021 to 15 Mar 2023

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 demands 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. Our single largest cost is rent and, as a reminder, the majority of our leases contain either RPI or CPI based 5-yearly upwards only rent reviews. Approximately 35% of our leases (by value) now contain caps and collars on these rent reviews. The review pattern across all leases is spread broadly evenly over a 5-year period. We expect rent to increase to between £265m-£270m in 2024 (2023: £250m), depending on the timing of new openings and inflation. The National Living Wage will increase by almost 10% to £11.44 from April 2024. Energy commodity costs are hedged, with 90% of summer 2024 and 75% of winter 2024 currently hedged 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 hedging position in this period in 2023. 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.

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

RISK FACTORS

Note holders are reminded that investing in the Notes involves substantial risks and Note holders should refer to the "Risk Factors" section of the Offering Memorandum, published on 21 April 2023, and the 2022 Annual Report for the year ended 31 December 2022 for a description of the risks that they should consider when making investment decisions about the Notes.

Principal risks include:

- The macroeconomic environment has the potential to impact on consumer demand and operating costs as a result of inflation and the cost-of-living crisis. Additionally, interest costs would be impacted by increases in interest rates.
- We employ over 13,000 people, particularly team members earning the National Living Wage, assistant hotel managers and hotel managers. Market forces and other impacts such as the impact of Brexit and indirect consequences of the Covid-19 pandemic have resulted in a shortage of available workforce. As a result of this, and our roles becoming less attractive to the younger generations, competition for employees is significant in our markets.
- Our data and systems are 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 are reliant on a number of third parties for services, including critical IT systems, which has the potential to impact our ability to trade.
- Our competitors could adjust their pricing and adversely impact demand for our rooms.
- Climate change has the potential to impact the businesses from an operational, reputational and financial perspective.

Further details, including mitigations in place, will be available in our Annual Report for the year ended 31 December 2023 which will be published in April 2024.

About Travelodge

In 1985, 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.

Notes:

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

Smith Travel Research (STR) is an independent hotel research provider, providing aggregate benchmarking information on the UK and other hotel market performance. Since Q2 STR changed their methodology to exclude temporary room closures, all comparisons have been restated.

For further information, please contact:

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

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

OPERATING AND FINANCIAL REVIEW

Results of operations for the year ended 31 December 2023

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

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

	Year ended 31 December 2023			Year ended 31 December 2022				
	Before IFRS 16[(1)] £m	**IFRS 16 impact** £m	**Statutory** £m	**Before IFRS 16[(1)]** £m	**IFRS 16 impact** £m	**Statutory** £m	**Variance 2023 vs 2022 before IFRS 16[(1)]** £m	Var %
Memorandum - Total revenue	**1,035.2**		**1,035.2**	**910.8**		**910.8**	124.4	13.7%
Underlying revenue by geographical region								
Underlying revenue	**1,035.2**	**-**	**1,035.2**	**909.9**	**-**	**909.9**	**125.3**	**13.8%**
Revenue UK	1,016.4	-	1,016.4	895.1	-	895.1	121.3	13.6%
Revenue International	18.8	-	18.8	14.8	-	14.8	4.0	27.0%
Underlying revenue	**1,035.2**	**-**	**1,035.2**	**909.9**	**-**	**909.9**	**125.3**	**13.8%**
Operating expenses	(542.1)	-	(542.1)	(462.3)	-	(462.3)	(79.8)	(17.3)%
Of which cost of goods sold	*(58.5)*	-	*(58.5)*	*(48.2)*	-	(48.2)	*(10.3)*	*(21.4)%*
Of which employee costs	*(231.1)*	-	*(231.1)*	*(206.1)*	-	(206.1)	*(25.0)*	*(12.1)%*
Of which other operating expenses	*(252.5)*	-	*(252.5)*	*(208.0)*	-	(208.0)	*(44.5)*	*(21.4)%*
Net external rent (payable) / receivable	(249.8)	254.6	4.8	(235.3)	238.7	3.4	(14.5)	(6.2)%
Other income	0.6	-	0.6	0.6	-	0.6	-	-
EBITDA (adjusted)[(2)] / EBITDA	**243.9** [(2)]	**254.6**	**498.5**	**212.9** [(2)]	**238.7**	**451.6**	**31.0**	**14.6%**
Rent phasing adjustment[(3)]	4.3	(4.3)	-	3.8	(3.8)	-	0.5	13.2%
Unrealised currency translation gains	0.2	-	0.2	-	-	-	0.2	100.0%
Loss on disposal of fixed assets	(5.5)	0.5	(5.0)	(7.2)	-	(7.2)	1.7	23.6%
Depreciation	(41.6)	(118.5)	(160.1)	(40.7)	(113.4)	(154.1)	(0.9)	(2.2)%
Amortisation	(13.9)	10.2	(3.7)	(14.2)	10.3	(3.9)	0.3	2.1%
Operating profit / (loss) (before non-underlying items)	**187.4**	**142.5**	**329.9**	**154.6**	**131.8**	**286.4**	**32.8**	**21.2%**
Finance costs before investor loan interest	(67.3)	(207.5)	(274.8)	(50.2)	(192.2)	(242.4)	(17.1)	(34.1)%
Investor loan interest	(20.3)	-	(20.3)	(20.3)	-	(20.3)	-	-
Finance income	7.9	-	7.9	1.9	-	1.9	6.0	315.8%
Profit / (loss) for the year before tax and non-underlying items	**107.7**	**(65.0)**	**42.7**	**86.0**	**(60.4)**	**25.6**	**21.7**	**25.2%**
Non-underlying items (before tax)			(8.9)			(26.1)		
Profit / (loss) for the year before tax			**33.8**			**(0.5)**		
Income tax			9.6			(0.2)		
Profit /(loss) for the year			**43.4**			**(0.7)**		

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

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment and unrealised currency translation gains/losses. 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.

(3) Rent phasing adjustment = the adjustment of the rent element of the EBITDA (adjusted) calculation, 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.

Revenue

Revenue increased by £124.4m, or 13.7%, from £910.8m for the year ended 31 December 2022 to £1,035.2m for the year ended 31 December 2023.

These were record breaking results reported for the year to 31 December 2023. This performance reflects the resilience of the UK budget hotel segment and Travelodge's position, benefiting from both business and leisure customers.

Like-for-like UK RevPAR(3) for the year improved by 12.4% to £59.14 compared to 2022. Travelodge was approximately (1.8)pts behind the Smith Travel Research (STR) MSE benchmark competitive segment vs 2022, and was 4.4pts ahead vs 2019.

Operating expenses

Operating expenses increased by £79.8m, or 17.3%, from £462.3m for the year ended 31 December 2022 to £542.1m for the year ended 31 December 2023, predominantly due to trading levels and inflation. Costs remained well controlled despite the market conditions.

Increases in cost of sales of £10.3m (21.4%) were mainly due to higher laundry and food and beverage costs reflecting high price inflation.

Employee costs increased by £25.0m from £206.1m for the year ended 31 December 2022 to £231.1m for the year ended 31 December 2023 reflecting increased occupancy levels, the impact of the National Living Wage increases in the like-for-like estate and the hours required to clean the rooms in our newly opened hotels.

Other operating expenses increased by £44.5m from £208.0m for the year ended 31 December 2022 to £252.5m for the year ended 31 December 2023. This was driven by increased costs such as marketing (reflecting the investment in our new brand campaign), utilities, maintenance, and higher transaction fees due increased booking levels, new hotels and inflationary increases.

---

(3) Revenue per available room (RevPAR), Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 29 December 2022 to 27 December 2023 (2022 comparatives for the period from 30 December 2021 to 28 December 2022).

Net external rent payable

External rent payable (before rent phasing adjustment and before IFRS 16) reflects the rental amounts due for the year, adjusted to spread the benefit of rent free periods over the period to the next rent review date.

Net external rent payable (before rent phasing adjustment and before IFRS 16) increased by £14.5m, or 6.2%, from £235.3m for the year ended 31 December 2022 to £249.8m for the year ended 31 December 2023, primarily due to the impact of new hotels, together with upwards only rent reviews predominantly linked to RPI in the like-for-like estate. Following the regear of 122 leases held by LXi REIT in January 2023, approximately 40% of the leasehold portfolio now has capped leases to limit exposure to future RPI increases.

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

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

On an IFRS 16 basis, the rent payable for operating leases reported under previous IFRS has are replaced by depreciation of the right-of-use asset and notional financing costs on the lease liability. As such, on an IFRS 16 basis, the net rent receivable position reflects sublet income.

Depreciation / Amortisation

Depreciation (before IFRS 16) increased by £0.9m, to £41.6m for the year ended 31 December 2023 compared to £40.7m for the year ended 31 December 2022. Depreciation is driven mainly by ongoing investment in the refurbishment of our estate, together with ongoing maintenance, health and safety measures, energy efficiency projects, IT hardware and new hotel openings.

