Daniel Kos
Chief Financial Officer
& Executive Director

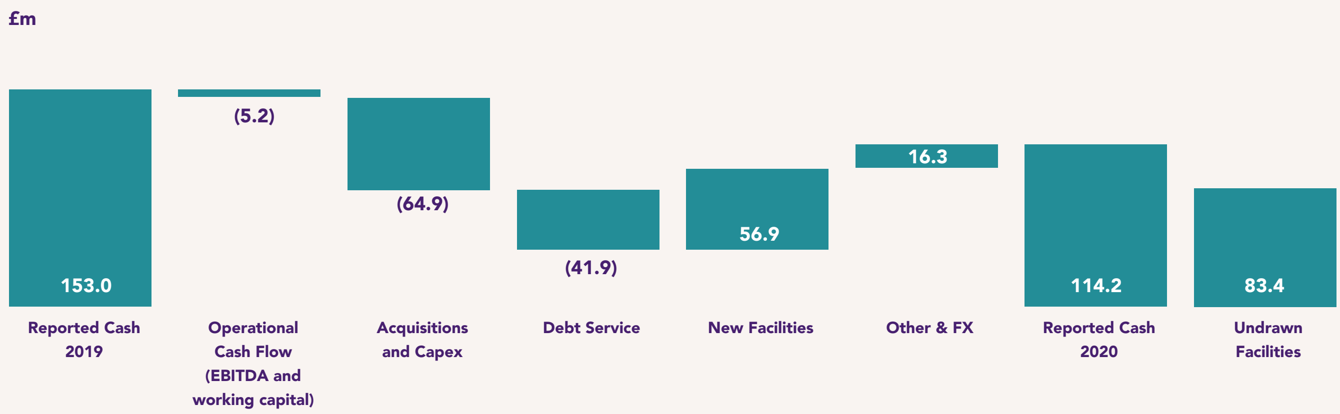
Protecting cash flow with focus on long-term strategy

Financial Results

Key financial statistics for the financial year ended 31 December 2020.

	Year ended 31 December 2020	Year ended 31 December 2019
Total revenue	**£101.8 million**	£357.7 million
Room revenue	**£63.6 million**	£250.6 million
EBITDAR	**£(9.1) million**	£124.7 million
EBITDA	**£(10.1) million**	£122.9 million
EBITDA margin	**(9.9)%**	34.4%
Reported PBT	**£(94.7) million**	£38.5 million
Normalised PBT	**£(89.8) million**	£40.7 million
Normalised EPS	**(181)p**	85p
Occupancy	**28.0%**	80.6%
Average room rate	**£105.1**	£128.5
RevPAR	**£29.4**	£103.6
EPRA NRV per share	**£22.08**	£25.88
Adjusted EPRA earnings per share	**(123)p**	128p

Year-on-year cash flow



Overview of 2020
The Group's performance in the 2020 financial year was severely impacted by the COVID-19 pandemic and ever-changing government lockdowns and travel restrictions across its markets throughout the year. The pandemic resulted in an unprecedented overnight sharp economic downturn, paired with extreme health and safety risks.

Within days, the Group saw a strong start to a forecasted record year change into a year mired by hotel closures and single digit occupancy in the majority of its hotels for the remainder of the year. As a result, the strong cash flow position changed and turned into a cash burn scenario.

Our owner operator model enabled the Group to take decisive and swift actions to preserve cash flow and realign its operational structure to meet near-term demand, to align its operating and brand standards and reprioritise its investments, including capex programmes and development pipeline projects.

Measures to conserve cash mainly focused on reducing overhead costs and realigning expenditure in balance with the significantly subdued demand. This resulted in the Group undertaking fundamental changes to its workforce through reduced work hours, voluntary payroll reductions by senior team members and, unavoidably, through forgoing contract renewals and redundancies. The Group was also able to use the several government job retention schemes available, which helped maintain staffing levels to cope with sudden demand changes when restrictions were eased in certain months.

A material part of the Group's expense base is variable and is reduced in line with the reduced demand, including cost of sales. For most substantial fixed expenses (other than payroll and business rates, where government support was provided), the Group deferred payments to the extent possible and engaged in proactive discussions with landlords and lenders to agree revised payment terms. The Group is thankful to its partners that were supportive in these discussions.

Although demand was heavily impacted by government restrictions, the Group also saw a strong rebound of leisure demand during the months when government restrictions were lifted, which gives confidence for the domestic recovery, when restrictions are lifted with the added benefits of the vaccination programmes aiding consumer confidence.