Amortisation (before IFRS 16) saw a small decrease when comparing the £13.9m expense for the year ended 31 December 2023 to £14.2m for the year ended 31 December 2022.

Statutory depreciation increased by £6.0m from £154.1m for the year ended 31 December 2022 to £160.1m for the year ended 31 December 2023, due to new and maturing hotels and the modification of the right of use assets, reflecting rent reviews in the like-for-like estate and the regear of 122 LXi REIT sites in 2023.

Statutory amortisation of IT software was broadly consistent at £3.9m compared to £3.7m for the year ended 31 December 2023.

Finance costs

Finance costs (before IFRS 16) before investor loan interest increased by £17.1m, or 34.1%, from £50.2m for the year ended 31 December 2022 to £67.3m for the year ended 31 December 2023. The increase was predominantly due to increases in the SONIA rate since the beginning of the year and the new bond facilities in place in from 28 April 2023, partially offset by lower interest on the revolving credit facility due to the full repayment of drawings on 30 May 2022 and the term loan facility which was repaid in October 2022.

Statutory finance costs also include the notional financing costs on lease liabilities, and increased by £32.4m from £242.4m for the year ended 31 December 2022 to £274.8m for the year ended 31 December 2023. The increase over and above the £17.1m growth in finance costs (before IFRS 16) described above was mainly due to the impact of new hotel leases and rent reviews.

Finance income

Finance income comprising interest on loans to related parties and bank interest increased by £6.0m, from £1.9m for the year ended 31 December 2022 to £7.9m for the year ended 31 December 2023. The increase was mainly due to an increase in the domestic base rate, plus the interest received on the Euro deposit account which is being held as a natural hedge against currency fluctuations on the Euro designated bonds.

Non-underlying items

Statutory non-underlying items for the year ended 31 December 2023 of £8.9m represents bonuses of £7.4m in respect of the refinancing exercise in April 2023, and a £7.0m charge for the 2022 management incentive plans. There were also finance costs of £4.2m associated with the refinancing, offset by £0.8m discount to par achieved on the buy back of £15.8m nominal value of fixed rate bonds in January 2023 (see note 13). The impairment of 36 hotels as a result of a drop in performance during the pandemic was reversed in the year, resulting in a credit of £7.7m, which netted off against these expense items. A gain of £0.9m relates to the release of the accrual balance following the payment to Eligible Compromised Landlords under the CVA.

Non-underlying items for the year ended 31 December 2022 of £26.1m included a provision of £13.4m for a one off payment to landlords under the Excess Cumulative EBITDA rent payment clause in the 2020 CVA, a £1.9m loss on disposal of fixed assets incurred upon exiting the old Docklands hotel lease, £3.3m finance costs incurred following the repayment of the term loan, £3.6m (including employer NI) for costs in respect of compensation for loss of office relating to the departure of the CEO in May 2022 for personal health reasons, and £4.8m covering professional fees in connection with the design and implementation of a new senior management incentive plan and the share based payment charge for the year, partially offset by a £0.9m credit to revenue from the release of expired vouchers issued in relation to cancelled stays during periods of lockdown.

Profit before tax

Statutory profit before tax was £33.8m for the year ended 31 December 2023 compared with a loss of £(0.5)m for the year ended 31 December 2022, benefitting from the continued improvement in trading performance.

Taxation

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

There was a net £9.6m income tax credit for the period ended 31 December 2023, which is net of an accrual release from 2022, assumes similar levels of capital allowances being available in 2023 to those in the draft tax computations for 2022, and includes a credit of £11.1m for deferred tax. This compares to an income tax charge of £(0.2)m for the period ended 31 December 2022.

The deferred tax asset recognised at the end of the year was £15.8m, a £11.1m increase from the 2022 closing asset of £4.7m. This increase was due to the view that the group will be able to utilise these losses in the future due to strong trading and a positive outlook for the future.

Cash tax payments totalling £1.7m were made during the year ended 31 December 2023 with £0.7m being a payment on account by the Spanish entity, £0.5m on loans to participators of the management incentive schemes, and £0.5m on account by the Group.

Corporation tax payments of £3.6m were made in the year ended 31 December 2022.

Cash flow (before IFRS 16)

As at 31 December 2023, cash balances totalled £195.7m, an increase of £41.5m compared to £154.2m as at 31 December 2022.

Free Cash Flow was an inflow of £160.4m for the year ended 31 December 2023, on a 'before IFRS 16[(1)]' basis, £7.4m worse than the inflow of £167.8m for the year ended 31 December 2022. This was driven by the significant year on year increase of £31.0m in EBITDA (adjusted), offset by £6.2m increase in capital expenditure and £32.2m deterioration in working capital inflow, predominantly driven by the change in level of VAT owed at 31 December, and the CVA Compromised Landlord repayment during 2023 which was accrued in 2022.

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

	Year ended 31 December 2023 £m	**Year ended 31 December 2022 £m**
EBITDA (adjusted)[(1)]	243.9	212.9
Working capital[(2)]	(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	**160.4**	**167.8**

(1) EBITDA (adjusted) = EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment and unrealised currency translation gains/losses. In this measure, 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.

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

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 quarterly cash position is generally at a low just after the end of March, June, September and December following payment of the rent bill, monthly creditor payments and payroll.

The table below sets out certain line items from our consolidated cash flow statement for the year ended 31 December 2023 and the year ended 31 December 2022.

	Year ended 31 December 2023			Year ended 31 December 2022			Variance 2023 vs 2022 before IFRS 16(1)	
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	£m	Var %
Net cash generated from operating activities	219.9	257.5	477.4	234.1	245.5	479.6	(14.2)	(6.1)%
Net cash used in investing activities	(74.0)	-	(74.0)	(73.0)	-	(73.0)	(1.0)	(1.4)%
Net cash used in financing activities	(104.4)	(257.5)	(361.9)	(149.7)	(245.5)	(395.2)	45.3	30.3%
Net increase in aggregate cash and cash equivalents	41.5	-	41.5	11.4	-	11.4	30.1	264.0%
Cash and cash equivalents at beginning of the period	154.2	-	154.2	142.8	-	142.8	11.4	8.0%
Cash and cash equivalents at the end of the period	**195.7**	**-**	**195.7**	**154.2**	**-**	**154.2**	**41.5**	**26.9%**

For the year ended 31 December 2023, on a 'before IFRS 16[1]' basis, net cash generated from operating activities of £241.4m (which is after rent paid of £257.5m) was partially offset by cash spend on provisions and non-underlying items relating to operating activities of £19.8m (relating mainly to payments made to landlords under the CVA and spend against other provisions) and tax payments of £1.7m. Net cash used in investing activities of £74.0m relates to the purchase of intangible and tangible fixed assets net of interest received, and net cash used in financing activities of £104.4m (including £3.4m of non-underlying items), mainly relating to bond issue costs of £20.4m, interest on fixed and floating rate notes of £49.9m and £75m of investor loan accrued interest repayment, partially offset by c.£45m net cash generated on the net amount of loan notes redemptions and proceeds.

Net cash generated from operating activities

	Year ended 31 December 2023			Year ended 31 December 2022			Variance 2023 vs 2022	Var
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	%
Operating profit / (loss) - Underlying	187.4	142.5	329.9	154.6	131.8	286.4	32.8	21.2%
Operating (loss) / profit - Non-underlying	(1.9)	(3.6)	(5.5)	(14.7)	(8.1)	(22.8)	12.8	87.1%
Operating profit / (loss)	**185.5**	**138.9**	**324.4**	**139.9**	**123.7**	**263.6**	**45.6**	**32.6%**
Adjustments for non-cash items:								
Depreciation of property, plant and equipment	41.6	118.5	160.1	40.7	113.4	154.1	0.9	2.2%
Amortisation of other intangible assets	13.9	(10.2)	3.7	14.2	(10.3)	3.9	(0.3)	(2.1)%
Share based payments	7.0	-	7.0	5.7	-	5.7	1.3	22.8%
Unrealised currency translation losses / (gains)	(0.2)	-	(0.2)	-	-	-	(0.2)	-
Loss / (profit) on disposal of fixed assets	5.5	(0.8)	4.7	14.7	(5.6)	9.1	(9.2)	(62.6)%
Impairment (reversal) of fixed assets	(11.4)	3.7	(7.7)	0.4	(0.4)	-	(11.8)	(2950.0)%
	56.4	**111.2**	**167.6**	**75.7**	**97.1**	**172.8**	**(19.3)**	**(25.5)%**
Operating cash flows before movements in working capital	**241.9**	**250.1**	**492.0**	**215.6**	**220.8**	**436.4**	**26.3**	**12.2%**
Total working capital movement	**(20.3)**	**7.4**	**(12.9)**	**22.1**	**24.7**	**46.8**	**(42.4)**	**(191.9)%**
Cash flows from operating activities	**221.6**	**257.5**	**479.1**	**237.7**	**245.5**	**483.2**	**(16.1)**	**(6.8)%**
Corporate tax	(1.7)	-	(1.7)	(3.6)	-	(3.6)	1.9	52.8%
Net Cash Generated from operating activities	**219.9**	**257.5**	**477.4**	**234.1**	**245.5**	**479.6**	**(14.2)**	**(6.1)%**

Net cash generated from operating activities (after non-underlying items and before IFRS 16) was £219.9m for the year ended 31 December 2023, £14.2m less than the cash generated of £234.1m for the year ended 31 December 2022. This was mainly due to a

£45.6m improvement in operating profit (after non-underlying items) offset by a decrease of £19.3m in the adjustment made for non-cash items primarily driven by the impairment reversal of fixed assets by £11.8m (due to a reassessment of previously impaired hotels), a £9.2m movement in the adjustment for the loss on the disposals of fixed assets and a £42.4m reduced benefit of working capital (see working capital section below).

Statutory net cash generated from operating activities, which excludes rent, decreased by £2.2m, from an inflow of £479.6m for the year ended 31 December 2022 to an inflow of £477.4m for the year ended 31 December 2023. This was due to a £60.8m improvement in operating profit (after non-underlying items) and a £59.7m adverse working capital movement (see working capital section below). The increase of £5.2m in the adjustment made for non-cash items was driven by a £6.0m increase in depreciation of property, plant and equipment, a £1.3m increase in share based payments, offset by a £7.7m impairment reversal and a decrease of £4.4m from the loss of disposal of fixed assets.

Working capital requirements

Inventory primarily includes food and beverage products sold through our bar cafes. Trade and other receivables (before IFRS 16) primarily consist of rent prepayments with the majority paid quarterly in advance. We have low trade receivables as most of our customers pay at the time of booking, however, business customers taking advantage of our business account card benefit from interest free credit.

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

	Year ended 31 December 2023			Year ended 31 December 2022			Variance 2023 vs 2022 before IFRS 16[1]	
	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16[1] £m	IFRS 16 impact £m	Statutory £m	£m	Var %
Decrease / (Increase) in inventory	(0.2)	-	(0.2)	(0.4)	-	(0.4)	0.2	50.0%
(Increase) / decrease in receivables	(6.5)	1.6	(4.9)	(6.9)	5.1	(1.8)	0.4	5.8%
Increase / (decrease) in payables	(0.1)	5.5	5.4	33.2	17.1	50.3	(33.3)	(100.3)%
Total working capital movement (before provisions and non-underlying items)	(6.8)	7.1	0.3	25.9	22.2	48.1	(32.7)	(126.3)%
Provisions and non-underlying items	(13.5)	0.3	(13.2)	(3.8)	2.5	(1.3)	(9.7)	(255.3)%
Total working capital movement	**(20.3)**	**7.4**	**(12.9)**	**22.1**	**24.7**	**46.8**	**(42.4)**	**(191.9)%**
Less non-underlyings before IFRS 16 (cash flow provisions and exceptionals)	13.5			3.8			9.7	
Less rent phasing adjustment before IFRS 16	4.3			3.8		`	0.5	
Underlying working capital movement	**(2.5)**			**29.7**			**(32.2)**	

Working capital outflow (before IFRS 16 and before provisions and non-underlying items) of £6.8m for the year ended 31 December 2023 compared to an inflow of £25.9m for the year ended 31 December 2022, predominantly driven by the change in level of VAT owed at 31 December, and the CVA Compromised Landlord repayment during 2023 which was accrued in 2022. In 2022 we had observed a large working capital swing from a net reclaimable to a payable position linked to the lifting of government restrictions.

Working capital outflow for provisions and non-underlying items (before IFRS 16) of £13.5m for the year ended 31 December 2023 compared to an outflow of £3.8m for the year ended 31 December 2022. The 2023 outflow is driven by payment to the CVA Compromised landlords (resulting in utilisation of the accrual in 2022). 2022 predominantly consisted of £3.9m settlement of an HMRC tax enquiry, £1.0m spend relating to payments to the compromised creditors under the terms of the CVA, and the release to revenue of £0.9m of expired vouchers issued in relation to cancelled stays during periods of lockdown. Furthermore, there was a reassessment of the onerous lease provision of £15.1m resulting from improved trading, offset by inflows of £13.4m relating to the accrual for the payment to the CVA compromised landlords, and £0.3m of professional fees accrued in relation to the management incentive plan.

On a Statutory basis, cash flows relating to rent are reported within Net cash used in financing activities. Statutory working capital inflow before provisions and non-underlying items of £0.3m for the year ended 31 December 2023 compared to an inflow of £48.1m for the year ended 31 December 2022. This is largely driven by the movements noted above excluding any impact of pre-paid rent.

Statutory working capital outflow for provisions and non-underlying items of £13.2m for the year ended 31 December 2023 compared to an outflow of £1.3m for the year ended 31 December 2022. The 2023 outflow is as described above on a pre IFRS 16 basis, with the exception of a £0.3m release of the remaining agreed rent reduction of a disposed hotel which is not applicable post IFRS 16. 2022 outflow is as described above excluding the release of onerous lease provision.

Net cash used in investing activities

Net cash used in investing activities (before IFRS 16(1)) increased by £1.0m, or 1.4%, from £73.0m for the year ended 31 December 2022 to £74.0m for the year ended 31 December 2023, primarily due to the increase in capital expenditure in 2023 offset by an increase in bank interest receivable due to the improved interest rates.

Capital expenditure increased by £6.2m, or 8.3%, from £74.8m for the year ended 31 December 2022 to £81.0m for the year ended 31 December 2023. Spend included the refit programme as well as continued ongoing investment in hotel maintenance, health and safety, IT and development projects including energy efficiency.

Net cash used in financing activities

Net cash used in financing activities (before IFRS 16(1)) was £104.4m for the year ended 31 December 2023, compared to net cash used of £149.7m for the year ended 31 December 2022.

Net cash used in financing activities in 2023 was mainly due to the refinancing activities which occurred during April 2023 with the January 2025 fixed and July 2025 floating rate bonds being repaid in full and the drawdown of new £330m fixed and €250m floating rate bonds (net proceeds c. £45m), and the payment of £75m of accrued interest on the investor loan. The bond issue costs for the year were £20.4m, and interest of £49.9m was paid on fixed and floating rate notes.

Statutory net cash used in financing activities was £361.9m for the year ended 31 December 2023, compared to net cash used of £395.2m for the year ended 31 December 2022. Statutory figures include the lease rental capital and interest payments.

OPERATING AND FINANCIAL REVIEW

Results of operations for the quarter ended 31 December 2023

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

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

	Quarter ended 31 December 2023			Quarter ended 31 December 2022				
	Underlying before IFRS 16[1] £m	**Underlying IFRS 16 impact** £m	**Statutory** £m	**Underlying before IFRS 16[1]** £m	**Underlying IFRS 16 impact** £m	**Statutory** £m	**Variance 2023 vs 2022 before IFRS 16[1]** £m	Var %
Revenue by geographical region								
Revenue	**253.2**	-	**253.2**	**240.0**	-	**240.0**	**13.2**	**5.5%**
Revenue UK	248.3	-	248.3	236.3	-	236.3	12.0	5.1%
Revenue International	4.9	-	4.9	3.7	-	3.7	1.2	32.4%
Revenue	**253.2**	-	**253.2**	**240.0**	-	**240.0**	**13.2**	**5.5%**
Operating expenses	(146.8)	-	(146.8)	(131.5)	-	(131.5)	(15.3)	(11.6)%
Of which cost of goods sold	*(14.0)*	-	*(14.0)*	*(13.8)*	-	*(13.8)*	*(0.2)*	*(1.4)%*
Of which employee costs	*(59.1)*	-	*(59.1)*	*(58.4)*	-	*(58.4)*	*(0.7)*	*(1.2)%*
Of which other operating expenses	*(73.7)*	-	*(73.7)*	*(59.3)*	-	*(59.3)*	*(14.4)*	*(24.3)%*
Net external rent (payable) / receivable	(64.1)	65.3	1.2	(60.4)	61.1	0.7	(3.7)	(6.1)%
Other income	0.4	-	0.4	0.4	-	0.4	-	-
EBITDA (adjusted)[2] / EBITDA	**42.7** [2]	**65.3**	**108.0**	**48.5** [2]	**61.1**	**109.6**	**(5.8)**	**(12.0)%**
Rent adjustment[3]	1.1	(1.1)	-	0.6	(0.6)	-	0.5	83.3%
Unrealised currency translation gains	0.1	-	0.1	-	-	-	0.1	100.0%
Loss on disposal of fixed assets	(5.5)	0.5	(5.0)	(7.2)	-	(7.2)	1.7	23.6%
Depreciation	(12.1)	(30.4)	(42.5)	(10.9)	(30.6)	(41.5)	(1.2)	(11.0)%
Amortisation	(3.5)	2.6	(0.9)	(3.6)	2.6	(1.0)	0.1	2.8%
Operating profit (before non-underlying items)	**22.8**	**36.9**	**59.7**	**27.4**	**32.5**	**59.9**	**(4.6)**	**(16.8)%**
Finance costs before investor loan interest	(17.0)	(52.1)	(69.1)	(14.6)	(52.4)	(67.0)	(2.4)	(16.4)%
Investor loan interest	(5.1)	-	(5.1)	(5.2)	-	(5.2)	0.1	1.9%
Finance income	2.7	-	2.7	1.3	-	1.3	1.4	107.7%
Profit / (loss) for the quarter (before non-underlying items)	**3.4**	**(15.2)**	**(11.8)**	**8.9**	**(19.9)**	**(11.0)**	**(5.5)**	**(61.8)%**
Non-underlying items			(1.5)			(22.1)		
Loss for the quarter before tax			**(13.3)**			**(33.1)**		
Income tax			9.7			(0.3)		
Loss for the quarter			**(3.6)**			**(33.4)**		