Operational performance

Revenue

In January and February, revenue grew by 8.7%, driven by an overall strong performance across the Group's key markets and an increase in room inventory versus the prior year as we continued to benefit from the property repositioning projects completed in recent years.

During March, sudden government restrictions started to be implemented throughout the regions we operate in, with Germany as one of the first countries to be locked down, followed by the Netherlands and the UK several weeks after. During the first lockdown, some properties remained open for key workers that we provided accommodation for.

With the first lockdown restrictions easing from the end of May, our revenue strategy led to some properties outperforming the market significantly, particularly with our flagship properties reaching full occupancy in certain periods. The demand in this period for most regions was dominated by domestic leisure and, in the Netherlands, arrivals from surrounding countries. Croatia started the season slow as expected, with occupancy increasing with the season progressing, however declining again at the end of August with surrounding countries imposing travel restrictions.

With autumn arriving, a second wave of COVID-19 cases appeared, causing most governments to impose heavier restrictions, again leading to loss of demand in all territories. Demand in the UK picked up again particularly for the Christmas and New Year's period, however also during that period increased restrictions caused a loss of those bookings.

For the year as a whole, reported total revenue declined by 71.5% to £101.8 million (2019: £357.7 million), reflecting the dramatic downturn in activity, property closures and reduced capacity from the second quarter onwards.

RevPAR fell 71.6% to £29.4 (2019: £103.6), with occupancy declining to 28.0%, compared with 80.6% in 2019. Average room rate decreased by 18.2% to £105.1 (2019: £128.5).

EBITDA Profit and Earnings Per Share

As a result of the revenue decline, Group Reported EBITDA was £(10.1) million (2019: £122.9 million). During this period, the hotels that reached an occupancy of approximately 30.0% were able to break even operationally (before debt service and ground rent payments), however properties trading below that level were unable to maintain positive EBITDA. The Group is grateful for the government support received over the period, which prevented many redundancies it throughout the pandemic and maintaining a certain staffing level helped during a sharp rebound of demand over the summer period. In total the Group has received £24.1 million in government grants relating to employment and the Group received a business rates holiday in the UK amounting to a £12 million reduction in costs.

Normalised profit before tax fell to £(89.8) million (2019: £40.7 million). Reported profit before tax decreased by £133.2 million to £(94.7) million (2019: £38.5 million). Below is a reconciliation table from reported to normalised profit.

In £ millions	**12 months ended 31 December 2020**	12 months ended 31 December 2019
Reported (loss) profit before tax	**(94.7)**	38.5
Net insurance proceeds received in relation to one of the Group's UK hotels	**(10.0)**	–
Execution of the sale and purchase agreement with the Republic of Croatia related to Guest House Riviera Pula	**1.5**	–
Loss on buy back of units in Park Plaza Westminster Bridge London from private investors	**–**	0.7
Fair value adjustment on income swaps with private investors of Income Units in Park Plaza Westminster Bridge London	**0.3**	0.2
Release of provision for litigation	**–**	(1.1)
Results from marketable securities	**(0.1)**	(0.9)
Revaluation of finance lease	**3.4**	3.4
Revaluation of Park Plaza County Hall London Income Units	**2.4**	(0.9)
Pre-opening expenses	**0.6**	0.7
Capital loss on disposal of fixed assets and inventory	**1.5**	0.1
Impairment of property, plant and equipment and right-of-use assets	**5.3**	–
Normalised (loss) profit before tax	**(89.8)**	40.7

Reported basic/diluted earnings per share for the period were (192) pence (2019: 80 pence).

Depreciation excluding impairment in the year was £41.3 million (2019: £41.7 million). Depreciation is recorded in accordance with IFRS, nevertheless internally we consider our ongoing average capital expenditure (capex) over the lifespan of our hotels as a more relevant measure in determining profit, which in the hospitality industry is calculated as approximately 4% of total revenue. Our EPRA earnings number set out below is calculated using the 4% rate instead of the reported non-cash depreciation charge.

Capex

Despite the disruption caused by the pandemic, the Group continued to make strategic progress on its capex projects through 2020. Whilst bearing the Group's liquidity in mind, we have completed and progressed most of our committed investment projects as part of our strategy to upgrade our property portfolio. In total, our cash capex investment including acquisitions in the year amounted to £64.9 million.

We completed the final phase of investment to reposition Arena Grand Kažela Campsite, upgrade projects at Arena Verudela Beach Pula and Park Plaza Histria Pula and the final phase of works to reposition Holmes Hotel London.