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

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment and unrealised currency translation gains/losses. In this measure, 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.

(3) Rent phasing adjustment = the adjustment of the rent element of the EBITDA (adjusted) calculation, 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.

Revenue

Revenue (before non-underlying items) increased by £13.2m, or 5.5%, from £240.0m for the quarter ended 31 December 2022 to £253.2m for the quarter ended 31 December 2023.

Like-for-like UK RevPAR[(1)] for the quarter improved by 4.7% compared to 2022, like-for-like occupancy[(1)] increased by 0.7pts compared to 2022 and like-for-like average room rates[(1)] were 3.8% higher compared to 2022.

Operating expenses

Operating expenses increased by £15.3m, or 11.6%, from £131.5m for the quarter ended 31 December 2022 to £146.8m for the quarter ended 31 December 2023, predominantly due to trading levels and inflation.

Increases in cost of sales were mainly due to increase laundry costs and food and beverage costs.

Employee costs increased by £0.7m from £58.4m for the quarter ended 31 December 2022 to £59.1m for the quarter ended 31 December 2023 reflecting the trading levels, the impact of the National Living Wage increase in the like-for-like estate and the hours required to clean the rooms in our newly opened hotels.

Other operating expenses increased by £14.4m from £59.3m for the quarter ended 31 December 2022 to £73.7m for the quarter ended 31 December 2023. This was driven by increased costs such as utilities and marketing, new hotels and also inflationary increases.

Net external rent payable

External rent payable (before rent phasing adjustment and before IFRS 16) reflects the rental amounts due for the period, adjusted to spread the benefit of rent free periods over the period to the next rent review.

Net external rent payable (before rent phasing adjustment and before IFRS 16) increased by £3.7m, or 6.1%, from £60.4m for the quarter ended 31 December 2022 to £64.1m for the quarter ended 31 December 2023. The impact of new hotels, together with upwards only rent reviews predominantly linked to RPI in the like-for-like estate, contributed to the increase in rent payable.

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

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

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

(1) Revenue per available room (RevPAR), Average room rate and Occupancy on a UK like-for-like basis for the management accounting period 28 September 2023 to 27 December 2023 (2022 comparatives for the period from 29 September 2022 to 28 December 2022).

Depreciation / Amortisation

Depreciation (before IFRS 16[1]) increased by £1.2m, or 11.0%, from £10.9m for the quarter ended 31 December 2022 to £12.1m for the quarter ended 31 December 2023. Depreciation is driven mainly by ongoing investment in the refurbishment of our estate including health and safety measures, energy efficiency projects, IT hardware and new hotel openings.

Amortisation (before IFRS 16[1]) is driven mainly by historic lease premiums, investment in IT systems (where this results in an intangible asset) and new openings, and remained broadly consistent at £3.5m for the quarter ended 31 December 2023 and £3.6m for the quarter ended 31 December 2022.

Statutory depreciation increased by £1.0m from £41.5m for the quarter ended 31 December 2022 to £42.5m for the quarter ended 31 December 2023, due to new and maturing hotels and the modification of the right of use assets, reflecting rent reviews in the like-for-like estate. Statutory amortisation of IT software remained at a similar level with an expense of £0.9m for the quarter ended 31 December 2023 and £1.0m for the quarter ended 31 December 2022.

Finance costs

Finance costs (before IFRS 16[1]) before investor loan interest increased by £2.4m, or 16.4%, from £14.6m for the quarter ended 31 December 2022 to £17.0m for the quarter ended 31 December 2023. The increase was predominantly due to the new bond facilities in place in 2023, partially offset by the impact of the repayment of the term loan facility in October 2022.

Investor loan interest remained broadly consistent at £5.2m for the quarter ended 31 December 2022 and £5.1m the quarter ended 31 December 2023.

Statutory finance costs include interest on lease liabilities of £52.1m for the quarter ended 31 December 2023 which was a £0.3m decrease on the £52.4m cost for the quarter ended 31 December 2022.

Finance income

Finance income of £2.7m for the quarter ended 31 December 2023 was mostly bank interest received plus interest received on the Euro deposit account.

Non-underlying items

There are statutory non-underlying charges for the quarter ended 31 December 2023 of £1.5m. The charges that contribute to this figure are primarily a £7.0m expense related to the 2022 management incentive programme, a £0.5m gain resulting from an IFRS 16 adjustment relating to the modification of a property, £1.7m representing bonuses paid in respect of the refinancing exercise and £1.5m of finance costs in relation to the new bond facilities entered into in the year. These charges net off against the gain from the impairment reversal of £7.7m.

Statutory non-underlying charges (before taxation) for the quarter ended 31 December 2022 of £22.1m relate to the share based payment charge for the year of £5.7m, £3.3m of finance costs incurred on the settlement of the term loan, a £0.3m credit for movement in provisions

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

and an accrual of £13.4m for a one-off payment to landlords relating to the Excess Cumulative EBITDA rent payment clause in the 2020 CVA.

Loss before tax

Statutory loss before tax was £13.3m for the quarter ended 31 December 2023, an improvement of £19.8m from a £33.1m loss for the quarter ended 31 December 2022, resulting mainly from an increase in revenue and reduction in non-underlying costs.

Registered number: 08170768

THAME AND LONDON LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2023

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED PROFIT AND LOSS
FOR THE YEAR ENDED 31 December 2023

		Year ended 31 December 2023				Year ended 31 December 2022			
		Underlying before IFRS 16(1)	Underlying impact of IFRS 16(1)	Non-underlying	Statutory	Underlying before IFRS 16(1)	Underlying impact of IFRS 16(1)	Non-underlying	Statutory
	Note	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	*3*	1,035.2	-	-	**1,035.2**	909.9	-	0.9	**910.8**
Operating Expenses	*4*	(542.1)	-	(14.4)	**(556.5)**	(462.3)	-	(8.4)	**(470.7)**
Rent	*4*	(245.5)	250.3	0.9	**5.7**	(231.5)	234.9	(13.4)	**(10.0)**
Unrealised currency translation gains		0.2	-	-	**0.2**	-	-	-	**-**
Other Income		0.6	-	-	**0.6**	0.6	-	-	**0.6**
EBITDA after rent phasing adjustment	*3*	**248.4**	**250.3**	**(13.5)**	**485.2**	**216.7**	**234.9**	**(20.9)**	**430.7**
Depreciation & Amortisation	*4*	(55.5)	(108.3)	7.7	**(156.1)**	(54.9)	(103.1)	-	**(158.0)**
(Loss) / Profit on Disposal of Fixed Assets		(5.5)	0.5	0.3	**(4.7)**	(7.2)	-	(1.9)	**(9.1)**
Operating Profit / (Loss)	*3*	**187.4**	**142.5**	**(5.5)**	**324.4**	**154.6**	**131.8**	**(22.8)**	**263.6**
Finance Costs	*5*	(87.6)	(207.5)	(4.2)	**(299.3)**	(70.5)	(192.2)	(3.3)	**(266.0)**
Finance Income		7.9	-	0.8	**8.7**	1.9	-	-	**1.9**
Profit / (Loss) before Tax	*3*	**107.7**	**(65.0)**	**(8.9)**	**33.8**	**86.0**	**(60.4)**	**(26.1)**	**(0.5)**
Income Tax		7.9	-	1.7	**9.6**	(0.3)	-	0.1	**(0.2)**
Profit / (Loss) for the Year		**115.6**	**(65.0)**	**(7.2)**	**43.4**	**85.7**	**(60.4)**	**(26.0)**	**(0.7)**

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

Memorandum - EBITDA (adjusted)(2)

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
EBITDA (adjusted)(2)	**243.9**	**212.9**
Rent phasing adjustment(3)	**4.3**	**3.8**
Unrealised currency translation gains	**0.2**	**-**
EBITDA after rent phasing adjustment	**248.4**	**216.7**

(2) EBITDA (adjusted) = EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment and unrealised currency translation gains/losses. In this measure, 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.

(3) Rent phasing adjustment = the adjustment of the rent element of the EBITDA (adjusted) calculation, 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.

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2023

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Profit 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)**
Other comprehensive income for the year, net of tax	**(4.8)**	**(0.1)**
Total comprehensive income / (expense) for the year	**38.6**	**(0.8)**

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

	Other reserves £m	Foreign Exchange Reserve £m	Cash Flow Hedge Reserve £m	Accumulated Losses £m	Total deficit £m
1 January 2022	**-**	**-**	**-**	**(754.3)**	**(754.3)**
Profit 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	5.7	-	-		**5.7**
Total transactions with owners	**5.7**	**-**	**-**	**-**	**5.7**
31 December 2022	**5.7**	**(0.1)**	**-**	**(755.0)**	**(749.4)**
1 January 2023	**5.7**	**(0.1)**	**-**	**(755.0)**	**(749.4)**
Profit for the year	-	-	-	43.4	**43.4**
Other comprehensive income					
Currency translation differences		(0.1)	-	-	**(0.1)**
(Losses) / gains on cash flow hedges	-	-	(4.7)	-	**(4.7)**
Total comprehensive income	**-**	**(0.1)**	**(4.7)**	**43.4**	**38.6**
Transactions with owners					
Recognition of share based payments	6.8	-	-	-	**6.8**
Total transactions with owners	**6.8**	**-**	**-**	**-**	**6.8**
31 December 2023	**12.5**	**(0.2)**	**(4.7)**	**(711.6)**	**(704.0)**

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 December 2023

	Note	31 December 2023 £m	31 December 2022 £m
NON CURRENT ASSETS			
Intangible assets	*7*	**153.5**	**154.3**
Property, plant and equipment	*8*	**149.8**	**120.6**
Right of Use assets	*9*	**2,211.3**	**2,198.9**
Net Deferred tax asset		**15.8**	**4.7**
		2,530.4	**2,478.5**
CURRENT ASSETS			
Inventory		**1.8**	**1.7**
Trade and other receivables	*10*	**32.4**	**26.6**
Corporation tax debtor		**0.9**	**-**
Cash and cash equivalents		**195.7**	**154.2**
		230.8	**182.5**
TOTAL ASSETS		**2,761.2**	**2,661.0**
CURRENT LIABILITIES			
Trade and other payables	*11*	**(156.4)**	**(161.6)**
Corporation tax creditor		**(1.4)**	**-**
Lease liabilities	*12*	**(81.9)**	**(46.5)**
Provisions	*14*	**(0.4)**	**(1.2)**
		(240.1)	**(209.3)**
NON-CURRENT LIABILITIES			
Bond related debt	*13*	**(533.8)**	**(499.5)**
Investor loan	*13*	**(152.2)**	**(206.9)**
Lease liabilities	*12*	**(2,528.0)**	**(2,492.8)**
Provisions	*14*	**(2.4)**	**(1.9)**
Financial derivative liability		**(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		**-**	**-**
Reserves		**12.5**	**5.7**
Foreign exchange reserve		**(0.2)**	**(0.1)**
Cash flow hedge reserve		**(4.7)**	**-**
Accumulated losses		**(711.6)**	**(755.0)**
TOTAL DEFICIT		**(704.0)**	**(749.4)**

Memorandum - Analysis of net funding

	Note	31 December 2023 *£m*	31 December 2022 *£m*
Cash at bank		***195.7***	***154.2***
External debt redeemable (excluding lease liabilities):			
Senior secured fixed rate bond	*13*	***-***	***(440.0)***
Senior secured floating rate bond	*13*	***-***	***(65.0)***
Sterling fixed rate notes	*13*	***(330.0)***	***-***
Euro floating rate notes	*13*	***(225.4)***	***-***
Revolving Credit Facilities	*13*	***-***	***-***
Bond issue costs	*13*	***12.9***	***5.5***
Super Senior Term Loan issue costs	*13*	***-***	***-***
Gross debt	*13*	***(542.5)***	***(499.5)***
External net debt		***(346.8)***	***(345.3)***
Investor loan	*13*	***(152.2)***	***(206.9)***
Net debt		***(499.0)***	***(552.2)***
Lease liabilities	*10*	***(2,609.9)***	***(2,539.3)***
		(3,108.9)	***(3,091.5)***

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 December 2023

	Year ended 31 December 2023			Year ended 31 December 2022		
	Before IFRS 16[(1)]	IFRS 16 impact	Statutory	Before IFRS 16[(1)]	IFRS 16 impact	Statutory
	£m	£m	£m	£m	£m	£m
CASH GENERATED FROM OPERATING ACTIVITIES	221.6	257.5	479.1	237.7	245.5	483.2
Corporate tax	(1.7)	-	(1.7)	(3.6)	-	(3.6)
NET CASH GENERATED FROM OPERATING ACTIVITIES	219.9	257.5	477.4	234.1	245.5	479.6
INVESTING ACTIVITIES						
Interest received	7.0	-	7.0	1.8	-	1.8
Proceeds on disposal of assets	-	-	-	-	-	-
Purchases of property, plant and equipment and intangible assets	(81.0)	-	(81.0)	(74.8)	-	(74.8)
Net cash used in investing activities	(74.0)	-	(74.0)	(73.0)	-	(73.0)
FINANCING ACTIVITIES						
Finance fees paid	(2.6)	-	(2.6)	-	-	-
Interest paid	(49.9)	-	(49.9)	(42.7)	-	(42.7)
Finance lease rental interest payments	(1.6)	1.6	-	(1.8)	1.8	-
IFRS 16 lease rental capital payments	-	(50.8)	(50.8)	-	(52.9)	(52.9)
IFRS 16 lease rental interest payments	-	(208.3)	(208.3)	-	(194.4)	(194.4)
Issue of fixed rate bonds	330.0	-	330.0	-	-	-
Issue of floating rate bonds	219.3	-	219.3	-	-	-
Investor loan interest paid	(75.0)	-	(75.0)	-	-	-
Repayment of term loan	-	-	-	(61.9)	-	(61.9)
Repayment of revolving credit facility	-	-	-	(40.0)	-	(40.0)
Redemption of fixed rate bonds	(439.2)	-	(439.2)	-	-	-
Redemption of floating rate bonds	(65.0)	-	(65.0)	-	-	-
Finance issue transaction costs	(20.4)	-	(20.4)	(3.3)	-	(3.3)
Net cash used in financing activities	(104.4)	(257.5)	(361.9)	(149.7)	(245.5)	(395.2)
Net increase in aggregate cash and cash equivalents	41.5	-	41.5	11.4	-	11.4
Cash and cash equivalents at beginning of the period	154.2	-	154.2	142.8	-	142.8
Cash and cash equivalents at end of the period	195.7	-	195.7	154.2	-	154.2

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

THAME AND LONDON LIMITED
CONDENSED CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 December 2023

Memorandum - Analysis of free cash flow [1]	Year ended 31 December 2023 Before IFRS 16 (1) £m	Year ended 31 December 2022 Before IFRS 16 (1) £m
EBITDA (adjusted)[2]	**243.9**	**212.9**
Working capital	***(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 generated from the period	***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 [3]	***(19.8)***	***(4.9)***
Corporate tax	***(1.7)***	***(3.6)***
Non-trading cash flow	***(68.6)***	***(51.2)***
Cash generated	***91.8***	***116.6***
Opening Cash	***154.2***	***142.8***
Movement in cash	***91.8***	***116.6***
Net refinancing proceeds	***549.3***	***-***
Repayment of fixed and floating rate bond	***(504.2)***	***-***
Repayment of term loan	***-***	***(61.9)***
Repayment of revolving credit facility	***-***	***(40.0)***
Investor loan interest paid	***(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***
Repurchase of bonds	***-***	***61.9***
Repayment of revolving credit facility	***-***	***40.0***
Net finance issue transaction costs	***-***	***(2.3)***
Repayment of external debt	***499.5***	***-***
Net refinancing proceeds	***(533.2)***	***-***
Net amortised bond transaction costs	***(9.3)***	***-***
Capitalised term loan interest	***-***	***1.2***
Net amortised term loan and refinancing costs	***-***	***(2.8)***
Closing external net debt	***(346.8)***	***(345.3)***

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

2. EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation, rent phasing adjustment, and before unrealised currency translation gains/losses, non-underlying items and reflective of the position in line with the accounting principles applicable to the previous year for purposes of comparability (before IFRS 16). 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.