In addition to the above we progressed selected development pipeline projects. Site works continued for the construction of art'otel london hoxton, and we started the HRK 260 million (£30.9 million) investment programme to reposition Hotel Brioni Pula in Croatia to an upper upscale 227-room, full-service hotel due to launch in summer 2021.

Finally, we have acquired two hotels for a total of £9.8 million in Eastern Europe. One hotel is located in the old city of Pula, Croatia and another in the city centre of Belgrade, Serbia. In addition, we entered into a 45-year lease agreement at a property in the centre of Zagreb, Croatia. These three hotels are earmarked for either full repositioning (Pula and Belgrade) or conversion from office to hotel (Zagreb).

The Group's development project in New York has been put on a hold temporarily and will be reviewed again post the pandemic.

The average maintenance capex profile across the estate has historically been around 4% of revenue, through the hotel cycle. Given the significant spend in the previous three years and the cycles of these expenses, the Group expects a low maintenance spend in the coming years.

Analysis on capital employed

The table below provides selected data from the Group's reported balance sheet and profit and loss accounts for the year ended 31 December 2020. With this table, the Group aims to assist investors in making a further analysis of the Group's performance and capital allocation, separating the Group's Zagreb listed subsidiary Arena Hospitality Group. This data is additional to the segments that are monitored separately by the Board for resource allocations and performance assessment, which are the segments of the Group.

	PPHE Hotel Group		Arena Hospitality Group[5]		Total
	Trading properties £m	Non-trading projects[3] £m	Trading properties £m	Non-trading projects[3] £m	PPHE Hotel Group Consolidated £m
Balance Sheet					
Book-value properties (excluding Income Units at Park Plaza Westminster Bridge London sold to third parties)[1]	647.5	154.3	270.9	12.9	1,085.6
Right-of-use asset[1]	191.9	–	19.2	12.7	223.8
Book value intangible assets	16.1	–	1.6	–	17.7
Book value non-consolidated investments	–	–	4.7	–	4.7
Other long-term assets	15.6	–	5.3	–	20.9
Working capital	(32.8)	(1.9)	(3.9)	(0.2)	(38.8)
Cash and liquid investments	65.0	4.1	52.1	–	121.2
Bank/Institutional loans (short/long-term)	(590.6)	(40.5)	(126.3)	–	(757.4)
Finance lease liability, land concession and other provisions	(210.7)	–	(32.2)	(11.7)	(254.6)
Deferred profit Income Units in Park Plaza Westminster Bridge London[4]	(5.5)	–	(2.3)	–	(7.8)
Other provisions	(10.4)	–	–	–	(10.4)
Total capital consolidated	86.1	116.0	189.1	13.7	404.9
Minority shareholders	–	–	(89.0)	(6.4)	(95.4)
Total capital employed by PPHE Hotel Group shareholders	86.1	116.0	100.1	7.3	309.5
Normalised profit					
Revenue	73.7	–	28.0	0.1	101.8
EBITDAR	(7.5)	(0.1)	(1.5)	–	(9.1)
Rental expenses	(0.3)	–	(0.7)	–	(1.0)
EBITDA	(7.8)	(0.1)	(2.2)	–	(10.1)
Depreciation[6]	(29.2)	–	(12.0)	(0.1)	(41.3)
EBIT	(37.0)	(0.1)	(14.2)	(0.1)	(51.4)
Interest expenses: banks and institutions	(20.1)	(0.3)	(3.0)	–	(23.4)
Interest on finance leases	(8.8)	–	(0.5)	–	(9.3)
Westminster Bridge London	(2.3)	–	–	–	(2.3)
Other finance expenses and income	(0.8)	–	(1.6)	(0.2)	(2.6)
Result from equity investments	–	–	(0.8)	–	(0.8)
Normalised loss before tax 31 December 2020[2]	(69.0)	(0.4)	(20.1)	(0.3)	(89.8)
Reported tax	0.1	–	0.6	–	0.7
Normalised loss after reported tax	(68.9)	(0.4)	(19.5)	(0.3)	(89.1)
Normalised profit attributable to minority shareholders	–	–	12.2	–	12.2
Normalised loss after tax attributable to PPHE Hotel Group shareholders	(68.9)	(0.4)	(7.3)	(0.3)	(76.9)

1 These are stated at cost price less depreciation. The fair value of these properties is substantially higher.
2 A reconciliation of reported profit to normalised profit is provided on page 47.
3 This contains properties that are in development.
4 This is the book value of units in Park Plaza Westminster Bridge London netted with the advanced proceeds these investors received in 2010.
5 Arena Hospitality Group d.d is listed on the Zagreb Stock Exchange. The market capitalisation at 31 December 2020 is £204.5 million.
6 Depreciation excluding impairments of property, plant and equipment and right-of-use assets.