3. In 2023, net cash spend on non-underlying items through working capital of £19.8m includes £12.5m of CVA payments made, £6.4m in relation to employee costs, £0.2m relating to managment incentive programme schemes, £0.4m other exceptional payments and £0.4m spend on provisions.

In 2022, net cash spend on provisions and non-underlying items of £4.9m included £3.9m spend in resolution of a HMRC tax enquiry and £1.0m spend relating to payments to the compromised creditors under the terms of the CVA

Reconciliation of net cash flows from operating activities before non-underlying items to net cash generated from operating activities (note 15)	Year ended 31 December 2023 Before IFRS 16 (1)	Year ended 31 December 2022 Before IFRS 16 (1)
Net cash flows from operating activities before non-underlyings	***241.4***	***242.6***
Cash spend on provisions and non-underlying items [4]	***(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***

4. In 2023, net cash spend on non-underlying items through working capital of £19.8m includes £12.4m of CVA payments made, £4.7m in relation to employee costs, £1.3m in relation to bond refianncing, £0.8m inflow of discount from buy back of floating rate loan notes, £0.3m outflow for professional fees in connection with the design and implementation of the 2022 senior management incentive plan, £0.2m other exceptional payments.
In 2022, net cash spend on provisions and non-underlying items of £7.6m included £3.9m spend in resolution of a HMRC tax enquiry, £1.4m spend relating to compensation for loss of office relating to the departure of the CEO in May 2022 for personal health reasons, £1.0m spend relating to payments to the compromised creditors under the terms of the CVA, £0.6m professional fees spend relating to management incentives.

1 GENERAL INFORMATION

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

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022. The policies shown are an extract from the full disclosure in the annual financial statements for the year ended 31 December 2022, as not all policies are given.

Statutory accounts for the year ended 31 December 2022 were approved by the board of directors on 13 April 2023 and are published on our website.

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

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

Basis of consolidation

The financial statements consolidate the financial information 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.

Business combinations

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

Seasonality

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

Revenue recognition

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

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

Prepaid Room Purchases

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

Non-underlying items

Management classify non-underlying items to be those that are considered to be significant in nature and quantum, not in the normal course of business, for example items that are non-recurring, 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.

Leasing

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

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

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

As a lessee

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

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

Taxation

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

Provisions

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

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.

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.

Derivative financial instruments and hedge accounting

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

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

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

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

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

Interest hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

3 ANALYSIS OF RESULTS BY GEOGRAPHICAL REGION

	Year ended 31 December 2023			Year ended 31 December 2022		
	UK	**International**	**Total**	**UK**	**International**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue						
Revenue - Underlying	1,016.4	18.8	**1,035.2**	895.1	14.8	**909.9**
Non-underlying items	-	-	**-**	0.9	-	**0.9**
Revenue	**1,016.4**	**18.8**	**1,035.2**	**896.0**	**14.8**	**910.8**
EBITDA						
EBITDA (adjusted)(1)	239.8	4.1	**243.9**	209.7	3.2	**212.9**
Rent phasing adjustment	4.3	-	**4.3**	3.8	-	**3.8**
Unrealised currency translation gains	0.2	-	**0.2**	-	-	**-**
EBITDA after rent phasing adjustment before IFRS 16(2)	**244.3**	**4.1**	**248.4**	**213.5**	**3.2**	**216.7**
IFRS 16 EBITDA adjustment	245.1	5.2	**250.3**	230.9	4.0	**234.9**
EBITDA after rent phasing adjustment - Underlying	**489.4**	**9.3**	**498.7**	**444.4**	**7.2**	**451.6**
Non-underlying items	(13.5)	-	**(13.5)**	(20.9)	-	**(20.9)**
EBITDA after rent phasing adjustment	**475.9**	**9.3**	**485.2**	**423.5**	**7.2**	**430.7**
Operating profit / (loss)						
Operating profit / (loss) before IFRS 16(2) - Underlying	183.4	4.0	**187.4**	151.6	3.0	**154.6**
IFRS 16 Operating profit adjustment - Underlying	140.2	2.3	**142.5**	130.3	1.5	**131.8**
Operating profit / (loss) - Underlying	**323.6**	**6.3**	**329.9**	**281.9**	**4.5**	**286.4**
Non-underlying items	(5.5)	-	**(5.5)**	(22.8)	-	**(22.8)**
Operating profit / (loss)	**318.1**	**6.3**	**324.4**	**259.1**	**4.5**	**263.6**
Profit / (Loss) before tax						
Profit / (loss) before tax - Underlying	103.7	4.0	**107.7**	83.0	3.0	**86.0**
Non-underlying items before IFRS 16(2)	(5.3)	-	**(5.3)**	(18.1)	-	**(18.1)**
Profit / (loss) before tax and IFRS 16	**98.4**	**4.0**	**102.4**	**64.9**	**3.0**	**67.9**
IFRS 16 Loss before tax adjustment	(64.6)	(0.4)	**(65.0)**	(58.8)	(1.6)	**(60.4)**
IFRS 16 non-underlying items	(3.6)	-	**(3.6)**	(8.0)	-	**(8.0)**
Profit / (Loss) before tax	**30.2**	**3.6**	**33.8**	**(1.9)**	**1.4**	**(0.5)**

(1) EBITDA (adjusted) = EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment and unrealised currency translation gains/losses. In this measure, 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.

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

4 NET OPERATING EXPENSES (BEFORE NON-UNDERLYING ITEMS)

	Year ended 31 December 2023			Year ended 31 December 2022		
	Underlying before IFRS 16[(1)]	Underlying IFRS 16 impact	Underlying Statutory	Underlying before IFRS 16[(1)]	Underlying IFRS 16 impact	Underlying Statutory
	£m	£m	£m	£m	£m	£m
Cost of goods sold	58.5	-	58.5	48.2	-	48.2
Employee costs	231.1	-	231.1	206.1	-	206.1
Operating expenses	252.5	-	252.5	208.0	-	208.0
Net operating expenses before rent, depreciation and amortisation	542.1	-	542.1	462.3	-	462.3
Rent payable (third party landlords)	255.3	(254.6)	0.7	238.9	(238.7)	0.2
Rent receivable	(5.5)	-	(5.5)	(3.6)	-	(3.6)
Net external rent payable / (receivable)	249.8	(254.6)	(4.8)	235.3	(238.7)	(3.4)
Rent phasing adjustment[(2)]	(4.3)	4.3	-	(3.8)	3.8	-
Net rent	245.5	(250.3)	(4.8)	231.5	(234.9)	(3.4)
Net operating expenses before depreciation and amortisation	787.6	(250.3)	537.3	693.8	(234.9)	458.9
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
Net depreciation and amortisation	55.5	108.3	163.8	54.9	103.1	158.0
Total net operating expenses	843.1	(142.0)	701.1	748.7	(131.8)	616.9

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

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

5 FINANCE COSTS

	Year ended 31 December 2023	Year ended 31 December 2022
	£m	£m
Finance fees	11.4	5.2
Interest on bank loans	1.3	7.2
Swap interest	2.1	-
Interest on fixed and floating rate bonds	50.8	35.6
Interest on obligations under finance leases	1.7	1.7
Unwinding of discount on provisions	-	0.5
Finance costs before interest on investor loan, non-underlying items and IFRS 16	67.3	50.2
Interest on investor loan	20.3	20.3
Finance costs before non-underlying items and IFRS 16	87.6	70.5
Non-underlying items:		
Fees in relation to restructuring of debt	4.2	3.3
Finance costs before IFRS 16	91.8	73.8
IFRS 16 adjustment[(1)]	207.5	192.2
Finance costs after IFRS 16	299.3	266.0

(1) The total IFRS 16 notional interest charge on lease liabilities is £209.2m (2022: £194.4m). The IFRS 16 adjustment includes a £(1.7)m (2022: £(1.7)m) credit in respect of interest on finance leases and a £nil (2022: £(0.3)m) credit in respect of unwinding of discount on provisions.

6 NON-UNDERLYING ITEMS

The non-underlying operating expenses before tax of £8.9m at 31 December 2023 mainly represents senior management bonuses of £7.4m paid contingently on the refinancing exercise completed in April 2023 and a charge of £7.0m relating to the share based payment charge for the management incentive programme implemented in 2022.

The non-underlying finance costs of £4.2m are similarly in respect of the refinancing activity and the non-underlying finance income of £0.8m is the discount achieved against par on the repurchase of £15.8m of nominal value bond debt in January 2023 – see Note 13.

There were £0.5m profit on disposals of fixed assets classified in non-underlying expenses due to the IFRS 16 adjustment on a gain from a modification to a property coupled with the timing of the regear. There was also a £7.7m gain from an impairment reversal of fixed assets relating to a change in the assessment of properties that had previously been impaired.