Real estate performance

EPRA NAV

The Group has a real estate driven business model. As a developer, owner and operator of hotels, resorts and campsites, returns are generated by both developing the assets we own and operating our properties to their full potential. Certain EPRA performance measurements are disclosed to aid investors in analysing the Group's performance and understanding the value of its assets and earnings from a property perspective.

New EPRA guidelines

On 4 November 2019, the European Public Real Estate Association (EPRA) announced changes to its reporting guidelines for the Net Asset Value (NAV) performance measure, effective for the accounting period starting on 1 January 2020. The main reason for this change is to provide investors with information on different levels of assets' fluidity. The original EPRA NAV was created to capture the traditional investment property business model, which is based on long-term ownership, however over the years more real estate companies started to adopt a more flexible approach in the fluidity of their real estate asset ownership. As a result, EPRA NAV has been replaced by the following three new Net Asset Value performance measures:

– EPRA Net Reinstatement Value (EPRA NRV)

The objective of the EPRA NRV measure is to highlight the value of net assets on a long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value movements on financial derivatives and deferred taxes on property valuation surpluses, are therefore excluded.

EPRA NRV is calculated based on the same principles used for the EPRA NAV calculation in 2019 except for adding back the real estate transfer costs which were excluded from the EPRA NAV calculation for 2019.

As at the balance sheet date, the Group's intangible assets mainly include the management and franchise rights for the Park Plaza Hotels & Resorts and art'otel brands. Under those rights, the Group currently provides: management services to all the operating properties in the Group's portfolio, management services to Park Plaza County Hall London, and has two franchise agreements with Park Plaza Trier and Park Plaza Cardiff. Consistent with previous years, the Group's approach is not to revalue these intangible assets, although Management believe that their fair value significantly exceeds their book value.

– EPRA Net Tangible Assets (EPRA NTA)

The underlying assumption behind the EPRA NTA calculation assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability. In addition, intangible assets included in the Group's consolidated financial statement should be excluded.

It should be noted that the Group does not intend to sell any of its properties in the long run and as such all the deferred taxes that directly relate to the properties have been excluded (similar to EPRA NRV calculation).

– EPRA Net Disposal Value (EPRA NDV)

This represents the value to shareholders under a disposal scenario, where deferred tax, financial instruments and fixed interest rate debt are calculated to the full extent of their liability.

EPRA NRV for 31 December 2020

In December 2020, the Group's properties (with the exception of operating leases, managed and franchised properties) were independently valued by Savills (in respect of properties in the Netherlands, UK and Germany) and by Zagreb nekretnine Ltd (ZANE) (in respect of properties in Croatia). Based on their valuations we have calculated the Group's EPRA NRV, EPRA NTA and EPRA NDV. The EPRA NRV as at 31 December 2020, set out in the table below amounts to £960.8 million, which equates to £22.08 per share. EPRA NRV decreased by £150.8 (£3.85 per share) due to losses of the Company during the pandemic and negative property valuations. In the valuations performed by external valuers the discount and cap rates remained largely unchanged, value declines are therefore mainly attributable to the income declines in all properties due to the pandemic and the effect this has on the discounted cash flows used in the valuation.

Our portfolio is made up of assets that were recently repositioned or built and assets that had reached operational maturity. Particularly assets that have reached operational maturity were affected more by a negative revaluation compared to the assets that were recently built or repositioned. In their valuation models, the valuators have assumed the income in 2024 will return to, or to exceed, 2019.

	31 December 2020 £ million		
	EPRA NRV (Net Reinstatement Value)	EPRA NTA[4] (Net Tangible Assets)	EPRA NDV (Net Disposal Value)
NRV per the financial statements	309.6	309.6	309.6
Effect of exercise of options	13.2	13.2	13.2
Diluted NRV, after the exercise of options[1]	322.8	322.8	322.8
Includes:			
Revaluation of owned properties in operation (net of non-controlling interest)[2]	602.1	602.1	602.1
Revaluation of the JV interest held in two German properties (net of non-controlling interest)	3.2	3.2	3.2
Fair value of fixed interest rate debt	–	–	(84.5)
Deferred tax on revaluation of properties	–	–	(13.1)
Real estate transfer tax[3]	18.6	–	–
Excludes:			
Fair value of financial instruments	(0.7)	(0.7)	–
Deferred tax	(13.4)	(13.4)	–
Intangibles as per the IFRS balance sheet	–	17.8	–
NRV	960.8	924.4	830.5
Fully diluted number of shares (in thousands)[1]	43,521	43,521	43,521
NRV per share (in £)	22.08	21.24	19.08

1 The fully diluted number of shares excludes treasury shares but includes 1,196,996 outstanding dilutive options (as at 31 December 2019: 412,290).
2 The fair values of the properties were determined on the basis of independent external valuations prepared in December 2020. The properties under development are measured at cost.
3 EPRA NTA and EPRA NDV reflect fair value net of transfer costs. Transfer costs are added back when calculating EPRA NRV.
4 NTA is calculated under the assumption that the Group does not intend to sell any of its properties in the long run.

	31 December 2019 £ million			
	EPRA NRV Net Reinstatement Value)	EPRA NTA[4] (Net Tangible Assets)	EPRA NDV (Net Disposal Value)	EPRA NAV (as reported in the 2019 financial statement)
NRV per the financial statements	377.3	377.3	377.3	377.3
Effect of exercise of options	4.0	4.0	4.0	4.0
Diluted NRV, after the exercise of options[1]	381.2	381.2	381.2	381.2
Includes:				
Revaluation of owned properties in operation (net of non-controlling interest)[2]	699.2	699.2	699.2	699.2
Revaluation of the JV interest held in two German properties (net of non-controlling interest)	3.9	3.9	3.9	3.9
Fair value of fixed interest rate debt	–	–	(86.4)	–
Deferred tax on revaluation of properties	–	–	(29.9)	–
Real estate transfer tax[3]	19.8	–	–	–
Excludes:				
Fair value of financial instruments	(0.7)	(0.7)	–	(0.7)
Deferred tax	(6.7)	(6.7)	–	(6.7)
Intangibles as per the IFRS balance sheet	–	18.0	–	–
NRV	1,111.5	1,073.7	968.0	1,091.7
Fully diluted number of shares (in thousands)[1]	42,872	42,872	42,872	42,872
NRV per share (in £)	25.93	25.04	22.58	25.46

1 The fully diluted number of shares excludes treasury shares but includes 412,290 outstanding dilutive options (as at 31 December 2018: 522,500).
2 The fair values of the properties were determined on the basis of independent external valuations prepared in the summer of 2019. The properties under development are measured at cost.
3 EPRA NTA and EPRA NDV reflect fair value net of transfer costs. Transfer costs are added back when calculating EPRA NRV
4 NTA is calculated under the assumption that the Group does not intend to sell any of its properties in the long run.

Below is a summary of the valuation basis of our assets as at 31 December 2020. The property market value, the discount rate and the cap rate have been taken from the independent valuer's report.

Region	Properties	Property market value £million	Discount Rate	Cap Rate
United Kingdom				
London	6	864.1	7.0% – 8.5%	5.0% – 6.5%
Provinces	2	29.9	9.5% – 9.8%	7.5% – 7.8%
The Netherlands				
Amsterdam	4	242.2	7.3% – 8.5%	5.3% – 6.5%
Provinces	2	37.7	9.3% – 9.5%	7.3% – 7.5%
Germany, Hungary and Serbia	6	87.2	8.5% – 8.8%	6.5% – 6.8%
Croatia				
– Hotels and apartments	11	141.0	9.0% – 10%	7.0% – 9.0%
– Campsites	8	102.1	9.0% – 11%	7.0% – 9.0%

Other EPRA measurements

Given that the Group's asset portfolio is comprised of hotels, resorts and campsites which are also operated by the Group, a few of EPRA's performance measurements, which are relevant to real-estate companies with passive rental income, have not been disclosed as they are not relevant or non-existent. Those EPRA performance measurements include EPRA Net Initial Yield, EPRA 'Topped-up' NIY, EPRA Vacancy Rate and EPRA Cost Ratios.