A further gain of £0.9m in the year arose from a movement on CVA compromised creditors.

Statutory non-underlying net charges for the year ended 31 December 2022 of £26.1m include provision of £13.4m for a one off payment to landlords under the Excess Cumulative EBITDA rent payment clause in the 2020 CVA, £1.9m loss on disposal of fixed assets incurred upon exiting the old Docklands hotel lease, with the new Docklands hotel now open and trading, £3.3m finance costs incurred following the repayment of the term loan, £3.6m (including employer NI) for costs in respect of compensation for loss of office relating to the departure of the CEO in May 2022 for personal health reasons, £4.8m relating to the share based payment for the new management incentive scheme and the associated legal and advisor costs, partially offset by a £0.9m credit to revenue from the release of expired vouchers issued in relation to cancelled stays during periods of lockdown.

7 INTANGIBLE ASSETS

	31 December 2023 £m	**31 December 2022 £m**
Opening net book value	**154.3**	**154.2**
Additions	**3.2**	**3.8**
Movement on capital creditors	**(0.3)**	**0.2**
Disposals	**-**	**-**
Amortisation	**(3.7)**	**(3.9)**
Impairment	**-**	**-**
Closing net book value	**153.5**	**154.3**

The closing net book value at 31 December 2023 comprises brand value of £145.0m, assets under construction of £5.0m and IT software of £3.5m.

The closing net book value at 31 December 2022 comprises brand value of £145.0m, assets under construction of £3.2m and IT software of £6.1m.

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

8 PROPERTY, PLANT AND EQUIPMENT

	31 December 2023 £m	31 December 2022 £m
Opening net book value	**120.6**	**102.5**
Additions	**82.6**	**68.2**
Movement on capital creditors	**(5.1)**	**2.6**
Disposals	**(5.5)**	**(7.7)**
Depreciation	**(43.3)**	**(45.0)**
Impairment reversal	**0.5**	**-**
Closing net book value	**149.8**	**120.6**

The closing net book value at 31 December 2023 comprises assets under construction of £20.0m, freehold and long leaseholds of £1.6m and fixtures and fittings of £128.2m.

The closing net book value at 31 December 2022 comprises assets under construction of £6.0m, freehold and long leaseholds of £1.6m and fixtures and fittings of £113.0m.

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

9 RIGHT OF USE ASSETS

	31 December 2023 £m	31 December 2022 £m
Opening net book value	**2,198.9**	**2,117.0**
New leases	**19.4**	**87.8**
Lease Adjustments(1)	**103.3**	**134.6**
Additions(2)	**0.5**	**2.9**
Foreign Exchange Translation Adjustment	**(0.6)**	**1.8**
Depreciation	**(116.8)**	**(109.3)**
Disposals	**(0.5)**	**(35.9)**
Impairment reversal	**7.1**	**-**
Closing net book value	**2,211.3**	**2,198.9**

(1) Lease adjustments mainly consist of rent reviews
(2) Additions relate to leasehold premiums £0.3m of which were included in capital creditors in 2022

10 TRADE AND OTHER RECEIVABLES

	31 December 2023 £m	31 December 2022 £m
Amounts due within one year:		
Trade amounts receivable		
- Gross amounts receivable	**10.4**	**11.0**
- Bad debt provision	**(0.5)**	**(0.4)**
- Net amounts receivable	**9.9**	**10.6**
Other amounts receivable	**6.7**	**4.9**
Accrued income	**1.2**	**1.0**
Prepayments	**12.5**	**8.4**
Loans to related parties	**2.1**	**1.7**
	32.4	**26.6**

11 TRADE AND OTHER PAYABLES

	31 December 2023 £m	31 December 2022 £m
Trade payables	**(9.9)**	**(10.6)**
Other payables[1]	**(14.1)**	**(10.4)**
Social security and other taxation	**(6.3)**	**(15.7)**
Accruals	**(77.9)**	**(67.3)**
Deferred income	**(1.0)**	**(1.0)**
Prepaid room purchases	**(42.2)**	**(37.6)**
Capital payables	**(5.0)**	**(5.6)**
CVA excess cumulative EBITDA rent payment[2]	**-**	**(13.4)**
Amounts falling due within one year	**(156.4)**	**(161.6)**

(1) Other payables mainly consist of interest accruals (2023: £10.7m, December 2022: £8.0m).
(2) Relates to a one off rent payment to landlords in relation to the Excess Cumulative EBITDA payment clause in the 2020 CVA, subject to finalisation of the calculations. Payment calculations substantially completed and paid in April 2023.

12 IFRS 16 LEASE LIABILITIES

	31 December 2023 £m	31 December 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 - Finance Leases	**1.6**	**1.8**
Payments - Operating Leases	**257.5**	**245.5**
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 after one year	**(2,528.0)**	**(2,492.8)**
	(2,609.9)	**(2,539.3)**

Lease adjustments mainly consist of rent reviews, new leases and the impact of the regear of 122 leases operated by LXI completed on 27 January 2023.

Total lease liabilities at 31 December 2023 have been discounted at a weighted average discount rate of 9.18% with a range of 5.0% to 12.5% and represent leases with a weighted average remaining length, including landlord extension options, from the balance sheet date of 22.6 years.

13 FINANCIAL ASSETS AND LIABILITIES

		31 December 2023 £m	31 December 2022 £m
Cash at bank and in hand		**195.7**	**154.2**
External debt redeemable:			
Senior Floating Rate Bond	July 2025	**-**	**(440.0)**
Senior Floating Euro Bond	April 2028	**(225.4)**	**-**
Senior Fixed Rate Bond	January 2025	**-**	**(65.0)**
Senior Fixed Rate Bond	April 2028	**(330.0)**	**-**
Issue Costs		**12.9**	**5.5**
External debt		**(542.5)**	**(499.5)**
Net external debt		**(346.8)**	**(345.3)**
Investor Loan Note	January 2026 / 2033	**(152.2)**	**(206.9)**
Net debt before finance leases		**(499.0)**	**(552.2)**
Lease liabilities under IFRS 16		**(2,609.9)**	**(2,539.3)**
Net debt including finance leases		**(3,108.9)**	**(3,091.5)**

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

Finance lease liabilities (before IFRS 16) were as follows: 31 December 2023: £14.7m, 31 December 2022: £14.5m.

Senior secured notes

During January 2023, the Group repurchased £15.8m (nominal) of the floating rate loan notes in issue under a managed buy back programme at a discount of £0.8m to par, which were subsequently cancelled.

On 28 April 2023, the Group announced it had issued £330.0 million 10.250% Senior Secured Notes due 2028 and €250.0 million (£220.1 million on the date of issue) Senior Secured Floating Rate Notes due 2028 at a rate of three-month EURIBOR + 5.500% on the International Stock Exchange. This offer was subsequently subscribed in full on 28 April 2023.

On 28 April 2023, the Group gave notice to the holders of its £424.2 million Senior Secured Floating Rate Notes due 2025 of the redemption of the entire aggregate principal amount of outstanding Notes. Notice was also given to the holders of the Group's £65.0 million 9.000% Senior Secured Notes due 2025 of the redemption of the entire aggregate principal amount of outstanding Notes.

Loan note issue costs of approximately £3.8m arising on the original tranches of notes were being amortised over the life of the facility in line with generally accepted accounting practice, but the balance was expensed in full on redemption of those notes. Further loan issue costs of £3.4m are being amortised over 36 months from the issuance date of the notes. OID fees of £9.1m are also being amortised over 36 months from the issuance date of the notes.

Revolving credit facility

At the balance sheet date, a sterling denominated revolving credit facility ("RCF") of £50m was available to the Group until October 2027, having been amended and extended as part of the refinancing of the fixed and floating rate bonds in April 2023.

Letter of credit facility

At the balance sheet date, the LOC had a maximum usage of £30m and was available until October 2027. At 31 December 2023, letters of credit were in issue to the value of £29m, but not called upon.

Investor loan note

On 24 August 2020 and 2 December 2020, the Group entered into additional investor loan note agreements of £10m and £30m respectively, with a termination date of 2033. The original investor loan note of £95m has a termination date of October 2028.

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) as there were payments made totalling £75.0m (2022: £nil) during the period relating to interest only.