Cash flow and EPRA Earnings

At the onset on the pandemic, the Group had a healthy balance and a strong cash position, with a total cash balance of £153 million (cash balance as of 31 December 2019) and a net bank debt leverage of 29.4%. However, when the scale of the pandemic became known and it was apparent that the Group would move into a cash burn scenario, immediate steps were taken to mitigate the impact and preserve cash. The actions taken in the year included:

- Utilisation of the government support schemes available to the business across its markets; the COVID-19 Job Retention Scheme in the UK, the Temporary Emergency Measure for Work Retention scheme in the Netherlands, the Kurzarbeit scheme in Germany and the Job Preservation scheme in Croatia. Together, these schemes provided the Group with approximately £24.1 million of support in the period.
- Using additional government support measures, such as the business rates holiday in the UK from 1 April 2020 until 31 March 2021, which amounted to a £1.4 million cash saving per month (total of £12 million in the period) and deferral of VAT and PAYE.
- Withdrawal of the proposed 2019 final dividend payment to shareholders, equating to £8.6 million, and no interim dividend paid, which last year amounted to £6.8 million.
- Restructuring programme (which is ongoing) to ensure the Group's operational structure is fit for purpose and is aligned with guest demand for the short and medium term.
- Voluntary temporary fees and salary reductions in the second quarter of 2020; 100% cut of the fees and salary respectively for the Chairman of the Board and the President & CEO, as well as a 20% salary reduction across all members of the Executive Leadership Team.
- Deferral of 2019 discretionary staff incentive payments (for which targets have been met), at an aggregate value of £1.8 million with such payments reconsidered, if appropriate, in due course.
- Reviewed and reprioritised capex requirements for the development pipeline; resulting in the pausing of the project in New York.
- Reviewed and reprioritised all areas of discretionary spend, reducing this to business-critical investments only.
- Deferred loan amortisations for 2020 at an aggregated amount of £6.1 million.
- In addition to cash flow saving measures, the Group also secured four facilities that provide the Group with further cash support throughout this period of cash burn. These include two revolving credit facilities totalling £50 million, one term loan totalling to €10 million and one construction loan that provides for a temporary £41.1 million to be drawn for general purposes.

The Group's cash flow measures outlined above have enabled it to reduce its quarterly cash outflow ('cash burn'). Further details in the Group's cash flow in the four quarters of 2020 are provided in the table below:

	Three months ended 31 March 2020 £ million	Three months ended 30 June 2020 £ million	Three months ended 30 September 2020 £ million	Three months ended 31 December 2020 £ million	**Twelve months ended 31 December 2020 £ million**
Operational cash flow (including working capital)	6.2	(3.1)	(3.9)	(4.4)	**(5.2)**
Investment in properties	(18.1)	(16.3)	(19.5)	(11.0)	**(64.9)**
Debt service including leases and unit holders in Park Plaza Westminster Bridge London	(13.6)	(10.7)	(7.8)	(9.8)	**(41.9)**
New facilities	4.9	16.8	26.5	8.7	**56.9**
Other exceptional items (including FX)	17.5	0.4	0.1	(1.7)	**16.3**
Total cash movement	(3.1)	(12.9)	(4.6)	(18.2)	**(38.8)**
Cash at beginning of period	153.0	149.9	137.0	132.4	**153.0**
Cash at end of period	149.9	137.0	132.4	114.2	**114.2**
Undrawn facilities at end of period[1]	4.1	63.0	63.0	83.4	**83.4**

1 The amount of undrawn facilities as at 31 December 2020 is £83.4 million which comprise the £41.1 million undrawn amount in the art'otel london hoxton facility and an undrawn amount of £42.3 million in the two revolving credit facilities.

The main adjustment to the normalised profit included in the Group's financial statements is adding back the IFRS depreciation charge, which is based on assets at historical cost, and replacing it with a charge calculated at 4% of the Group's total revenues. This represents the Group's expected average cost to maintain the estate in good quality. The basis for calculating the Company's 2020 adjusted EPRA earnings of £(52.1) million (2019: £54.2 million) and the Company's adjusted EPRA earnings per share of (123) pence (2019: 128 pence) is set out in the table below.

	12 months ended 31 December 2020 £ million	12 months ended 31 December 2019 £ million
Earnings attributed to equity holders of the parent company	**(81.7)**	33.9
Depreciation and amortisation expenses	**46.6**	41.7
Revaluation of Park Plaza County Hall London Income Units	**2.4**	(0.9)
Changes in fair value of financial instruments	**0.2**	(0.7)
Non-controlling interests in respect of the above[3]	**(8.1)**	(7.8)
EPRA earnings	**(40.6)**	66.2
Weighted average number of shares (LTM)	**42,466,006**	42,390,693
EPRA earnings per share (in pence)	**(96)**	156
Company specific adjustments[1]:		
Capital loss on buy-back of Income Units in Park Plaza Westminster Bridge London	**–**	0.7
Remeasurement of lease liability[4]	**3.4**	3.4
Other non-recurring expenses (including pre-opening expenses)[9]	**2.0**	0.8
Government settlement purchase of hotel Riviera[7]	**1.5**	–
Gain from settlement of legal claim[6]	**–**	(1.1)
Adjustment of lease payments[5]	**(2.6)**	(2.2)
Insurance settlement[10]	**(10.0)**	–
Investment tax credit[8]	**(1.8)**	(5.1)
Maintenance capex[2]	**(4.0)**	(14.3)
Non-controlling interests in respect of the above[3]	**–**	5.8
Company adjusted EPRA earnings[1]	**(52.1)**	54.2
Company adjusted EPRA earnings per share (in pence)	**(123)**	128

Reconciliation Company adjusted EPRA earnings to normalised reported profit before tax		
Company adjusted EPRA earnings	**(52.1)**	54.2
Reported depreciation[11]	**(41.3)**	(41.7)
Non-controlling interest in respect of reported depreciation	**8.1**	7.8
Maintenance capex[2]	**4.0**	14.3
Non-controlling interest on maintenance capex and the company specific adjustments	**–**	(5.8)
Adjustment of lease payments[5]	**2.6**	2.2
Investment tax credit[8]	**1.8**	5.1
(Loss) profit attributable to non-controlling interest	**(12.2)**	8.7
Reported tax	**(0.7)**	(4.1)
Normalised (loss) profit before tax	**(89.8)**	40.7

1 The 'Company specific adjustments' represent adjustments of non-recurring or non-trading items.
2 Calculated as 4% of revenues, which represents the expected average maintenance capital expenditure required in the operating properties.
3 Non-controlling interests include the non-controlling shareholders in Arena and third party investors in income units of Park Plaza Westminster Bridge London.
4 Non-cash revaluation of finance lease liability relating to minimum future CPI/RPI increases.
5 Lease cash payments which are not recorded as an expense in the Group's income statement due to the implementation of IFRS 16.
6 Release of accrual as a result of a settlement reached in a legal dispute in Croatia with Pula Herculanea d.o.o (see Note 25b in the annual consolidated financial statements).
7 Execution of the sale and purchase agreement with the Republic of Croatia related to Guest House Riviera Pula (see Note 5d in the annual consolidated financial statements).
8 Relates to investment tax credit received in Croatia and change in tax rate (see Note 27 in the annual consolidated financial statements).
9 Mainly relates to write-off value of fixed assets due to reconstruction of Hotel Brioni Pula (disposal of asset due to reconstruction).
10 Net insurance proceeds received in relation to one of the Group's UK hotels.
11 Reported depreciation excluding impairments of property, plant and equipment and right-of-use assets.

Funding

During the year additional funding was secured, the Group utilises various financing options. Additional funding was secured during the year to strengthen liquidity.

A new three-year £20 million Rolling Credit Facility was secured against Park Plaza London Waterloo, which can be used for the general working capital requirements of the Group. £14.7 million of this facility was undrawn at the year end.

The Group also agreed a three-year £30 million revolving credit facility backed by the UK Government (£27.5 million undrawn at balance sheet date), and it entered into a three-year €10 million (£9.1 million) term facility backed by the Dutch government in August 2020. Both these facilities were secured with the Group's current banking partners.

Despite the pandemic, the Group secured up to £180 million of funding for completion of the construction of art'otel london hoxton, its largest pipeline development project. This facility offers the Group the ability to temporarily draw up to £41.1 million, if required, for any cash flow needs the Group may encounter in the short term.

In the case of traditional bank funding, whereby assets are typically ringfenced into single or Group facilities, the loan to value ratio policy varies between 50% and 65%, depending on the location of the asset. The current net bank debt leverage of the Group stands at 37.1% (2019: 29.4%).

Through liaison with our lenders we have, where necessary, postponed financial covenant testing and amortisation of existing facilities until 2022. Deferred loan amortisations for 2020 and 2021 at an aggregated amount of £6.1 million and £7.9 million respectively. The Group is currently in compliance with respect to its loan-to-value covenants.

The Group's total assets (properties at fair value) represent a value after the deduction of lease liabilities and unit holder liabilities. Accordingly, in the total loan-to-value (LTV) analysis of the Group, management considers the value of the freehold and long leasehold assets (net of these liabilities) compared with its bank funding (i.e. excluding the lease and unit holder liabilities), which management believes is the most accurate representation of the Group's total leverage position.