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

	31 December 2023		31 December 2022		
	Carrying amount	Fair value	Carrying amount		Fair value
	£m	£m	£m		£m
Financial instrument categories					
Cash and Cash Equivalents	**195.7**	**195.7**	**154.2**	**-**	**154.2**
Financial assets at amortised cost[1]	**18.7**	**18.7**	**17.2**	**-**	**17.2**
Financial derivative liabilty	**(8.7)**	**(8.7)**	**-**	**-**	**-**
Bond related debt	**(546.7)**	**(562.8)**	**(505.0)**	**-**	**(473.6)**
Investor Loan Note	**(152.2)**	**(150.3)**	**(206.9)**	**-**	**(206.9)**
Financial liabilities[2]	**(2,716.8)**	**(2,716.8)**	**(2,633.2)**	**-**	**(2,633.2)**
	(3,210.0)	**(3,224.2)**	**(3,173.7)**		**(3,142.3)**

[1] Financial assets at amortised cost of £18.7m (December 2022: £17.2m) are made up of trade receivables of £9.9m (December 2022: £10.6m), other receivables of £6.7m (December 2022: £4.9m) and loans to related parties of £2.1m (December 2022: £1.7m).
[2] Financial liabilities of £2,716.8m (December 2022: £2,633.2m) are made up of lease liabilities of £2,609.9m (December 2022: £2,539.3m), trade payables of £9.9m (December 2022: £10.6m), accruals of £77.9m (December 2022: £67.3m), other payables of £14.1m (December 2022: £10.4m) and capital payables of £5.0m (December 2022: £5.6m).

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

Cross currency swap

On completion of the refinancing on 28 April 2023 we hedged the currency risk on the principal of €250m for a sixty day period prior to entering into hedging arranging to cover both currency and interest rate risk through a combination of financial instruments.

On 26 June 2023, Travelodge entered into a three year cross currency swap ("CCS") due to the potential foreign exchange impact of the €250m of Senior Secured Floating Rate notes. This instrument replaces the initial FX spot and Forward swap entered into at the time of the refinancing which had an initial fair value of nil. The notional value of the CCS is €200m fixing the principal on exchange with SONIA linked interest payments of approximately SONIA + 6.4%. Under the CCS Travelodge has an exposure to SONIA movements and shortly after the balance sheet date entered into an interest rate derivative, a SONIA interest rate partial collar with a 5.8% - 8.0% cap spread and 4.3% floor for the GBP equivalent of the €200m.

The remaining portion of the exposure from the loan notes is naturally hedged with €50m of interest-bearing EUR instant access cash deposits. In addition, we have purchased EUR call options on the associated interest payments to hedge the currency risk on these interest payments.

14 PROVISIONS

	31 December 2023 £m	31 December 2022 £m
At 1 January 2023	**(3.2)**	**(8.0)**
Cash spend	**0.3**	**4.9**
Additional provisions recognised	**-**	**-**
Release of provisions	**0.1**	**0.1**
Unwinding of discount on provisions	**-**	**(0.1)**
Foreign exchange rate movement	**-**	**-**
Disposals	**-**	**-**
Transfer to accruals	**-**	**-**
At 31 December 2023	**(2.8)**	**(3.1)**
The balance can be analysed as:		
Due in less than one year	**(0.4)**	**(1.2)**
Due in greater than one year	**(2.4)**	**(1.9)**
	(2.8)	**(3.1)**

Provisions of £2.8m as at 31 December 2023 include public liability claims of £0.7m and other provisions of £2.1m.

15 NOTE TO THE CASH FLOW STATEMENT

	Year ended 31 December 2023			Year ended 31 December 2022		
	Before IFRS 16(1) £m	IFRS 16 impact £m	Statutory £m	Before IFRS 16(1) £m	IFRS 16 impact £m	Statutory £m
Operating profit / (loss) - Underlying	**187.4**	**142.5**	**329.9**	**154.6**	**131.8**	**286.4**
Operating (loss) / profit - Non-underlying	**(1.9)**	**(3.6)**	**(5.5)**	**(14.7)**	**(8.1)**	**(22.8)**
Operating profit / (loss)	**185.5**	**138.9**	**324.4**	**139.9**	**123.7**	**263.6**
Adjustments for non-cash items:						
Depreciation of property, plant and equipment	**41.6**	**118.5**	**160.1**	**40.7**	**113.4**	**154.1**
Amortisation of other intangible assets	**13.9**	**(10.2)**	**3.7**	**14.2**	**(10.3)**	**3.9**
Share based payments	**7.0**	**-**	**7.0**	**5.7**	**-**	**5.7**
Unrealised currency translation losses / (gains)	**(0.2)**	**-**	**(0.2)**		**-**	**-**
Loss / (profit) on disposal of fixed assets	**5.5**	**(0.8)**	**4.7**	**14.7**	**(5.6)**	**9.1**
Impairment (reversal) of fixed assets	**(11.4)**	**3.7**	**(7.7)**	**0.4**	**(0.4)**	**-**
	56.4	**111.2**	**167.6**	**75.7**	**97.1**	**172.8**
Operating cash flows before movements in working capital	**241.9**	**250.1**	**492.0**	**215.6**	**220.8**	**436.4**
Decrease / (increase) in inventory	**(0.2)**	**-**	**(0.2)**	**(0.4)**	**-**	**(0.4)**
(Increase) / decrease in receivables	**(6.5)**	**1.6**	**(4.9)**	**(6.9)**	**5.1**	**(1.8)**
Increase / (decrease) in payables	**(12.9)**	**5.5**	**(7.4)**	**33.2**	**17.1**	**50.3**
(Decrease) / increase in provisions	**(0.7)**	**0.3**	**(0.4)**	**(3.8)**	**2.5**	**(1.3)**
Total working capital movement(2)	**(20.3)**	**7.4**	**(12.9)**	**22.1**	**24.7**	**46.8**
Cash flows from operating activities	**221.6**	**257.5**	**479.1**	**237.7**	**245.5**	**483.2**
Corporate tax	**(1.7)**	**-**	**(1.7)**	**(3.6)**	**-**	**(3.6)**
Net Cash Generated from operating activities	**219.9**	**257.5**	**477.4**	**234.1**	**245.5**	**479.6**

(1) Before IFRS 16 - In order to facilitate the comparability of the underlying business to the prior year following the adoption of IFRS 16 on 1 January 2019, additional columns have been added to reflect the position in line with the accounting principles applicable to the previous year.
(2) Before IFRS 16 working capital movement of £(20.3)m (2022: £22.1m) is after non-underlying and provision outflows of £13.5m (2022: £3.8m) and after rent phasing adjustment of £4.3m (2022: £3.8m). Working capital movement in "Memorandum - Analysis of free cash flow" on page 31 is stated before non-underlying movements and before rent phasing adjustment.

16 ALTERNATIVE PERFORMANCE MEASURES (APMS)

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

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

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

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

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

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

	Year ended 31 December 2023 £m	**Year ended 31 December 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 Items (See note 6)	5.5	22.8
Underlying Operating Profit	**329.9**	**286.4**
Depreciation, Amortisation - Underlying	163.8	158.0
(Loss)/Profit on disposal of fixed assets	5.0	7.2
Rent Payable(1)	(254.6)	(238.7)
Unrealised currency translation (gains) / losses	(0.2)	-
EBITDA (adjusted)(2)	**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 'Before IFRS 16' rental amounts accrued adjusted for rent free periods by spreading these over the period to the next rent review date and recognises the credit attributable to reductions resulting from the CVA in line with the actual rent paid in respect of each year.

(2) EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment. In this measure, 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.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
EBITDA (adjusted)(1)	243.9	212.9
Working capital(2)	(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	**160.4**	**167.8**

(1) EBITDA (adjusted) = EBITDA (adjusted) = Earnings before interest, tax, depreciation and amortisation and non-underlying items, on a pre-IFRS 16 basis, and before rent phasing adjustment and unrealised currency translation gains/losses. In this measure, 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.

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

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

	Year ended 31 December 2023 Before IFRS 16[1] £m	Year ended 31 December 2022 Before IFRS 16[1] £m
Net cash flows from operating activities before non-underlying items	241.4	242.6
Cash spend on provisions and non-underlying items[1]	(19.8)	(4.9)
Cash flows from operating activities	221.6	237.7
Corporate tax	(1.7)	(3.6)
Net cash generated from operating activities	**219.9**	**234.1**

(1) Includes £12.4m of CVA payments made, £6.4m in relation to employee costs, £0.2m outflow for professional fees in connection with the design and implementation of the senior management incentive plan, £0.2m other non-underlying payments and £0.4m spend against provisions.

In 2022, net cash spend on non-underlying items through working capital of £7.6m included £5.2m outflow relating to accrued costs (including the £3.9m tax enquiry settlement, £1.0m payments to compromised creditors under the terms of the CVA and £0.3m onerous lease payments), £1.4m outflow in respect of compensation for loss of office relating to the departure of the CEO in May 2022, £0.6m outflow for professional fees in connection with the design and implementation of a new senior management incentive plan.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Total working capital movement (note 15)	(12.1)	46.8
Less IFRS 16 impact	(8.2)	(24.7)
Working capital movement before IFRS 16	(20.3)	22.1
Less non-underlyings before IFRS 16 (including provisions)	13.5	3.8
Less rent phasing adjustment before IFRS 16	4.3	3.8
Working capital	**(2.5)**	**29.7**