	£m
Bank financing	
Over 5-year debt	609.4
Less than 5-year debt	148.0
Cash and cash equivalents	121.2
Net bank debt	**636.2**
Equity	
– Reported	309.6
– Market value restatement	638.0
Equity attributable to shareholders of the Group[1]	**947.6**
Non-controlling interest	
– Reported	95.4
– Market value restatement[2]	34.9
Equity attributable to non-controlling interest	**130.3**
Total equity	**1,077.9**
Group's total asset (properties at fair value)	**1,714.1**
Net bank debt leverage	**37.1%**

1 Equity attributable to shareholders of the Group based on EPRA NRV excluding the £13.2 million effect due to exercise of dilutive options.
2 The market value restatement for the equity attributable to non-controlling interest represents the minority's share in the EPRA NRV adjustments.

The Group reported a gross bank debt liability of £757.4 million (31 December 2019: £678.3 million) and net bank debt of £636.2 million (31 December 2019: £514.7 million). Net bank debt increased by £121.5 primarily due to the cash burn during the period of COVID, capital expenditures as part of our development pipeline and the first time consolidation of the bank loan for the New York project after the acquisition of the remaining interests in the project in January 2020.

The table below provides a further breakdown of the Group's bank debt position.

Loan maturity profile at 31 December 2020 (£m)

	Total	1 year	2 years	3 years	4 years	5 years	Thereafter
£m	757.4	36.4	22.0	25.1	45.4	19.1	609.4

- Average cost of bank debt 3.1%
- Average maturity of bank debt 5.8 years
- Group average bank interest cover (1.2) (2019: 4.4)

Key characteristics debt for operating properties

- Limited to no recourse to the Group for the asset backed loans
- Asset backed
- Borrowing policy 50–65% loan-to-value
- Portfolio and single asset loans
- 21 facilities with 11 different lenders
- Covenants on performance and value (facility level)

Cover Ratios

	ICR[1]	DSCR[2]
2019	4.4x	2.7x
2020	(1.2)x	(0.4)x

1 EBITDA, less unitholder and lease payments, divided by bank interest.
2 EBITDA, less unitholder and lease payments, divided by the sum of bank interest and yearly loan redemption.

Acquisitions and development pipeline

In our strategy to drive long-term value we take a disciplined, focused approach to capital deployment. We aim to optimise the value of our existing portfolio and, where appropriate, extract value to fund new development opportunities in order to drive sustainable long-term growth. We are disciplined in selecting and progressing an investment opportunity, only targeting real estate with upside potential which fits our long-term growth strategy and above all creates strong shareholder value.

The Group's acquisition criteria include:

- prime location;
- attractive geographies (this includes territories where the Group is not currently present);
- opportunity to create significant capital value; and
- risk adjusted accretive IRRs.

In 2020, we completed a sale and purchase agreement for Guest House Hotel Riviera in Pula, Croatia (£4.4 million) and acquired 88 Rooms Hotel in Belgrade (£5.4 million). In addition, we entered into a 45-year lease agreement at a property in Zagreb Croatia, for the planned development and operation of a 115-room hotel.

The Group has an active pipeline of £200+ million plus development pipeline of new hotels, including the development in Hoxton, London. Our owner operator model enables us to have full control over this pipeline and considering the challenging market conditions, we thoroughly reviewed and reprioritised our development capex requirements. In the summer of 2020, we took the decision to pause our project in New York.

Dividend

On 19 March 2020, the Board of Directors announced its decision to withdraw its proposal for a final dividend of 20 pence per share (equating to £8.6 million) in respect of 2019 to preserve cash in the business in light of the severe cash flow implications that COVID-19 has on the Group's cash flow.

The Group recognises the importance of dividend, however, given the uncertainty pertaining to the pandemic and its impact on the future cash requirements for the Group, the Board did not propose an interim dividend in respect of the six-month period ended 30 June 2020 and nor is it proposing a final dividend for the year ended 31 December 2020.

Dividend growth as % of adjusted EPRA earnings:

	Dividend per share (pence)	Adjusted EPRA earnings per share (pence)	Dividend as % of EPRA earning per share
2014	19	91	21%
2015	20	96	21%
2016	21	97	22%
2017	24	104	23%
2018	35	115	30%
2019	17	128	13%
2020	–	(123)	–

The Group does intend to pay its shareholders a dividend, although does not consider this appropriate with the current negative cash flows. The Board will continue to review its dividend policy and any future dividend payments will be aligned to performance and underlying free cash flows of the business.

Daniel Kos
Chief Financial Officer & Executive Director